

AMERICAN UNIVERSITY OF ARMENIA

Diasporas' engagement in the economic development of Armenia

By

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CONTENTS

INTRODUCTION.....	5
LITERATURE REVIEW.....	14
DESIGNAND METHODOLOGY.....	18
FINDINGS.....	21
DISCUSSION.....	34
CONCLUSION.....	41
APPENDICIES.....	43
BIBLIOGRAPHY.....	47

ABBREVIATIONS

ADB – Asian Development Bank

ZIA – Zvartnots International Airport

AIA– American International Airports

ArIA – Armenia International Airports

DEG – Deutsche Investitions-und Entwicklungsgesellschaft

EBRD – European Bank for Reconstruction and Development

CCH - Cascade Capital Holdings

CFF - Cafesjian Family Foundation

EBRD - European Bank for Reconstruction and Development

USAID - United States Agency for International Development

UCO - Universal Credit Organizations

DCI - Amount of Diaspora-connected foreign direct investments

CBA - Central Bank of Armenia

IMF -- International Monetary Fund

EEU - Eurasian Economic Union

RA – Republic of Armenia

Introduction

In recent years, there has been growing interest in the study of political, social and economic impacts of Diasporas both in Armenia and in an international context, as the phenomenon of migration is rapidly growing. The Armenian Diaspora has considerable potential for contributing to an economic and social development in its homeland. These contributions range from increased trade links, business creation, investments, and exchange of experiences. However, Armenia, like many developing countries, has had limited success in proactively engaging the direct investors of their Diaspora. The small domestic market, isolation from major capital markets, and lack of substantial natural resources adversely affect Armenia's ability to engage investors. Therefore, Armenia views the Diaspora as the major source of funding and target for financial resources and relies on the operation of the Diaspora business networks.

Unfortunately, there is not much research conducted concerning the real determinants that influence the Diaspora investment in Armenia. There is very little information about what factors influence Diaspora members to invest in their homelands and why diverse Diaspora communities have different investment intensity. Thus, the broader purpose of this study is to understand what factors impact Diasporas' involvement in the economic development of Armenia.

Background

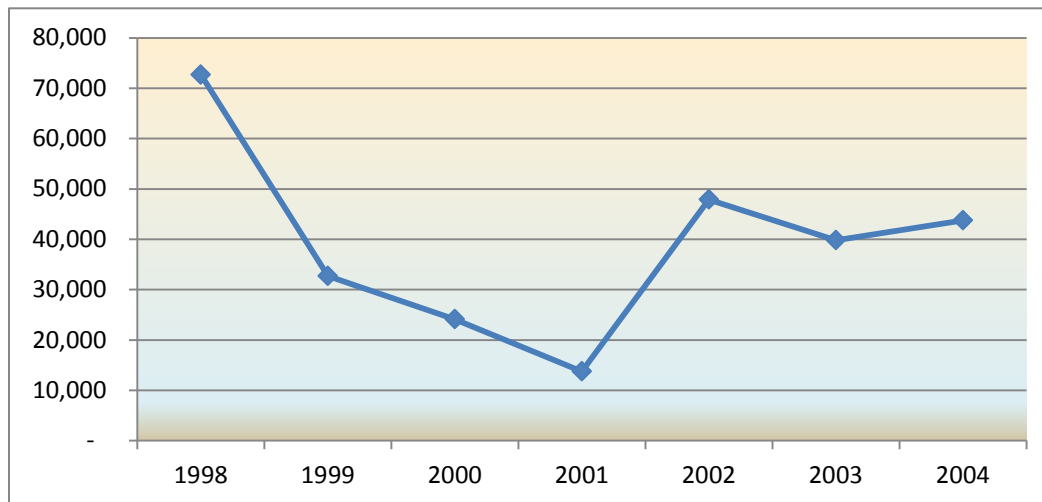
The Genocide of 1915, which resulted in a mass dispersion of Armenians from Anatolia in the Ottoman Empire (their historic homeland) and the emergence of a large Armenian Diaspora in Western countries, particularly in the United States and France, recognized as the

beginning point of the contemporary Armenian Diaspora. Also, the Soviet takeover in 1920 and the Soviet Union's deterioration in the late 20th century (from 1920 to 1991 Armenia was one of the union republics of the USSR) that caused war and economic turbulence contributed to an additional outflow of Armenians directed toward U.S. and Europe (Sammur 2015). Until the late 1970s, the centers of gravity for the Armenian Diaspora were countries in the Middle East, such as Syria, Lebanon, Iran, and Egypt, but many conflicts in the Middle East, such as 1979 Iran's Islamic revolution and the Lebanese civil war lasting from 1975 to 1990, forced the mass migration of Armenians to North America which then became the new center of gravity for Diaspora. This contributed to the growth in stature and wealth. The Armenian-American Diaspora matured politically and started to participate actively in the host country's political life. Initially, the primary goal of their activities was the Genocide recognition, but after 1991, when Armenia became independent, they also started to deliver humanitarian and economic assistance (Policy Forum Armenia 2010a).

The Armenian government has formed some initiated programs to engage formally with the Diaspora. This started with various public pan-Armenian events held in Armenia, including the celebrations of the 1700th anniversary of the Adoption of Christianity as the state religion, athletic events such as Pan-Armenian game, Investment Conference in New York, and seminars such as Diaspora-Armenia Economic Conference, etc. Other formal mechanisms included the "Hayastan" Pan-Armenian Fund, which was an important channel of Diaspora aid, financial support for various programs by billionaire Kirk Kirkorian via the Lincy Foundation, which has invested nearly USD 300 million in Armenian development projects since independence. The result of these developments was that in 2004 the share of investors from Armenian Diaspora in the number of foreign investors became 84 percent. During the 1998-2001, the DCI amounts

showed the decreasing trend (Figure 1), but in 2002, it reversed and then stabilized around USD 40-45million (Hergnyan and Makaryan 2006).

**Figure 1: Diaspora-connected foreign direct investment trends in 1998-2004
Thousand USD**



Armenia and Diaspora have idealized images of the other throughout the long years. Since 1991, they have had sufficient time to dispel this images and unrealistic expectations. The opportunities to communicate with each other at different levels allow Diaspora to understand that Armenia is a real place that has its real people and problems. However, there are some factors that make difficult to form common objectives and limit the possibility of interest alignment. First of all, the large majority of the Diaspora is Armenians that were forced to flee from Genocide, came from the Middle Eastern countries in the second half of the 20th century, or appeared after the collapse of the Soviet System sees Armenia as a successor to the Armenian SSR and has little connection to the current Armenia. Richard Giragosian, director of the Armenian Center for National and International Studies, based in Yerevan, in his interview with Hetq Online said that Diaspora's connection to the homeland is limited to crisis-driven activity and Armenia able to create cultural and economic ties with Diaspora and emerge as the center of

their attention only “in times of peril or threat - whether it’s the Karabakh war, whether it’s the continued threat from Azerbaijan or whether it’s the earthquake.” He mentioned that in the 1990s Diaspora has played a very important role in Armenia, driven by the general purpose to support early Armenian independence and self-determination of Karabakh. But most business investments have pulled out or been expropriated because of corruption and a Soviet-style bureaucracy that creates a serious barrier to harness Diaspora potential. Armenians from different countries came to Armenia with the purpose to invest, but many of them lost their investments within months because did not understand the new rules of a wild market economy, the subtlety or sophistication of Soviet bureaucracy (Gadarigian 2010).

Another factor is that communities of Diaspora were influenced by the national interests of their host countries where they had to pass through the difficult stages of social adaptation. These communities have their unique features formed by the political, socio-economic, spiritual and cultural environment of the host country. Also, there exist no stable allegiances between the Armenian government and Diaspora. Some Diaspora groups want to cooperate with the governing regime in Armenia while others think that the government actions do not always serve the interests of the nation. The Armenian government would like to have a world-wide Diaspora and all the benefits that it brings without taking the responsibilities that come with it (Gadarigian 2010).

Diaspora financial support to Armenia was initially implemented in two ways: through personal remittances, organized and highly structured fundraising for specific projects and humanitarian aid. For example, after the December 1988 earthquake, 14 large Armenian Diaspora organizations raised USD 900 million to aid people already devastated by war, poverty, and the various difficulties that Soviet Union’s demise led to (Manasaryan 2004). However, it

soon became clear that a massive program of humanitarian assistance without active business support and investment program is not enough to guarantee Armenia's sustainable growth and development. Freinkman (2008) noticed that "The act of giving seems to be more important than the actual effect." Moreover, much of the soft money disappeared, and Diaspora subsequently discovered that the oligarchs and well-connected state official built massive amounts of wealth. This fact discouraged Diaspora members from engaging in the Armenian economy (Policy Forum Armenia 2010a).

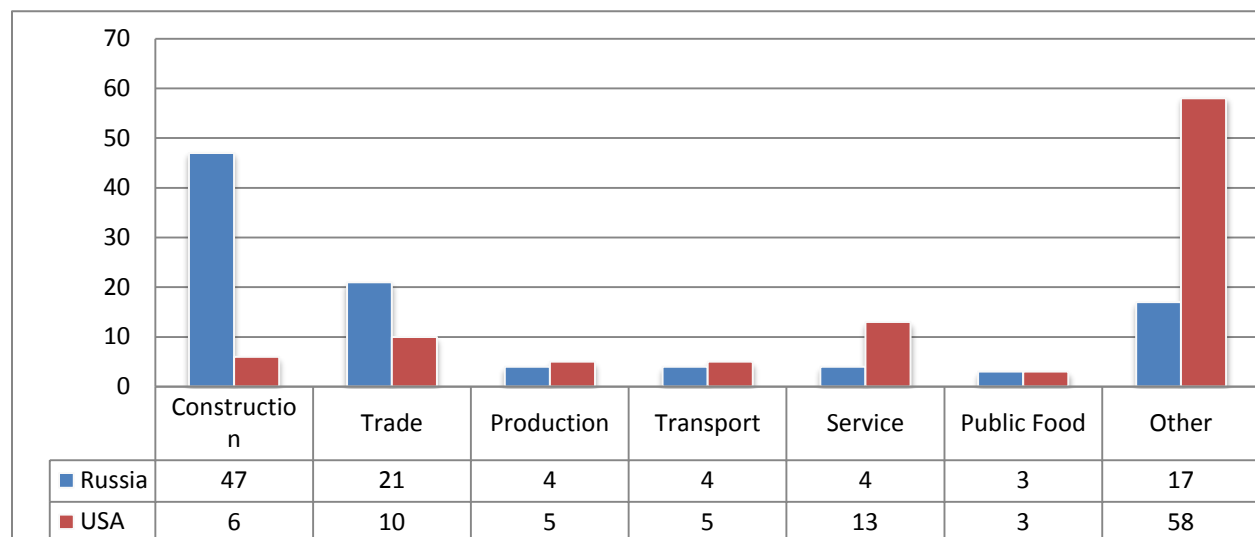
In 1994, after Azerbaijan, Karabakh, and Armenia signed a ceasefire agreement in Moscow, Mr. Levon Ter-Petrossian, the first President of Armenia from 1991 to 1998, tried to guarantee financial support from the Diaspora by adopting a law on Foreign Investments to regulate the foreign investment field. The purpose of the FDI-oriented government policy was to attract new investors. A new generation of Diaspora that formed because of people migration to the Russian Federation, former Soviet Republics, North America and Europe became intermediaries in this process and started to support actively family members, relatives and friends to alleviating the terrible conditions in dark years. During 1994–1997, the trade barriers were eliminated through privatization of all previously state-owned companies and liberalization the prices. In the late 1990s, direct investment in Armenia's economy became the desired alternative to humanitarian assistance. Many Diaspora members wanted to invest in Armenia due to the altruistic pleasure of helping Armenia (Nielsen and Riddle 2009).

However, most successful organizations and project-driven entities funded by the Diaspora failed to provide consolidate financial assistance and attract non-Diaspora investments to Armenia. In addition, thriving corruption and several rigged elections widened the gap between Diaspora and Armenia. Economic policy, in particular, has remained oligarchic and the

main international links of the political elite, dominated by a narrow group of Karabakh veterans, were mostly focused on Russia. Richard Giragosian said in an interview with Hetq Online (the publication of the Investigative Journalists of Armenia) that some Diaspora members tend to criticize the Armenian government for helping the enemy and weakening Armenia (Hakobyan 2010).

Despite limited investments, the financial flows from the Diaspora community in Russia into the Armenian economy were the most significant. In 2006, the Central Bank of Armenia initiated the conduct of a survey to estimate the total volume of transfers to Armenia. The inflow of money transfers from abroad into Armenia via banking system during 2003-2005 totaled to USD 580 million annually or about 15.5 percent of GDP. Money transfers mostly originate from Russia (72.2 percent of total), followed by the USA (14.3 percent). Other major sources are Germany, Greece, and Ukraine (5.2 percent combined). Money transfers from the USA are mostly made through specialized organizations providing this service (CBA 2006).

Figure 2: Remittance sender industry sector (%)



Source: CBA

However, according to IMF study conducted by David Grigorian and Tigran Melkonyan (2008), the remittances have a large negative impact on the Armenian economy at the microeconomic level because remittances are likely to weaken incentives to work or study, and increase the likelihood of further emigration of Armenians. Also, the households that received remittances are not planning to invest money in new businesses or expand their business activities.

Armenia officially joined the Eurasian Economic Union in January 2015 (Sammut 2015). A senior research associate at the Institute of Oriental Studies of the National Academy of Sciences Vagram Ter-Matevosian in his analysis mentioned that Russian companies have 40 percent share of the total value of foreign investment in Armenia, of which 29 percent belong to the Armenian Diaspora in Russia. The active involvement of Russia's major companies in the leading sectors of Armenia, as well as a large number of Armenians who live and work in Russia, influenced Armenian' choice towards the EEU (Ter-Matevosian 2015).

There were many articles and discussions in Diaspora's media that mostly focused on the membership of Armenia in EEU, which was considered a potential barrier to the relationship between Armenia and Western Diaspora, and their development in the future. Armenia's over-dependence on Russia in many sectors became the subject of intense discussion in Diaspora media: "What is expected for Armenian in EEU? There are more questions than answers. [...] What needs to be asked is what would Armenia gain and loose if it refused to be a member of EEU? [...] Some 20 percent of Armenian GDP is formed by Russia. Money transfers of about two billion US dollars enter Armenia annually, of which 85 percent come from Russia and the remaining 15 percent from other countries. This can be continued on and on showing in figures how dependent is the Armenian economy on Russia" (Noravank Foundation 2015).

The Diaspora members have different interests, relations, and interaction with Armenia. Diaspora identities change from place to place and generation to generation, and it is very difficult to mobilize such various people without major cultural and intellectual geographic centers. Armenians, particularly in the Western Diaspora, are integrated into their host countries. They do not want to make large financial commitments because of inequality and corruption that are widespread across many sectors in Armenia. Also, many Diaspora members think that by supporting their homeland they support the government (Panossian 2015).

Whatever the reasons for the Diaspora disengagement are, it is clear that Diaspora and Armenia were unable to line up their vision and aspirations. Corruption, poor governance practices, human rights abuses, and economic mismanagement have prevented a true socio-economic integration between Armenian and Diaspora. Furthermore, Diaspora encouraged the abuses by subsequently turning a blind-eye on these factors that have undermined the prospects for development. In 2010, Policy Forum Armenia (PFA) in Glendale analyzed the results of the years of the engagement of Diaspora in the Armenian economy and provided recommendations for the future. Presenters, Dr. David Grigorian, a Senior Economist at the International Monetary Fund, and Professor Asbed Kotchikian, a Political Science Lecturer at Bentley University, argued that Diaspora was unable to establish organizational and institutional vehicles for investment in Armenia and, therefore, the Diaspora's involvement in Armenia's development remains weak or non-existent. The discussants in the forum conferred that the trust and years of meticulous work required for building strong relationships between the Diaspora and Armenia and that the true political, economic, and cultural integration of Diaspora with Armenia would strengthen their sense of identity and belong to the homeland as well as cultural connections.

Thus, it is critical for the nation to avoid new dividing lines that can cause irreversible damage (Policy Forum Armenia 2010b).

Importance of this study

The issue of genocide and its international legal recognition, as well as the idea of having an independent homeland helped to consolidate much of the Armenians outside of Armenia. The National Security Strategy of Armenia (2007) highlights the role of the Diaspora in foreign relations, financial, cultural, and economic areas. The Strategy also mentions that “weakening of the Armenia-Diaspora ties and the absence of mutually enriching contacts” presents a security threat to Armenia.

Armenia became independent in 1991 and faced with the challenge of unifying the nation and responding to external political and economic shocks. The Diaspora’s human and the financial capital had come to play an active role to turn Armenia into success as the role of the transnational social network is significant in the modern globalized world and essential in the development of host and home countries. Some researchers considered the Diaspora as the “push factor” as a mean of assisting Armenia in economic reforms and its path to democratization (Gevorkyan and Grigorian 2003). At the same time, others mentioned the considerable gap between Diaspora’s humanitarian contribution and its modest participation in Armenian’s economic life (Manasaryan 2004). Freinkman criticize the Diaspora and claim that internal political divisions in Armenian Diaspora obstruct the development of Armenia. Diaspora investment in Armenia remains relatively low and any attempt to consolidate financial assistance has failed. The Armenia-Diaspora dialogue is focused primarily on cultural and humanitarian relations (Freinkman 2008).

Diasporas' involvement in the Armenian economy has been much less than the full potential possible. There is little serious research undertaken to explore the obstacles to enhanced Armenia-Diaspora collaboration and analyze the thorny questions pertaining to conflicting interests, lack of trust and how to overcome it, and cultural differences. Thus, it is important to understand the factors contributing to a lower-than-expected outcome in terms of Diaspora engagement in Armenian economic development.

Literature Review

A literature review shows that much of the existing literature tends to concentrate on historical and psychological aspects of the Armenian Diaspora more than on the economic and business aspects. Some researchers have expressed a predominantly positive contribution of Diasporas to the homeland development, the main reason of which is their purpose to preserve their identity, culture, and the memory of the lost homeland. They argue that the existing mode of engagement between Diaspora and the homeland largely informal and are mostly at family and community levels. In spite of the best efforts to put in place a coherent institutional structure for involving the Diaspora, the cooperation between the Diaspora and home-country governments continues to depend largely on personal relationships and political connections.

Hasmik Chakhalyan (2007) in her research argues that the comparative advantage of the Armenian market is the official and unofficial linkages and cultural affiliations that are the important factors in the economic growth of Armenia. Hasmik Chakhalyan maintains that the strength and the type of Armenia-Diaspora linkages are positively correlating with the extent and the type of involvement of Diaspora in the economic development of Armenia. A similar

discussion is developed by Tatoul Manaseryan (2004) in his research. He notes that the Armenians have common values, ideas, common spirit of solidarity, common interest to rebuild the homeland and develop the national economy. Tatoul Manaseryan highlights the importance of the effective use of Diaspora potential and considers Diaspora as a source of development resources that can foster the gradual integration of the national economy into the international financial system and increase the level of economic development. The researcher pointed out the example of some countries like India, China, Israel, Italy, Ireland, and Mexico that have achieved significant results by using the professional capacity of their compatriots who live in different countries around the world. However, the traditional Armenian Diaspora has weak cultural and historical connections with modern-day Armenia, and this is the core factor that results in their failure to put a strong emphasis on increasing business activity and supporting the economic development of Armenia.

Manuk Hergnyan and Anna Makaryan (2006) also highlight the ethnic identity and affiliation as a motive force for Diaspora to invest in Armenia. They found that ethnic identity was a motivational factor for 71 percent of Armenia-born Diaspora investors and 87 percent for Diaspora-born investors. The authors argue that the Diaspora's role in Armenian's economic survival and development was highly important during 1994-2004. There were significant supports in many areas, including charity, humanitarian aid, political support, and knowledge transfer. However, from the perspective of investment, Diaspora remains an untapped resource for Armenia. It is important to understand the basic reasons that hold the Diaspora back from bigger involvement in Armenian development. The authors mention that institutional forms of collective investments would be the risk dispersing instruments that will help to attract small-scale investments and avoid their direct involvement in the Armenian business environment.

They suggest that the Armenian government should realize and design different policies to attract Diaspora members and obtain the competitive advantage of that global network.

The research literature indicates that the primary objective of Diaspora members is not profit maximization. The authors contributing to this area of research try to explain this phenomenon by assuming that altruism or personal moral convictions are the key motivations for Diaspora investors. Nielsen and Riddle (2009) indicate the factors that might impact investment motivation. They argue that Diaspora expects not only financial return but also social-emotional returns. The perceived ethnic advantages drive investment motivation and remove cultural differences between Diaspora members and their homelands. For Jennifer M. Brinkerhoff (2012), cultural obligations and expected behavior, which are rooted in family relations and responsibilities, also influence investment motivations. The incentive for Diaspora to mobilize is the expression of their homeland identity which may be lost without proactive expression.

Elizabeth Chacko and Marie Price (2009) have studied the contributions of Ethiopian and Bolivian Diaspora living in the U.S. to the social and economic development of their home countries. They maintained the factors that affect Diasporas' ability to engage in homeland development. Researchers argue that the Diaspora member's characteristics, including education and skills, the circumstances that forced them to leave their home country, and the political situation in their countries of origin are the important elements that influence Diasporas' engagement in national development. In many cases, Diaspora members want to generate employment for their family, friends, or local community. Thus, potential investors and entrepreneurs use the experiences and opportunities they obtained in the host countries to facilitate economic development of their home countries (Riddle 2008).

Diaspora and their homeland economic interactions have attracted recent scholarly attention in research in the field. Analysts identify the importance of creating and maintaining meaningful communication between the government and Diaspora. They argue that governments can do more to promote Diaspora involvement in the development by removing obstacles and creating opportunities. Relatively few governments understand their Diaspora and maintain meaningful communication with them. It is critical to have Diaspora engagement policy to foster a strong and trust-based relationship with the Diaspora, create a channel of communication between the Diaspora and potential business partners in the homeland, and facilitate Diaspora contributions to the homeland (Newland and Plaza 2013). Victoria Minoian and Lev Freinkman (2006) notice that it is important to inform Diaspora about the main challenges of Armenia's development and real trends toward stabilization of the economy and improvements in the business environment. Diaspora has a grimmer perception of the Armenian business reality as a result of the information gap between Armenia and Diaspora. Gillespie and Adrianova (2004) point to serious institutional constraints. One example could be the inability or unwillingness of Diaspora sponsors to involve in their project implementation management. They operate mostly as a source of finance and much less as a source of market information and expertise. If the Diaspora does not want to do serious business in the home country, the massive program of humanitarian assistance cannot be sustainable (Freinkman 2008).

Kathleen Newland and Hiroyuki Tanaka (2010) focus on the Diasporas entrepreneurship that can contribute to the economic development and create businesses and jobs. Countries that want to promote Diaspora entrepreneurship need to create a business-friendly and labor force incentive, legal and regulatory environments, and well-functioning public institutions with little corruption and guarantee relatively easy access to finance. The authors argue that criminal and

political violence, a historically unfavorable and poor business and economic environment, and lack of transparent information on local investment risks may discourage potential Diaspora entrepreneurs to investing in their home countries. Thus, for substantial Diaspora investment, the country required to pursue stability, peace, and the development of basic infrastructure.

Some researchers point out the unprecedented measures, including market-oriented reforms related to fair competition and reduced administrative barriers that the Armenian government is taking to raise the attractiveness of the country for investors. However, the investments of Armenian Diaspora are usually not large. Haroutiun Khachatrian (2011) mentions that the blockade resulting from unsettled conflicts remains a major factor that impedes investments in Armenia. Nona Shahnazarian (2013) argues that the idiosyncrasies of Russian and Eastern Armenian everyday life in post-Soviet times engender some social distance between the Western Armenian Diaspora and post-Soviet Armenians. The lack of trust towards political institutions and the absence of any civic tradition are worrying distinctions to Armenians living abroad.

Research Design/Methodology

Research Question

The purpose of my research is to examine the key motivational factors that affect the decision of Diaspora to invest in Armenia. The central question of this research is: How the wide range of institutional differences, the small size of the Armenian economy, and a weak business environment influence Diaspora participation in homeland development.

H₁: Armenian membership in the Eurasian Economic Union (EEU) would negatively affect economic cooperation between Armenia and Western Diaspora

H₂: The small size of the economy creates barriers for Armenian Diaspora to invest in the Armenian economy

H₃: The weak business environment creates barriers for Armenian Diaspora to invest in the Armenian economy

Diaspora

According to the American Heritage College Dictionary (2002) Diaspora” is the dispersion of people from their homeland or a community formed by people who have exited or been removed from their homeland.” In this paper Diaspora is referred to the communities formed by Armenians in foreign countries as a result of dispersion of ethnic Armenians from their homeland by force or any other reasons, and who interact and mutually supported each other based on ethnic pride and affiliation.

Economic cooperation

Economic cooperation can come about through Diaspora members, who are business investors that return to their homeland to provide expertise, information, new ideas, the best practices, and appropriate technologies and funds. These linkages may take place at the individual level or through institutional channels.

Weak business environment

The characteristics of weak business environment are monopolistic market, nepotism, weak government policies, corrupt business practice, the lack of regulatory procedures that are transparent, easy to comply, and accessible to all despite of their connections.

Design and Methodology

For this study I used a mixed research method, employing both qualitative and the quantitative approaches using a descriptive design. The mixed approach helped to enhance the

rigor of the study and to increase the validity and generalizability of the research findings. For the quantitative part, a survey was used to understand what factors affect the decision of Diaspora to invest in Armenia and may encourage Diaspora members, settled abroad permanently or temporarily, to contribute to the development of their homeland. The quantitative method was used because it yields results that are easily tabulated, summarized, analyzed and generalized.

The qualitative part of research includes the case study on Diaspora involvement in Armenia. The qualitative case study used to show trends resultant from the cooperation with Western Diaspora and indicate the limits of Diaspora engagement and its underutilized opportunities. The case study purpose is to test the emerging findings in survey-based research.

Method of Data Collection

Data collection instruments were: a survey and case studies. Surveys were targeted members of Diaspora communities and were distributed in English and Armenian to let the respondents comprehend the questions and answer candidly. The questionnaire was placed on some social network sites, and people were invited to take the survey. Through sending our questionnaire and creating the database it was possible to obtain detailed community profile covering skills, qualifications, experience, employment patterns, location and length of stay in the host country. The survey was conducted online, through social websites, among the members of Armenian Diaspora from March 7th to April 11th, 2016, using Google Docs. It is important to note that the reason for working with survey questionnaires is that they are most removed from ambiguity. The questionnaire was established based on a literature review on Diaspora motivation for engagement and participation in their homeland development. I used SPSS statistical software to analyze the primary data gathered from the survey.

The research question will be answered through the study of two cases of Diaspora-Armenia cooperation: Zvartnots International Airport owned by Armenian -Argentine businessman Eduardo Eurnekian and the Cascade Capital Holdings owned by American-Armenian businessman Gerard Cafesjian, because they offer interesting and contrasting situations in relation to the research question. The archival data applied in these case studies is primary, publicly available data. The purpose of collecting publicly available archival data is to put own results in a much broader context and increase the validity. The original and primary data sources might contain biased data and, hence, challenge to validate this data, because “While organizations may argue that their records are reliable, there are often inconsistencies and inaccuracies” (Lewis, Thornhill, and Saunders 2007). I used quality national newspapers, country reports, government publications, and journals as a source of secondary data because they were highly relevant regarding understanding the context in which the data has been shaped (Lewis, Thornhill, and Saunders 2007).

As stated in the objective of this research, it is important to examine and understand the leading factors, causes, and conditions that may provoke the involvement of Diaspora representatives in the Armenian business development.

Findings

Zvartnots International Airport

The Zvartnots International Airport is located 12 km west of Yerevan, the capital and largest city of Armenia. In 1961, the airport was built and started to operate as a domestic airport. In the 1980s, due to the comparatively heavy traffic demands within the Soviet Union, the airport was modernized and a new terminal area was developed. After 1991, Armenia

announced its independence from the USSR, ZIA became the most important gateway to the country and acquired a critical role for Armenia. In 1998, the new cargo terminal was constructed to satisfy the growing demand for cargo shipments. The new terminal contained modern technical equipment with capacity to handle over 95,000 tons of cargo annually. However, despite the significant need for upgrading during 1991- 2001, the airport did not provide an appropriate capital expenditure for expansion and modernization (ADB 2010).

In 2001, Armenia International Airports CJSC, owned by Argentine company Corporation America, signed a 30-year airport operations management agreement. Argentine company Corporation America is owned by Armenian-Argentine businessman Eduardo Eurnekian, who is a member of the widespread Diaspora being a second-generation exile born in Argentina and has substantial interests in airport management, energy and fuel distribution, agriculture, real estate, and the media. According to the agreement, AIA was responsible for renovating and expanding the airport, modernizing its facilities and services to become an important center connecting the Caucasus region with Europe, Central Asia and the Middle East. The ZIA was in a very bad condition and needed completely new facilities. The well-constructed and efficiently managed the airport was a critical Armenia's economic survival and development. Besides, the airport is Armenia's main entry port by air (ADB 2010). The agreement initially was worth USD 50 million, but the investor has since made more investments in Zvartnots (Khachatrian 2011).

In 2002, AIA transferred the concession rights to ArIA, which is currently 100 percent owned by AIA and is a special purpose Armenian company. After that, the first phase of the modernization of ZIA began which was financed by EBRD and DEG and completed in May 2007 (ADB 2010). After the first phase, at the end of 2007, ArIA planned to begin the second

stage of terminal development at ZIA, which started in October 2011 and complete in August 2012. AIA supported new investments in ZIA through the infusion of equity capital. Also, the AIA Company supported ArIA by providing training and qualified personnel with international expertise. The second phase was financed by EBRD and DEG (equivalent to \$60million) and by the ADB loan of USD 40 million. The outcomes of the second phase were enhanced the capacity of ZIA to serve 140,000 passengers, 980 cargo tons, and 1,550 aircraft movements per month on average (the projections at the appraisal stage was 125,000 passengers, 900 cargo tons, and 1,390 aircraft movements per month). Also, since the commencement of the second phase of the project, the proportion of women has increased to 23 percent from 20 percent, the proportion of younger employees (22 – 28 years old) has increased to 63 percent from 59 percent, and employees with greater than four years of service represent 69 percent of the workforce in 2013 compared to 42 percent in 2008. The full operation of ZIA started in 2012 (ADB 2013).

In 2011, the new passenger terminal opened at the Zvartnots airport. Mr. Eurnekian attended the opening ceremony where he said: “My investments have been made all over the world, but I’ve never felt the delight like I do in Armenia.” The new terminal has specifically designed for high earthquake stability and was capable of serving around four million passengers a year and handles 2,900 bags per hour. In the past, the airport was able to serve only 1.6 million passengers. The modernization of the airport infrastructure and building of the new complex took USD 480 million in investment during 2002-2011 (The Armenian Mirror-Spectator 2011). However, 2012 was also the start of the demise of Armavia, the Armenian national carrier and the major AIA customer, which concluded with its bankruptcy in March 2013. In 2013, AIA tried to fill the void left by Armavia’s collapse and reached an agreement

with existing ZIA users, such as Alitalia, Austrian Airlines, and CSA Czech Airlines to increase the frequency of their flights. AIA also worked closely with the Armenian government to promote an “open sky” policy to accommodate flexibly these changes. Armenian authorities did not initially want to pursue the new policy because of concerns that a lack of an Armenian national carrier could lead to deterioration indigenous aeronautical skills, capabilities, and employment opportunities in Armenia, and continued their efforts to refloat a national carrier. Armavia’s demise had an immediate negative impact on AIA’s business volumes, revenues, and profitability due to the Armavia inconsistency to pay its bills and receipt of government-mandated discounts from AIA. However, ZIA expected to improve its business in the medium to long term in the case of the replacement of Armavia by carriers that pay full fees and meet their obligations (ADB 2013).

In 2014, the Government of Armenia adopted the “open sky” policy. In the first six months of 2014, there was more than 25percent increase in passenger numbers and flight numbers. In June 2014, the airport operated 1,995 flights against 1,405 flights of the June 2013:42 percent rise and had chosen the “Best Emerging Airport of Russia, CIS & Baltic States” during the 2nd Annual Emerging Airports Conference and Exhibition held in Dubai (Revazian 2014). Mr. Eurnekian has a variety of other interests in Armenia, including investments in 2,000 hectares of land which is now the vineyards and winery, investment banking with Converse Bank, the Haypost -Armenian postal service, and real estate. Thus, his investment in Airport is a business decision the purpose of which was to expand his portfolio of assets in Armenia (Hetq 2014).

Eduardo Eurnekian, CEO and President of Corporation America, was born in Argentina to a family of Armenian immigrants in 1932. He began his career in the textile

industry then diversified into communications and multimedia. Mr. Eurnekian established the first cable television Company in Argentina and founded America TV, a popular television network. In the early 1990s, he became one of the most successful and dynamic businessmen in Latin America after obtaining a 30-year license to construct and manage Argentina's airports. Presently, Mr. Eurnekian is the second-richest person in Argentina with an estimated net worth of USD 1.9 billion and 53 airports assets portfolio, spread across many geographies.

In response to a question from The New York Times about what persuaded him to come to Armenia, Mr. Eurnekian answered "In order to understand the precise feelings behind the decision to invest in a country, particularly one that is in a state of conflict, you have to take into account that there is always a search, a special spirit that goes and looks beyond the material. [...] I do know, and I am involved with, Armenia." He noted that his company produces excellent wines in Patagonia, in southern Argentina, and they are planning to do the same in Armenia where wine has been produced for thousands of years. Mr. Eurnekian mentioned that mainly success encourages new investments and innovation and that the high-quality wines will attract further investments in the agriculture sector. However, as a member of the Armenian Diaspora, who came to Armenia to share its expertise and best practices, and establish business, the major challenge he faced is the development of a multifaceted culture in which Diaspora identities can merge into a nation and the integrated visions of both the Diaspora and the homeland can be developed. The gap between these different visions should be reduced to be able to achieve the objectives. Mr. Eurnekian also said that "Armenian Americans tend to imagine that Armenia is America. The day that they can overcome that misconception, they will look at Armenia in a different way and see it for what it really is" (The New York Times 2014).

According to the National Statistical Service, in 2013 Argentinean investments have increased several times thanks to the projects of Eduardo Eurnekian. As a result, Argentine became the largest foreign investor in Armenia (Table 1) (News.am 2013).

Table 1: Inflows of foreign investments by countries , 2007-2013

<i>Thous. US dollars</i>	2007	2008	2009	2010	2011	2012	2013
Total investments	845,377.3	1,257,643.1	935,485.3	702,661.6	816,272.6	751,804.9	597,375.1
<i>of which,</i>							
Argentina	26,544.8	90,051.6	50,660.7	32,635.1	19,409.2	54,530.7	117,870.1
Cyprus	16,467.0	10,797.1	6,943.2	14,354.7	17,644.4	6,662.8	76,500.0
France	18,746.4	90,756.7	197,421.4	146,787.2	100,448.8	230,429.5	99,116.8
Germany	55,251.9	23,707.6	19,358.0	47,339.8	24,595.9	48,143.4	22,129.6
Lebanon	134,034.6	40,588.8	22,189.3	17,499.7	13,735.1	12,980.7	6,350.5
Russian Federation	449,362.1	880,071.7	502,854.7	270,342.3	393,850.9	122,715.0	86,258.3
United Kingdom	13,438.2	3,860.2	843.4	3,813.1	33,679.8	8,923.1	10,526.5
United States	33,432.9	30,199.6	18,863.4	16,142.1	43,810.1	14,618.0	9,423.1

Source: www.Armstat.am

Cascade Capital Holdings

Cascade Capital Holdings (CCH) was established in 2004 by the U.S. businessman Gerard L. Cafesjian through the U.S.-based Cafesjian Family Foundation (CFF) the purpose of which was to create and manage a group of companies that offer commercial financial services and will attract and support investments in Armenia. CFF was founded to help Armenians around the world, particularly those located in Armenia, and its primary focus was economic development. CFF has invested approximately \$50 million in various enterprises in Armenia (Armenian Reporter 2008). The CCH contained five operating subsidiaries that aimed to stimulate financial capital markets in Armenia: Cascade Bank (created in 2005), Cascade Credit,

Cascade Consultants (created in 2008), Cascade Insurance (created in 2005), and Cascade Investments. The Cafesjian Family Foundation invested nearly USD 2 million loans to and equity investment in CCH and announced that the purpose of holding is to reach out to the global Armenian community and encourage sustainable investment into the homeland (CCH 2009).

In 2007, the CCH CEO Jonathan Stark in his interview with ArmInfo informed that the equity of the CCH comprised USD 17 million and the borrowings totaled USD 18 million including the debt from EBRD and the World Bank under various projects. He stressed that the holding planned to involve its CCH operational units in new projects and for that purposes they negotiate intensively with international organizations to reach the target debt and equity of 40 million. Mr. Stark also emphasized that the Credit Bank won the tender for servicing the cash flows on the Millennium Challenge Account (the Millennium Challenge Corporation is an independent U.S. Government foreign aid agency). The funds expected to total USD 236 million over a five-year period. According to Mr. Stark, the competition was fair, and the Cascade Bank demonstrated significant added which led to membership in the KfW German Development Bank mortgage program (ArmInfo 2007).

The Head of CCH was also satisfied with the work of a non-banking credit organization - Cascade Credit, which introduced a range of financial services and products - equity investments, tax credits and loan guarantees- specifically tailored for Armenia and has a purpose of engaging actively in developing the banks and the public corporate debt market. It aimed to become a major financial mediator in Armenia that plays an important role in identifying and eliminating market inefficiencies. In 2005, the Cascade Credit CJSC issued bonds were guaranteed by USAID and traded on the Armenian Stock Exchange (ARMEX). Jonathan Stark

said that “It is also a major step towards Cascade Capital’s goal to become a financial market leader in Armenia and the Caucasus” (Asbarez 2005). In October 2006, Cascade Credit implemented the placement of the first private sector notes in the total amount of USD 400,000 which was used for extension of export orientated loans. Mr. Stark also highlighted the participation of Cascade Credit in the Renewable Energy Program funded by the World Bank and EBRD (ArmInfo 2007).

In 2007, Cascade Insurance, 35 percent of the equity of which was owned by EBRD, became one of the leading and most reliable insurance companies in Armenia. The company’s strategy was to increase its dependence on one or two major customers and create a horizontal spread in its account. Jonathan Stark in his interview with ArmInfo said that the Central Bank of Armenia is planning to rationalize the local insurance market into fewer stronger players. Concerning to the Cascade Investments, Mr. Stark mentioned that the company able to attract both domestic and Diaspora investors because “If the US Government trusts us with their money, individuals can feel secure with Cascade.” CCH was considered regional expansion opportunities to increase the business potential and provide a comprehensive package of services (ArmInfo 2007).

The other major areas of activity of the Cafesjian Family Foundation in Armenia were:(1) Media, CFF was a partner in the largest independent media company in Armenia, CS Media that had four television and one radio stations, and various print publications; (2) Energy, CFF owns a series of companies that aimed to reduce Armenian dependence on imported fuel and promote the use of alternative energy to increase energy security(Armenian Reporter 2008);(3) Real estate, CFF is a partner in a growing real estate services firm; (4) Arts, CFF developed an arts complex in the central Yerevan around the Cascade. CFF launched the

renewable energy projects the purpose of which was to develop Solar, Biomass, Wind and fuel cell technology. The project of the Cascade complex consisted of a long-term loan to the Cascade Credit of USD 15 million, from which Cascade Credit agreed to provide USD 3 million of equity, EBRD agreed to provide USD 7 million, and the remaining amount of USD 5 million provided by World Bank (OeEB 2009). Mr. Cafesjian said: “We have to concern ourselves with Armenia. They are holding on by a thread. It is our duty in the Diaspora to help them, to look out for them and to make sure that the ties between the U.S. and Armenia are strong. I am dedicating my resources to that end” (Cafesjian Center for the Art 2011).

However, in 2009, Cascade Credit CJSC and the Cascade Bank signed a merger agreement. At the end of 2008, in Armenia, there were 47 renewable energy loans and 31 of these were accounted by Cascade Credit (OeEB 2009). In April 2010, Ameriabank and the Cascade Bank announced that the agreement signed between shareholders of the Ameriabank and the Cascade Bank on the sale of shares of the Cascade Bank and the merger of the banks (ARKA 2010). In February 2012, insurance companies Ingo Armenia and Cascade Insurance started the process of merging (ARKA 2012). As a result, Cascade Insurance has ceased to exist. In 2013, Ameria Asset Management announced the successful completion of a merger with the Cascade Investments (ARKA 2013).

Table 2: Rating of Armenian UCO by asset size, September, 2008

	Assets, USD million	Share in total assets of UCOs, %
1. “NORVIK” Universal Credit Organization CJSC	60.9	30.81%
2. “AREGAK” Universal Credit Organization CJSC	29.5	14.93%
3. “FINCA” Universal Credit Organization CJSC	22.7	11.50%
4. “ACBA LEASING Credit Organization” CJSC	15.8	7.97%
5. “CASCADE CREDIT” Universal Credit Organization CJSC	10.7	5.42%

Source: (OeEB 2009)

Table 3: Rating of Armenian banks by asset size, March, 2009

Bank name	Assets, USD million	Equity, USD million	# of branches
19. "Cascade Bank" CJSC	36.23	15.18	9
20. "Pro Credit Bank" CJSC	33.27	15.34	4
21. "Mellat Bank" CJSC	30.13	16.71	
22. "BTA Bank" CJSC	26.79	15.15	5

Source: (OeEB 2009)

In June 2010, Haykakan Zhamanak, pro-opposition Armenian daily, wrote that Gerard Cafesjian has sold his 50 percent of shares of a Yerevan-based television channel, for USD 25 million. Hayk Gevorgyan, the author of the report, said that there was no official information on the deal and he failed to get any comment from the channel or office of Gerard Cafesjian. According to the official report of the Cafesjian and Serzh Sargsyan meeting in November 2009, Cafesjian said: "Armenia is destined to succeed, and every one of our compatriots has to bring his or her share to this important endeavor." In this meeting, both parties spoke about cultural projects and business activities implemented in Armenia by Cafesjian to promote different investment programs. And after these words, he begins to sell consistently his property in Armenia, which, according to Cafesjian, "destined to succeed." Haykakan Zhamanak claimed that hardly any businessman would want to sell his business in any country which is "destined to succeed." However, Hayk Gevorgyan mentioned that Cafesjian could be forced to sell his shares of Armenia TV. He also expressed the view that Cafesjian simply sold his businesses for money because, although there is a belief among the Armenian peoples that Gerard Cafesjian is a philanthropist, he is, first of all, a businessman who wanted to make money from the sale of his businesses in Armenia. The sum he received was bigger than the amount he has invested in the country. For example, Cafesjian has made USD 45 million from the sale of his shares in the

Cascade Bank and Armenia TV (Gevorgyan 2010).

Jonathan Stark, the CEO of Cascade Capital Holdings, in his interview with Armenian Reporter, said that for the last 15-20 years Armenian Diaspora's charitable contributions played a major role in Armenia's survival. However, Armenia needs greater investments in its economy, and many individual investors that would like to invest and engage in Armenia's development do not have the time, energy, and resources to feel comfortable making financial investments. Thus, the purpose of CCH was to create financial services and assist the Armenian Diaspora with their investments into the Armenian economy. It is critical for Armenia to have investment vehicles that potential investors know about and whom they can trust. The CFF in close collaboration with USAID developed this financial service concept to draw significant foreign capital from international financial institutions like EBRD and the World Bank and attract investors from the Diaspora, specifically from the Armenian Diaspora in the United States, which was realizable because CCH had a "Strong Western orientation and transparent business practices [that] are very appealing and reassuring to our customers" (Armenian Reporter 2008).

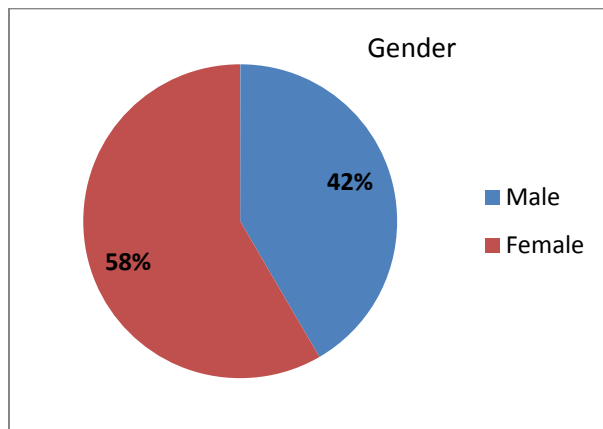
In 2002, CFF signed an agreement with the Armenian government to build the Cafesjian Museum in Yerevan. Construction planned to be finished in 2007. The government gave 11 hectares of land and exempted the foundation from all taxes as the government's investment in the project. Edward Balassanian, which was the head of the Center for Contemporary Experimental Art from 2002 to 2009, in his interview, said that the management failed to control the development of the project accurately. As a result, the budget of the project exceeded the planned cost of USD 30 million by four times and was equal to USD 150 million. However, the museum was not built on time, and moreover, 180 people have been fired because of the crisis

and financial problems in the foundation. Mr. Balassanian mentioned that “Mr. Cafesjian has invested a lot of money on “Hayfilm”, the museum, an alternative energy research organization and other projects, which either do not function as they should, or are not completed as yet” and it is the reason he changed his business plans in Armenia (Martirosyan 2009a).

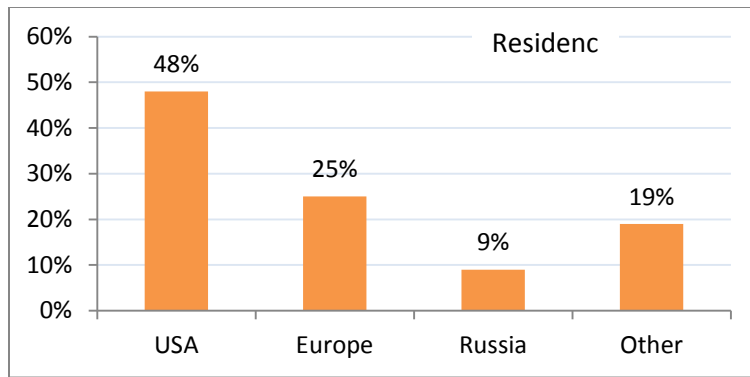
Survey Findings

For the survey, the questionnaire was sent to several hundred respondents eighteen years of age or older. 101 responses have been collected. The call for participation was sent by e-mail to the respondent’s e-mail account and placed on a social network site. The primary data gathered from the surveys was analyzed through statistical analysis using SPSS.

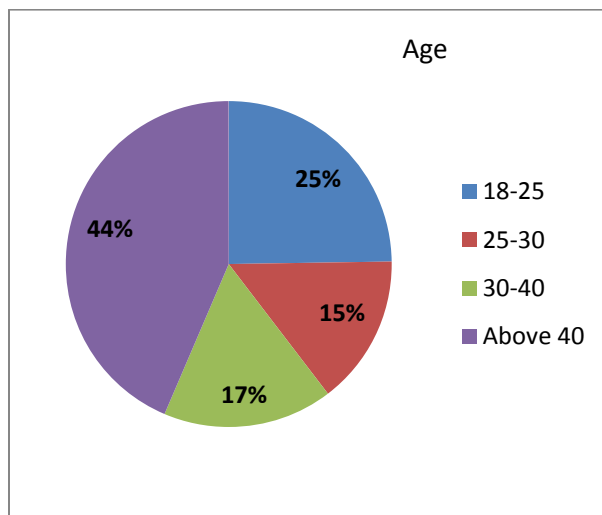
The data collected from 101 participants depicts the following picture with respect to gender, age, level of education, and residence:



Gender distribution: The number of female responders, 59 (or 58 percent of total respondents), is comparably higher than the number of male responders, 42 (42 percent).



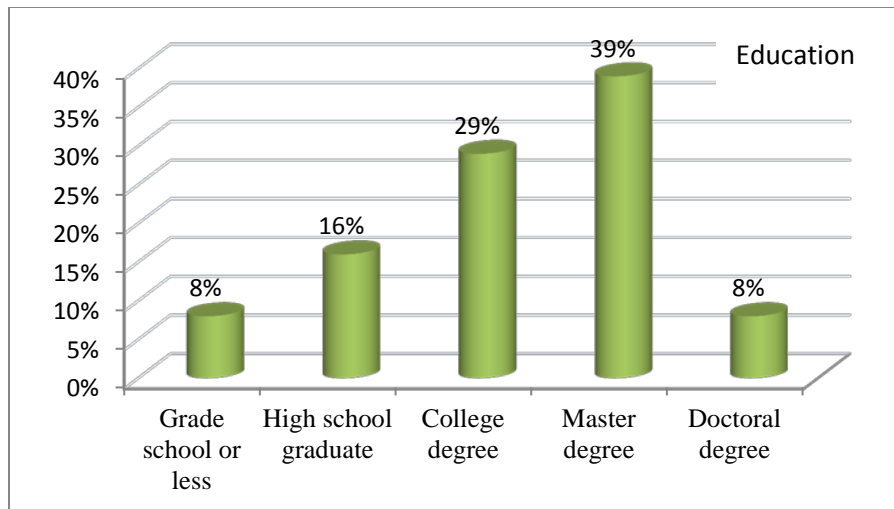
Country of residence: The highest number of respondents is from USA, 48 percent of the number of total respondents. The distribution of all remaining participants is as follows: Europe - 25 people or 25 percent; Russia - 9 respondent or 9 percent.



Age distribution: The distribution of respondents by age group revealed that there were 44 (or 44 percent of total respondents) in the above 40 age-group or the largest proportion of respondents.

Year of immigration to the country of permanent residence: 19 percent of total respondents immigrated during 1900-1970, 17 percent – during 1970-1990, 23 percent – during 1990-2000, and the majority of respondents or 41 percent immigrated during 2000-2015.

The majority of respondents stated that Armenia had adopted a regime which is close to Democratic (34 percent); 29 percent think that Armenia had adopted a close to the authoritarian regime and 21 percent think that Armenia had adopted an authoritarian regime. They were also asked how frequently they follow current events in Armenia; 58 percent every day or several times a week follow current events in Armenia; 39 percent less often and only 3 percent never follow current events in Armenia.



Level of education: The data collected shows that 47 percent have earned a master's or doctoral degree.

Discussion

The case analyzes show that Armenian Diaspora has the potential to build the economy or promote democratization in Armenia. Zvartnots International Airport is the principal gateway to Armenia. Thus, there construction and management of ZIA were one of the projects to which the Armenian government gave a special priority. The international standard infrastructure was critical for Zvartnots to become a good transit airport for international flights. Investments made by Eduardo Eurnekian allowed to realize this modernization project and make a large-scale reconstruction at Zvartnots Airport. Thus, Armenia's engagement with Russia does not prevent Eurnekian to gain success and recognize the nation's potential. He began to understand the country, the culture, the people and the government. The Armenian government suggested the government's support in the implementation of different programs conducted by Mr. Eurnekian in the Armenian economy and Mr. Eurnekian stressed that he will continue to invest in Armenia and contribute to its economy development (Armenpress 2015). However, Naira Hayrumyan (2012) in her report in Lragir concluded that Eduardo Eurnekian has been able to protect his

investments in Armenia and get profit because he has worked with the Armenian authorities in the Latin American style, which is similar to the Armenian style.

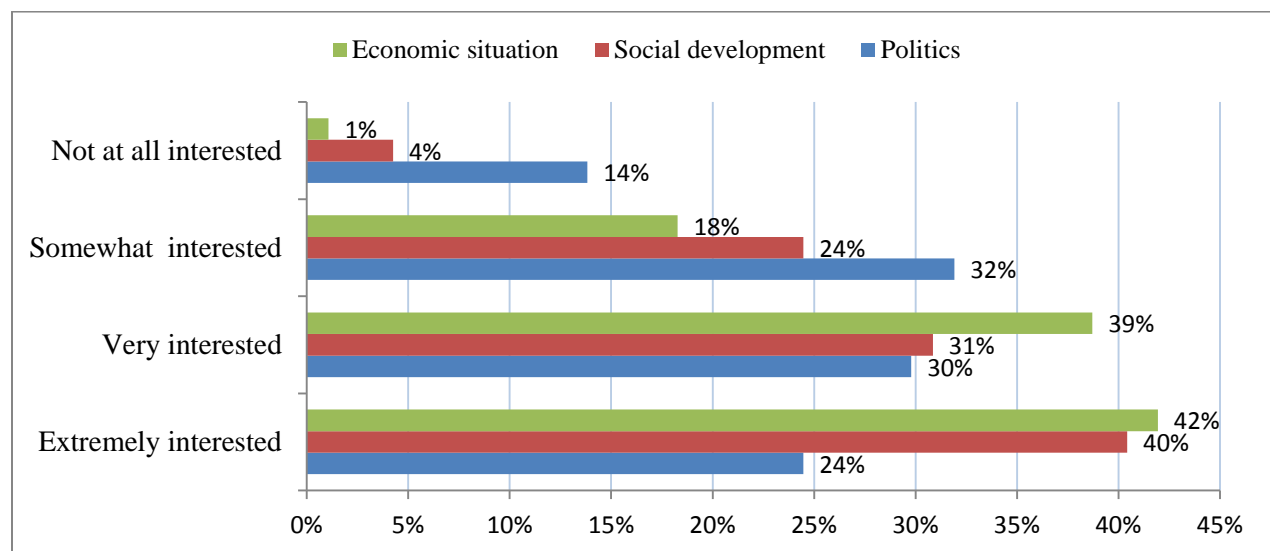
Cascade Capital Holding had a business structure as a large corporation that did not succeed in Armenia due to economic factors. In 2009, pro-opposition Armenian weekly 168Hours wrote that Gerard Cafesjian is planning to close his business in Armenia leaving only the Cafesjian Museum as a symbolic presence. The fact is that in recent years, he lost tens of millions of dollars of investments through various illegal mechanisms and financial schemes. Despite the fact that, Gerard Cafesjian assured, in his 9 October 2009 letter, that the information concerning the foundation published in the 168Hours newspaper is not true, the latter mentioned that their writing was based on the information provided by Edward Palasanyan, who has worked with the Cafesjian Family Foundation for many years and argued that he is ready to sign under every fact he was speaking of (168Hours 2009b). Thus, lack of business infrastructure and corruption present huge problems.

The Armenian communities in the Western countries see that the Diaspora investments in Armenia are not protected. Some Diaspora investors frustrating experience, as well as the limited public knowledge of success stories, have negatively affected possible investors. In 2013, John Heffern, the United States Ambassador to Armenia, in his interview with Lragir said that potential investors in the United States interested in three main questions: whether their investments would be protected by the judiciary of Armenia; about taxes, customs, etc. and how much their investment would cost them; and whether there were the same rules and equal opportunity to compete. He cautioned that there have been some positive changes in Armenia, but “unfortunately, I still could not answer those three questions.” Armenia has signed bilateral treaties with 37 countries concerning the reciprocal promotion and protection of investments but

still does not have sufficient conditions necessary to attract significant overseas investments (Hayrumyan 2013).

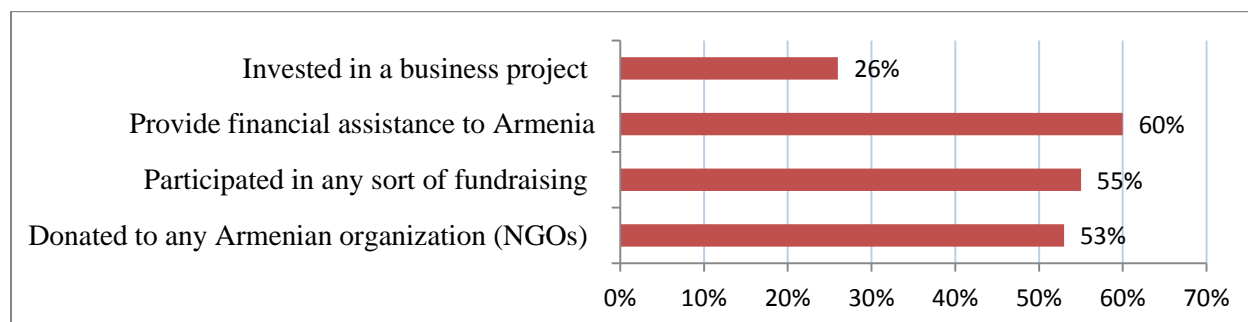
The survey shows that Armenian Diaspora is interested to support the economic development of its homeland. The questionnaire intended to collect relevant information about how much are Diaspora members interested in politics, social development, and economic situation in Armenia. The questionnaire results show that the majority of respondents are very interested or extremely interested in economic situation (81 percent), in social development (71 percent), and in politics (54 percent).

Figure 3: Respondents' interest in economic situation, social development, and politics in Armenia



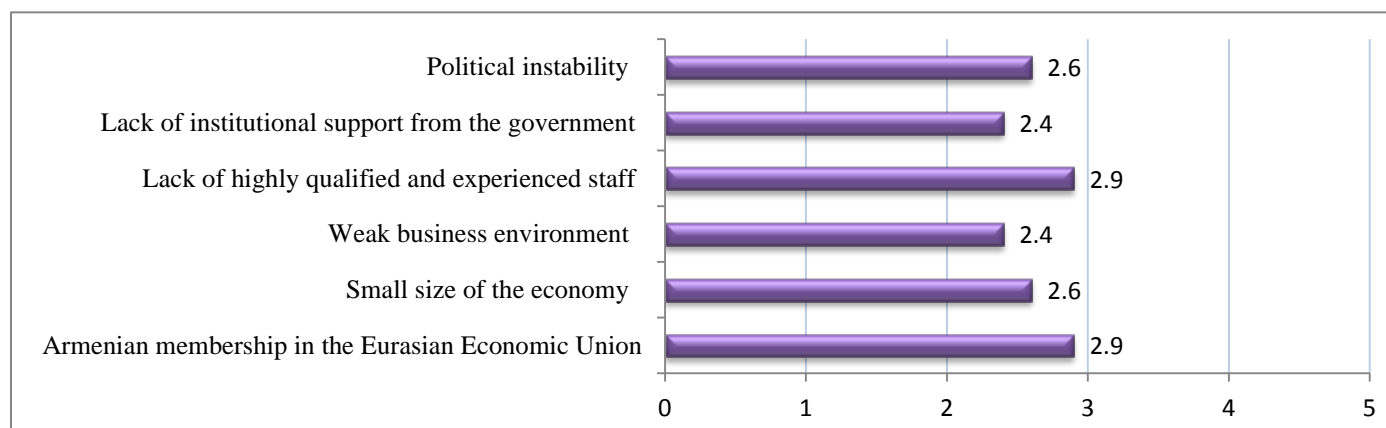
The survey result shows that the average percentage of respondents that provide any kind of financial assistance to their homeland is 56 percent. Only 26 percent of respondents invested in a business projects in Armenia from which 38 percent were somewhat efficient or very efficient.

Figure 4: Respondents' participation in the homeland development



More than half of responded Diaspora members grade the weak business environment and lack of institutional support from the government as major barriers to implementation of investment programs in Armenia. Figure 5 plots the average ratings for barriers, where lower scores mean a higher proportion of respondents that consider mentioned factors as barriers to investment in Armenia.

Figure 5: Barriers to implementation of investment programs in Armenia



*The factors are assessed on a scale 1 to 5 where 1= strongly agree and 5=strongly disagree

24 percent of respondents specified the set of relatively problematic factors regarding the business climate in Armenia, including corruption (50 percent), political regime (21 percent), tax system (8 percent), and monopoly (8 percent).

Table 4

Correlations

		Type of government in Armenia	Armenian membership in the EEU as a Barrier	Small size of the economy	Weak business environment	Lack of highly qualified and experienced staff	Lack of institutional support from the government	Political instability	Lack of support from business
Type of government in Armenia	Pearson Correlation		-,101	-,143	-,280**	-,314**	-,210*	-,310**	-,225*
	Sig. (2-tailed)		,325	,161	,005	,002	,039	,002	,027
	N		97	97	97	97	97	97	97
Armenian membership in the Eurasian Economic Union as a Barrier	Pearson Correlation	-,101		,329**	,125	,278**	,252*	,149	,235*
	Sig. (2-tailed)	,325		,001	,215	,005	,011	,137	,018
	N	97		101	101	101	101	101	101
Small size of the economy	Pearson Correlation	-,143	,329**		,448**	,174	,309**	,245*	,322**
	Sig. (2-tailed)	,161	,001		,000	,082	,002	,014	,001
	N	97	101		101	101	101	101	101
Weak business environment	Pearson Correlation	-,280**	,125	,448**		,418**	,688**	,574**	,405**
	Sig. (2-tailed)	,005	,215	,000		,000	,000	,000	,000
	N	97	101	101		101	101	101	101

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 4 shows that there is a significant correlation between the type of Armenian government and the weak business environment. The negative correlation of -0.280 indicates that the more people consider the weak business environment in Armenia as a barrier, the less likely they think that Armenia had adopted a regime which is Democratic or close to Democratic. The strong positive correlation of 0.688 between weak business environment and lack of institutional support from the government shows that people that consider the weak business environment in

Armenia as a barrier are more likely express the lack of institutional support from the government as an obstacle to invest in Armenia.

The primary motivational factors of investors for investments in Armenia have been the potential for financial returns and ethnic identity. The responses showed more interest in financial - 58 percent, rather than social/emotional returns – 48 percent.

Figure 6: The motivational factors that affect the decision of Diaspora to invest in Armenia

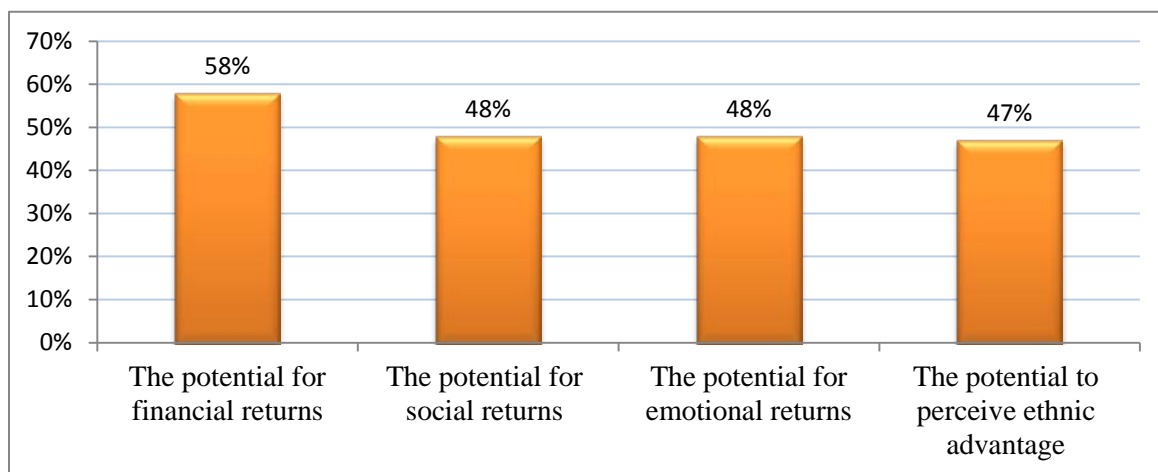
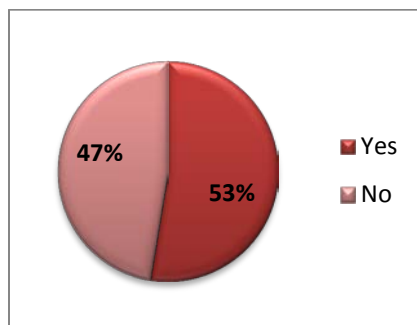


Figure 7: Respondents' interest in investing in Armenia's economy



The proportion of respondents that are generally interested in investing in Armenia's economy is slightly higher.

Testing the Hypothesis

H₁: Armenian membership in the Eurasian Economic Union (EEU) would negatively affect economic cooperation between Armenia and Western Diaspora

Survey findings discovered that more than two-thirds of survey respondents did not perceive the Armenian membership in the Eurasian Economic as a barrier to investing in Armenia's economy. Thus, the first hypothesis is refuted by the survey and not accepted.

H₂: The small size of the economy creates barriers for Armenian Diaspora to invest in the Armenian economy

Slightly less than half of survey respondents (44 percent) considered the small size of the economy as a barrier to investment. However, case studies state that it is possible to build and realize successful businesses in Armenia, despite the small size of the economy. Thus, the second hypothesis is only partly accepted.

H₃: The weak business environment creates barriers for Armenian Diaspora to invest in the Armenian economy

More than 50 percent of survey respondents perceived the business environment in Armenia as unfavorable. Relatively problematic factors include corruption, tax policy, political regime and monopoly. Case studies also show that weak business infrastructure and corruption present huge problems. Thus, the third hypothesis is accepted.

Conclusion

This research set out to examine the key motivational factors that affect the decision of Diaspora to invest in Armenia. The analysis yielded some important results. First, the Diaspora presents an excellent source of development resources, but it does not contribute adequately to strengthening the Armenian growth prospects. Second, the Diaspora's engagement in the Armenian economy in its current form does not provide solutions for its transitional challenges. Moreover, Diaspora representatives remain disengaged from active participation in economic and political life in Armenia and undermine demand for improvements, especially in the business environment. Third, the Armenian Diaspora community does not want to do serious business in the home country where corruption takes away profit. In Armenia, many market institutions are still not fully developed, which makes the Armenian market volatile with high uncertainty about future developments.

Limitations of the study

The limitations of this study lie primarily in the low number of responses than desired, as well as the few case analysis conducted. Time limitations minimized the possibility of assuring a larger number of respondents to the survey. It would have been more appropriate to send out several reminder notices encouraging Diaspora members to respond to the survey questionnaire. In the case of Zvartnots Airport and Cascade Capital Holding, limited public information can be found about the companies because they are not publicly traded, and therefore, the Armenian law does not require this form of transparency. The reluctance of Diaspora populations themselves to respond to surveys is another major barrier to data collection.

Suggestions for Future Research

The main suggestion for future research would be to pay attention to the limitations of the current study; to have a larger sample for the surveys; seek to reduce selection bias and target both Western Diaspora and post-Soviet Diaspora members. I hope that this study will facilitate future research not only on the factors that influence Diasporas' involvement in the homeland economic development, but also on the impacts of Diaspora engagement, for example, on how this engagement foster international financial flows such as remittances, investments, and technology transfers.

Appendices

Survey Questionnaire

1. Gender

- Male
- Female
- Decline to answer

2. Age

- 18-25
- 25-30
- 30-40
- Above 40
- Decline to answer

3. What is your country of origin (place of birth)?

4. What is your country of residence?

4-1. When did you or your family immigrate to the country of your permanent residence? (Year)

5. Level of Education

- Grade school or less
- High school graduate
- College degree
- Master degree
- Doctoral degree

6. Do you consider yourself to be of Armenian background/origin?

- Yes
- No

7. What is your current occupation?

8. What is your current total annual approximate monetary income (before taxes)?

Less than \$50,000

- \$50,000-\$74,999
- \$75,000-\$99,999
- \$100,000-\$149,000
- \$150,000-\$199,999

- \$200,000 or more
- Prefer not to answer

9. Have you ever been to Armenia?

- Yes
- No

9-1. IF YES

	Within the past year	1-4 years ago	More than 4 years ago
When was the last visit to Armenia?			
	Less than 1 week	2-8 weeks	More than 2 months
How long did you stay?			

10. Do you have any close family member/relatives in Armenia?

- Yes
- No

11. In your opinion, which of the following types of government is in Armenia?

- Democratic
- Close to Democratic
- Authoritarian
- Close to Authoritarian

12. How frequently do you follow current events in Armenia?

- Everyday
- Several times a week
- Once or twice a week
- Less often
- Never

On a scale from 1 to 5, where 1=Extremely interested and 4=Not at all interested, how much are you interested in each of the following areas about Armenia?

	Extremely interested	Very interested	Somewhat interested	Not at all interested
13. Social development				
14. Politics				
15. Economic situation				
16. History				
17. Culture				

Questions 18-20:

There are different ways to participate in the homeland development. Have you ever done any of the following activities?

	Yes	No
18. Have you ever donated to any Armenian organization (NGOs) established in Armenia?		
19. Have you ever participated in any sort of fundraising that was directed towards Armenia?		
20. Are you currently providing any financial assistance to Armenia or someone in Armenia?		

21. Have you ever invested in a business project in Armenia?

- Yes
- No

21-1. IF YES, on a scale from 1 to 5, where 1=Very inefficient, 5=Very efficient, evaluate extent to which your investment was efficient

Very inefficient	Somewhat inefficient	Neither efficient nor inefficient	Somewhat efficient	Very efficient

On a scale from 1 to 5, where 1=Strongly agree, 5=Strongly disagree, to what extent do you agree with the following statements in reference to invest in the Armenian economy?

Barriers to implementation of investment programs	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
22. Armenian membership in the Eurasian Economic Union					
23. Small size of the economy					
24. Weak business environment					
25. Lack of highly qualified and experienced staff					
26. Lack of institutional support from the government					
27. Political instability					
28. Lack of support from business associations, service providers and other private sector institutions					
Other barriers, please specify					

On a scale from 1 to 5, where 1=Strongly agree, 5=Strongly disagree, to what extent do you agree with the following statements in reference to invest in the Armenian economy?

The investment interest of Diaspora members can be motivated by ...	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
29. the potential for financial returns					
30. the potential for social returns					
31. the potential for emotional returns					
32. the potential to perceive ethnic advantage					

33. Are you generally interested in investing in Armenia's economy?

- Yes
- No

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