American University of Armenia

Political Science and International Affairs Program

Globalization, Poverty and Inequality in Armenia

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Master's Essay in partial fulfillment of the requirements for the degree of Master of Arts in Political Science and International Affairs

MAY 2016

ACKNOWLEDGMENTS

I am using this opportunity to express my gratitude to my Master's Thesis supervisor Dr. Arthur Drampian for his aspiring guidance, constructive criticism and thoughtful advice during the project work. I would also like to express my appreciation and thanks to Dr. Aleksandr Grigoryan who provided insight and expertise that very much assisted the research. Finally, I am expressing my appreciation to everyone who supported me throughout my years of study in AUA and in the course of this MA thesis especially.

Abstract: One of the major issues in political science and development economics today is the interrelations between globalization, poverty and inequality. The paper first identifies the main components of economic globalization that have affected the Republic of Armenia and then examines their relationship with poverty and inequality in the country by means of correlation and regression analyses. The evidence from the study findings supports the view that economic globalization is associated with higher economic growth, less poverty and inequality.

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List of Acronyms Used

ADB	Asian Development Bank
EU	European Union
EXP	Exports
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
NOMGDP	Nominal Gross Domestic Product
ODA	Official Development Assistance
RA	Republic of Armenia
RANSS	Republic of Armenia National Statistical Service
REM	Remittances
US	United States
WTO	World Trade Organization
UN	United Nations
OSCE	Organization for Security and Co-operation in Europe
IFC	International Finance Corporation
WHO	World Health Organization
ILO	International Labour Organization
INTERPOL	International Criminal Police Organization

Introduction

The interrelation between globalization, poverty and inequality is a highly contested topic in the literature. Since the last three decades are known as the years of increasing globalization, those favoring the worldwide integration argue that owing to the increased economic and social integration among countries there has been a significant reduction of poverty and inequality in the world. Conversely, the opponents of globalization claim that the increased contacts of developing countries with global markets have augmented the level of poverty and especially inequality both within and among countries.

Armenia's exposure to the world economic community started after it gained independence in 1991. However, high to average poverty and widening gap between rich and poor have become persistent and largely stagnant issues in Armenia for the last two decades, despite continuing social and economic globalization, outward-oriented trade policies, international capital inflow into the country, remittances and foreign aid. Consequently, this study will make an attempt to examine how globalization and its economically fundamental dimensions have been associated with poverty and inequality in Armenia during the last fifteen years. For the purposes of this research globalization is confined to trade, foreign direct investment, remittances and official development assistance.

What is globalization? What is poverty and inequality?

Globalization

Globalization is a complex process of growing integration of economies and societies around the world that affects many aspects of peoples' life (Collier 2002). It includes and affects such issues as movement of capital, growth and poverty, issues of trade and services, international migration to more flexible communication and transportation across the world (Rahim et al. 2014).

According to the International Monetary Fund, globalization has four major aspects- capital and investment movements, trade and transactions, dissemination of knowledge and the migration and movement of people (IMF 2002). There are many factors affecting globalization, such as economics, political, socio-cultural, legal and natural factors. It is believed that globalization has been linked to development across the world by a variety of means, and one of the crucial aims of development is poverty reduction (Rahim et al. 2014).

Poverty and Inequality

Poverty is a multidimensional problem which results from a combination of economic, political and environmental factors, and which comprises several different aspects(Santarelli and Figini 2002). In general, poverty can be defined as "a situation in which a major part of the population lives at or below income levels sufficient to meet their basic needs" (UNCTAD 2002).

Going beyond minimalistic conceptualizations of poverty, Amartya Sen has come up with a broader and more comprehensive conception of poverty as a deficiency of capabilities, where he views commodities, such as income, for example, as important only if it can be converted into valued human workings for the person. In general, he considers poverty as the shortage of things one needs to meaningfully live within a society, to be able to participate and contribute to social daily activities(Sen 2003). This expanded approach to poverty led to the introduction of a Multidimensional Poverty Index, which considers overlying deprivations existing at the same time, showing the number of people who are multi-dimensionally poor ("Multidimensional Poverty Index (MPI) | Human Development Reports" 2016).

The United Nations defines poverty as the inability of getting choices and opportunities. The World Bank defines poverty as a deprivation in well-being with many dimensions, such as low incomes and the inability to acquire basic goods and services, poor access to clean water and sanitation, low levels of health and education, etc.

Another defining challenge of modern times is income **inequality,** which is the gap between the rich and poor, that is globally widening. Its trends have been more diverse in developing countries, where even in the presence of diminishing inequality it still continues to be high in such fields, as education, finance and health care. The measurement of inequality is done using Gini coefficient, and by following changes in the incomes of the population (Dabla-Norris et al. 2015).

Literature Review

A review of the literature on globalization, poverty and inequality shows that given the complexity of definitions and measurement of the concepts, research and empirical evidence vary regarding their interrelation. This, in turn, leads to sometimes conflicting data on the impact of globalization on poverty alleviation and income distribution in developing countries.

Pro-globalization

Trade. By the early 1980s, the pro-globalization camp, represented by a number of renowned economists, opened up the debate on the impacts of economic globalization by introducing empirical evidence from two extensive cross-country research projects by NBER (Krueger et al 1978) and OECD (Little et al. 1970), stating that outward-oriented trade policies are more likely to lead to economic growth and poverty reduction, than protectionist inward-looking policies. This view was further taken up and expanded by world's leading economists and financial institutions advocating economic integration and openness, trade liberalization and increased movement of capital, labour and technology.

In particular, the World Bank-a major proponent of globalization- in its publication on globalization, growth and poverty(World Bank 2002)emphasizes the argument that globalization is a valuable and powerful tool in alleviating poverty in a significant number of developing countries but it must be employed in an augmented way to become universally effective.

Furthermore, Dollar and Kraay (Dollar and Kraay 2002, p. 3), after empirically examining the relationship between incomes of the poor and average income growth in 132 developed and developing countries, conclude that openness to international trade, sound financial development, fiscal discipline and other standard growth-enhancing strategies accompanied by the rule of law increase the income of the poor, and should be at the center of any poverty-reduction strategy.

Representing the position of the IMF, Horst Kohler, in his speech about investing in a better globalization (Kohler 2003)posited that globalization is a central engine of growth, via the spread of knowledge and information, better division of labor, increased productivity, and access to foreign direct investment that over the past 50 years, led to unprecedented gains in human welfare. Similar pro-globalization position was stated by Bergh and Nilsson (Bergh and Nilsson 2011) in their recent study of more than 100 countries from 1988 through 2007 to identify the relation between economic and social globalization and absolute poverty. Their findings confirmed that there is no evidence that globalization is associated with higher poverty level in developing countries and that poverty reduction can be attained only by closer economic integration and higher levels of globalization.

The central idea around which major debate about globalization revolves is if economic growth per se leads to poverty reduction.

Notable supporters of globalization, Dollar and Kraay, in their studies on growth, trade and poverty conclude that growth is good for the poor as incomes of the poorest quintile rise proportionally with the average incomes in a sample of 92 countries during four decades starting from mid 1960s. Therefore economic growth, being inequality neutral as it spreads equally to the total distribution, is critically important for poverty reduction, and globalization leads to faster growth and thus, poverty reduction, in poor countries (Dollar and Kraay 2002,Ravallion 2003).

Another perspective on the beneficial role of growth through trade for poverty reduction in the developing countries emphasizes the advantageous role of macro-economic stability for export-oriented, freer trade for the poor as well as the extent of specialization of each country in international trade (Bhagwati and Srinivasan 2002, p. 180, Acemoglu and Ventura 2001, p. 661).

Foreign Direct Investment. The apparently favorable effect of economic globalization on poverty is supposed to stem from foreign direct investment (FDI). Many scholars state that FDI can fill the gap between desired investment and existing saving in a country, increase tax revenues and advance technology and program management, as well as contribute to employment creation and human capital formation in a host country (Todaro and Smith 2003, Hayami 2001, Jenkins and Thomas 2002, Loungani and Razin 2001). All of these factors contribute to economic growth, which is an effective tool for poverty reduction.

Other scholars, however, warn the developing countries against taking too sanguine and uncritical approach to FDI as its positive impacts on growth and poverty are strongly associated with a particular country context, such as level of education and overall quality of labor market, country's institutions and policies, reasonable and consistent government regulation, the economic and political situation and competitiveness for investors, as well as the type of investment itself (Borensztein et al. 1998, Klein et al. 2001, Shahbaz et al. 2008). Consequently, if a developing country wants a potential FDI to have its indirect impact, - i.e. through growth - on poverty alleviation, the above-mentioned conditions for such an investment should be attractive.

The direct impact of FDI on poverty reduction can be achieved through labor -intensive FDI via its impacts on employment and income generation. However, the benefiting impact of FDI depends on the level of wages, since if the wages are above the poverty line, their poverty alleviating impact is high, but if no, FDI is not poverty reducing (Ucal 2014, p. 1103).

Remittances. Another form of international capital inflows arising from globalization processes are remittances as they form a key factor in incorporate societies into the global framework both economically and socially (Orozco 2002). When families expand further than national country boundaries via migration, the follow-on inflow of funds changes the macroeconomic situation in source countries, including the change of nature of financial market pressure on government policymaking (Singer 2008). This basically means that developing source countries have to adapt their current and long term economic growth strategies to the international financial impacts of immigration.

The past decades have recorded a substantial increase in remittances which in 2010 amounted to US$325 billion that migrants from developing countries sent to their families in home countries (Katsushi et al. 2012). For many developing countries, including Armenia, remittances exceed export revenues, ODA, FDI and other types of capital inflows. Their impact on long term and sustainable growth, as well as poverty and inequality is, not, however, coherently studied.

Stark and Lucas (1988), Taylor (2005), as well as Ratha, Mohapatra and Scheja (Ratha et al 2011), Fayissa and Nsiah (2010) and others find a positive relationship between remittances and economic growth where the former provide a different way to finance investment, foster education, etc. Conversely, Chami et al (2003), Baldé (2009) found either negative impact, or no impact at al. Similarly, while Adams and Page (2005) find a positive impact of remittances on poverty, Stahl (1982) found that remittances do not reduce poverty.

There are basically three main ways through which remittances affect economic growth. First, they affect the rate of capital accumulation, increasing both physical and human capital, but also lowering the cost of capital in the recipient country. Secondly, they affect labor force growth by creating more leisure than labour, and thirdly, by affecting total factor productivity growth, impacting the efficiency of investment, as well as creating “Dutch disease”, meaning the appreciation of local currency leading to lower exports, etc (Katsushi et al. 2012).

Official development assistance. The relationship between poverty and official development assistance (ODA) is another highly controversial topic in the development literature. Over the past twenty years, the development debate has been dominated mostly by two contrasting perspectives as to effectiveness, and contribution to economic growth and poverty elimination.

At one end of the spectrum, there are so called "aid skeptics", who consider that large inflows of funds into a country with poor policies create dependency syndrome, discourage incentives to work and create extreme reliance on welfare benefits. Furthermore, the aid-pessimistic scholars admit that the key to growth is hard to identify because different policies can give the same results, while the same policies may yield totally different outcomes, and so the true answer to the question whether aid works or not is still unknown (Pritchett 2001, Riddell 2014). In particular, Easterly (2008) while discussing the World Banks aid projects, argues that there are very few examples of very poor countries that managed to achieve a long term sustainable growth owing to aid inflows.

At the other end of the spectrum there are aid supporters who argue that aid can indeed be effective, if utilized correctly, and that poorest regions of the world cannot succeed in alleviating poverty and embark on economic growth unless there are substantial injections of foreign aid into their economies. Notable supports of this view include Burnside and Dollar(2000), who emphasize the necessity of a strong policy environment to effectively utilize the ODA, as well as works of Collier and Dehn (2001), Collier and Hoeffler (2002) and Sachs (2006) who argue that a mindful assistance to recipient countries can help diminish many external and internal economic shocks.

The underlying theory how aid can foster GDP growth can be found in the original supposition that aid has the same impact on growth as investment has, i.e. it fills the gap between investment needs and domestic saving, which poor countries normally lack. Many early authors, such asMosley et al., (1992), Boone (1996)and Reichel (1995)in their studies rejected the proposition that aid fosters investment; instead they argue that aid increases unproductive public consumption. This view was reversed by Hadjimichael (1995), and later by Burnside and Dollar (2000), who, in their empirical studies, conclude that aid was successful in case of good adjusters.

Thus, evidently, even after nearly fifty years since the launch of the ODA, the debate around it is vulnerable to a number of major disagreements as to its genuine, intended role, types of aid that are more conducive to poverty eradication, and comparative advantage of aid compared to other forms of development activity, such as international trade and investment.

To sum up, as it follows from the above, the proponents of globalization, supporting their arguments by factual evidence, strongly argue in favor of global integration processes, with an emphasis on outward-oriented economic policies, free trade, FDI, development of technology and movement of capital and labour. And, although globalization is not a panacea for sustained economic growth and poverty reduction, the former, as aptly formulated by the influential pro-globalizer Martin Wolf, is critically necessary for the latter (Wolf 2004).

Anti -globalization

Conversely, factual evidence obtained by other scholars suggests that there is no immediate and accurate answer about the positive link between trade liberalization standing at the core of globalization and poverty and that openness per se is not a poverty-reduction strategy. Moreover, UNCTAD's 36 Least Developed Countries Report 2002 confirmed that poverty increased explicitly in those countries that adopted the most open and the most closed trade regimes, but in between those extremes less liberalized countries had better poverty reduction record, than more liberalized ones(UNCTAD 2002).Reasons and explanations for the issue vary across authors and perspectives.

In particular, Watkins (2002)in an influential counterpoint to Dollar and Kraay's (2001)widely cited benchmarking argument that openness is associated with higher growth which proportionally raises the incomes of the poor in a sample of around 100 post 1980 countries point to the problems in the study results stemming from preferential methodology. According to him, if using an unweighted average, the per capita growth rate for the "globalizers" almost equals the growth rate of "non-globalizers".

Watkins further argues that the inherent assumption of the study that it is the trade liberalization that accounts for economic growth and poverty reduction is wrong, as China, Thailand and Vietnam - leading globalizers with rapid economic growth - liberalized imports very slowly and for a long time had restraining trade barriers. In contrast, Brazil, Haiti, Mexico, Peru, and Zambia have been champions in import liberalization, but demonstrated weak growth and poverty reduction. Thus, the point Watkins argues is not that openness should be replaced with protectionism, but that it is not a panacea and other conditions, such as distributional issues, pro-poor policies, focus on exports rather than imports, human rights and rule of law do matter (Watkins 2002).

Akoum tried to present factual evidence on whether countries demonstrating rapid economic growth are similarly successful in reducing poverty. While recognizing, that there are many methodological and data analysis problems in attempts to establish casual relationship between growth, globalization and poverty, he concludes that higher economic growth rates do not automatically translate into less poverty, so there is a need for wide-ranging policy approaches (Akoum 2008).

The concern that openness and trade liberalization might negatively impact poverty and inequality because of distributional changes and increase countries' susceptibility to shocks and limit sovereignty is further shared by a number of authors who point to the necessity of accompanying policy reforms, such as social protection reforms and safety nets, trade and foreign investment reforms, rule of law and overall the enabling role of the state in designing complementary policies and income redistribution(Yusuf 2001,Harrison and McMillan 2007, Ha 2012,Santarelli and Figini 2002, Pacheco-López and Thirlwall 2009).

A more radical perspective on the effects of trade liberalization and globalization in general on inequality in developing countries in put forward by Golberg and Pavcnik (Goldberg and Pavcnik 2007)in their study on distributional effects of globalization in developing countries, where they testify that all existing measures for inequality apparently show an increase in inequality in most developing countries which is sometimes severe (e.g. pre-NAFTA Mexico, Argentina in 1990s), although they are careful in establishing casual links between the two phenomena.

This view is further substantiated by Ha (2012) in her recent study on globalization, government ideology, and income inequality in 59 developing countries from 1957 to 2005 by using pooled time-series data analysis, which shows that globalization, measured by trade flows and FDI, considerably increased income inequality in developing countries. However, countries that were headed by leftist governments managed to have considerably smaller income gaps and even restrained income inequality from increasing world market integration.

Hence, it can be concluded that research and factual evidence about the potential impacts of globalization on poverty and inequality is fairly conflicting. While many view globalization as a powerful tool for triggering economic growth, many contest globalization because of its seemingly contradictory impacts on poverty and inequality. However, what can be distinctly inferred from the vast strand of literature is that an inclusive approach to globalization, regulated by appropriate domestic policies, institution-building and rule of law can help to magnify growth enhancing measures that will advantage everyone proportionally. And even if a developing country suffers from economic, political and institutional shortcomings, it is not an argument against opening to trade, so it would better pursue outward-rather than inward-looking policies as they increase its chances for better economic performance and poverty reduction (Wolf 2004, Dollar and Kraay 2002).

Methodology

Statement of the problem

The processes of globalization started in Armenia when, after a severe economic contraction of early 1990s, it embarked on a long course of reforms aimed at modernization of Armenian economy, improvement of productivity, trade liberalization and creation of a favorable environment for investment. Liberal trade and investment regimes were expected to stimulate growth, and reduce poverty. With varying degrees of success over different years Armenia managed to overcome the extreme poverty of 1990s and become a middle income country; however, a meaningful reduction of poverty has never been achieved, with medium inequality among the rich and poor that has been rising especially during the recent years.

The subsequent parts of the paper will try to explore this topic more thoroughly and provide some theoretical and empirical findings to the question of how the selected measures of globalization (exports, FDI, remittances and ODA) are associated with economic growth, poverty and income distribution in Armenia.

Purpose of the Research

Taking into account the fact that empirical research on the relationship between economic globalization and growth, poverty and inequality dynamics in Armenia has not been extensively conducted, the aim of this study is to evaluate the trends of the selected measures of economic globalization (exports, FDI, remittances, ODA) in Armenia during the past fifteen years, and assess the relationship among these measures, economic growth, poverty and inequality in the country by testing whether there is a statistically significant relationship among them.

Hypothesis and Research Questions

This study will make an attempt to answer the following research questions:

RQ1: What are the main forms of globalization that have affected Armenia?

RQ2: How does economic globalization correlate with economic growth in Armenia?

RQ3: How does economic globalization and economic growth correlate with poverty and income distribution in Armenia?

The following three hypotheses are proposed in this study:

H1. Globalization has been associated with higher economic growth in Armenia.

H0. Globalization has not been associated with higher economic growth in Armenia.

H2. Globalization and growth have been associated with less poverty in Armenia.

H0. Globalization and growth have not been associated with less poverty in Armenia.

H3. Globalization and growth have been associated with less inequality in Armenia.

H0. Globalization and growth have not been associated with less inequality in Armenia.

Research Design and Data Collection Strategy

All the measurements of globalization are chosen based on their major role in the integration processes among societies and economies. Both trade, FDI and foreign aid are key components of economic and social globalization: besides integrating different markets through financial exchanges, transfer of technology and expansion of business operations beyond national boundaries (trade, FDI), allocation of foreign aid often entails dissemination of certain norms and social values. Remittances are furthermore considered component of economic and financial globalization, since the economies of those countries which significantly depend on remitted money, become intensively connected (and vulnerable) to the economies and economic (and social) developments of destination countries.

Trade, FDI, remittances and ODA are measured in their absolute values. Poverty is measured by using national poverty rates; inequality level is measured by Gini coefficient and economic growth by nominal and per capita GDP. Study covers the period from 2000 -2015.

A mixed method of using quantitative and qualitative research methods was used in data collection and analysis, with a convergent parallel design where both types were gathered simultaneously. The research is based on secondary data analysis. It includes collection and analysis of the figures, numbers and general numerical data on the variables used in the study as well as related economic indicators.

Qualitative method of study uses analysis of relevant official documents and materials, while the quantitative method includes correlation and regression analyses aimed to estimate **a. the relationship between the selected measures of globalization and economic growth; b. the association between economic growth and poverty/inequality; c. the association between**

selected measures and poverty/inequality, as well as the degree of impact of economic growth on poverty and inequality.

The analyzed documents included yearbooks and publications by the RA National Statistical Service and Armenia Development Strategy 2014-25 and Armenia PRSP. Numerical data used for graphical representation and correlation analyses is panel data collected in the period from 2000 to 2015 (Armenia's accession to the WTO/2003/) from the Statistical Service of the Republic of Armenia, the World Bank database on Armenia, Central Bank of the Republic of Armenia and the Ministry of Economy of the Republic of Armenia.

Globalization in Armenia

Globalization as a phenomenon came before development scholars formulated its concrete definition, which resulted in a certain elusiveness of its meaning. The conventional meaning of globalization describes the process of economic integration among nations. At present, however, besides economic and political sides, the term can designate a cultural, social and historical phenomenon.

Soon after the disintegration of the Soviet Union, which was immediately followed by a severe economic downturn, Armenia has embarked on significant steps in liberalizing politico-economic setting by means of extension of reforms and regulations, aimed at, inter alia, trade liberalization, introduction of national currency and improved usage of tariffs.

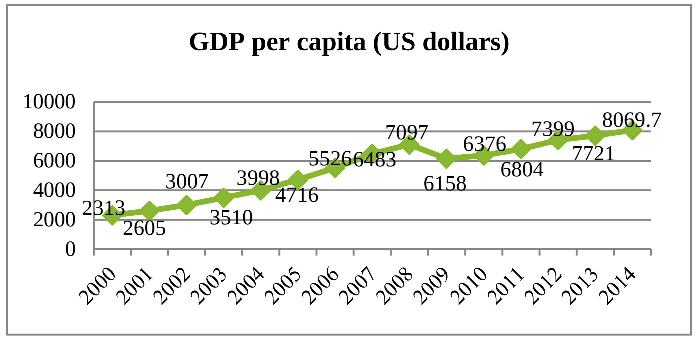
With respect to political globalization, Armenia is a member of important international organizations, which entails also such a fundamental aspect of globalization as harmonization of its local norms and regulatory standards with international laws and guidelines. At present, Armenia is a member of the following key international organizations: UN and its agencies, Council of Europe, OSCE, IMF, the Asian Development Bank, World Bank/IDA, European Bank for Reconstruction and Development, WTO, IFC, WHO, ILO, World Customs Organization, INTERPOL, the Organization of the Black Sea Economic Cooperation, etc. (Embassy, U.S. 2013).

In the context of economic integration, Armenia supports regional trading arrangements, as a cornerstone of any globalization processes, so a big step toward integration to global markets was done when Armenia became a member of the WTO in 2003. It was followed by introduction of relevant laws and regulations aimed at trade liberalization, and inaction of reforms including WTO required competition policy, support for SMEs, anti-dumping measures, etc.

Furthermore, besides having Free Trade Agreements with Russia, Kyrgyz Republic, the Republic of Belarus, Georgia, Kazakhstan, Moldova, Ukraine, Turkmenistan, and CIS FTA, in January 2015 Armenia officially joined the Eurasian Economic Union (EEU)/Eurasian Customs Union (ECU) connecting with Russia, Kazakhstan, Belarus and Kyrgyz Republic. This membership includes a unified tariff system with the other members of the union, with free movement of the labor force and capital and is expected to provide Armenia with an access to large markets of the member states, develop export - oriented sectors and boost up FDI.

Data Analysis, Findings and Discussion

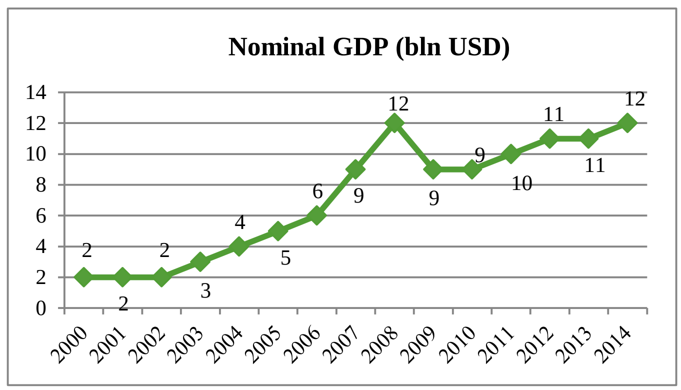
Figure 1. GDP per capita[1]



Economic Environment

Being a landlocked country in the Southern Caucasus region, the economic difficulties it faced following the disintegration of the Soviet Union were intensified after the disastrous earthquake, Karabakh war and subsequent closing of the borders with Azerbaijan and Turkey.

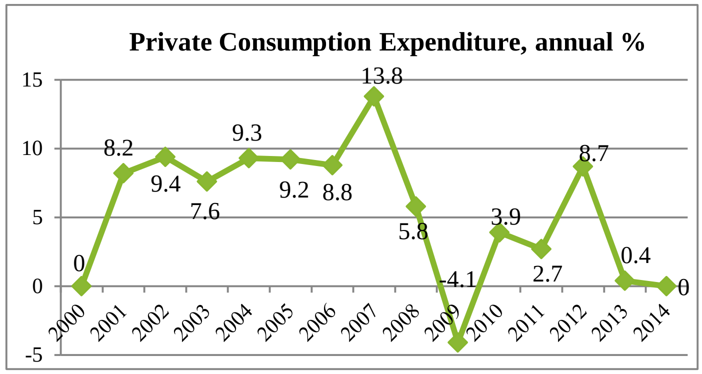
Figure 2. Nominal GDP[2]



Nevertheless, before the global economic crisis of 2008-2009, owing to an uninterrupted economic growth for almost eight years, Armenia became a middle income economy country. Economic growth led to stabilization of employment rates, increases in real wages, consumption and increasing budget spending on social sectors (RANSS 2014).

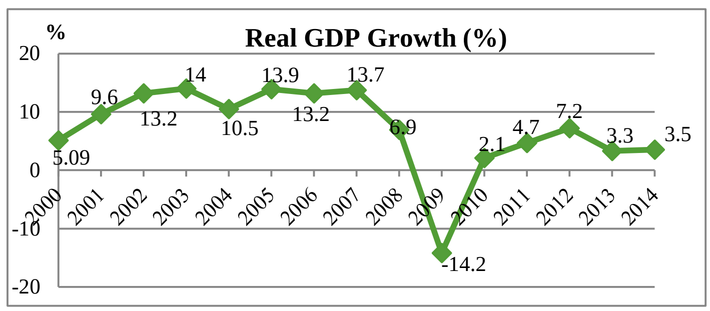
[1] Source: RANSS
[2] Source: RANSS

Figure 3. Private Consumption[3]



Beginning from 2000 the economy of the country recorded almost a 10 year period of double -digit growth until the global world recession of 2009-2010. Nominal GDP grew from 2 bln USD to 12 bln USD during 2000-2008, and GDP per capita increased from USD 2,313 in 2000 to USD 7,097 in 2008 accompanied by an enlarged domestic demand, expansion of trade, remittances from abroad and FDI.

Figure 4. Real GDP growth[4]



The international financial crisis of 2008- 2009 considerably affected the economy and development of the country, with a negative trend in GDP growth reaching -14.2%. After the 2009 downturn, the GDP started to recover, however, at a much slower pace with a growth rate of 3.5% in 2014.

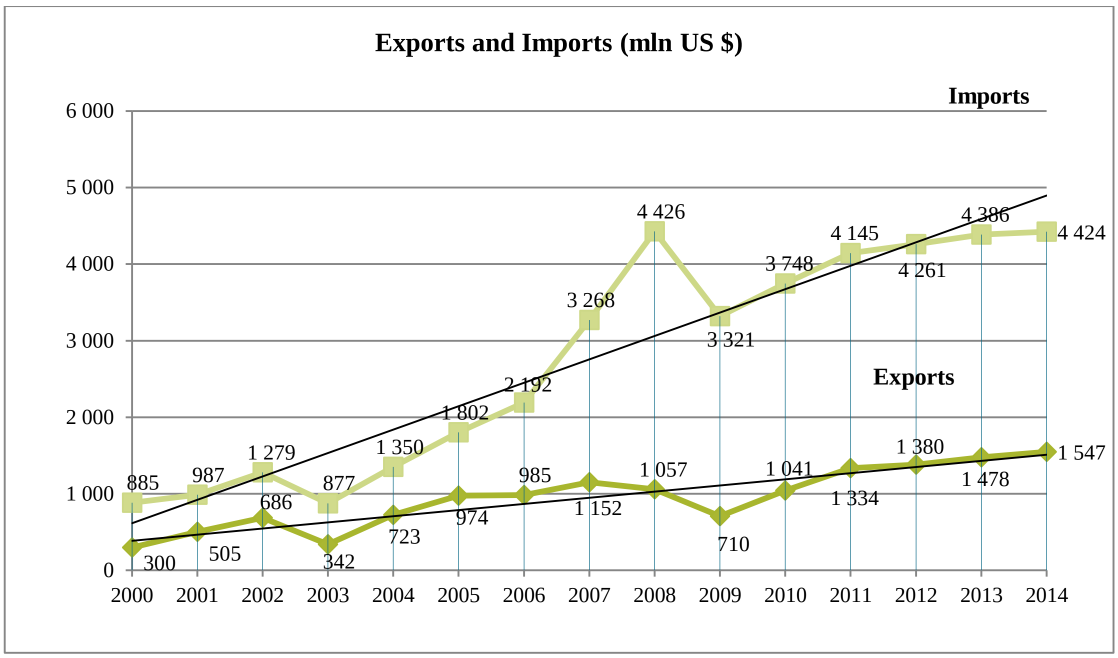
Foreign Trade

In the early 1990s, Armenia suffered from severe contraction in production after breakup of the Soviet Union. In mid 1990s, however, the economy was able to recover mainly due to conversion from planned to market-led system, trade liberalization, investments and aid. Private and

[3] Source: World Bank
[4] Source: RANSS

foreign investment into small and medium enterprises was encouraged together with introducing an international trade-friendly policy as a requirement for accession to the WTO in 2003. In 2000, Armenia implemented a number of reforms aimed at creating a favorable environment for trade by fostering exports and private investment ("Armenia Trade, Exports and Imports" 2016). According to 2015 statistics, Armenia ranks 38th out of 189 economies, on Doing Business rank and 35th in 2016 ("Doing Business. World Bank Group" 2016).

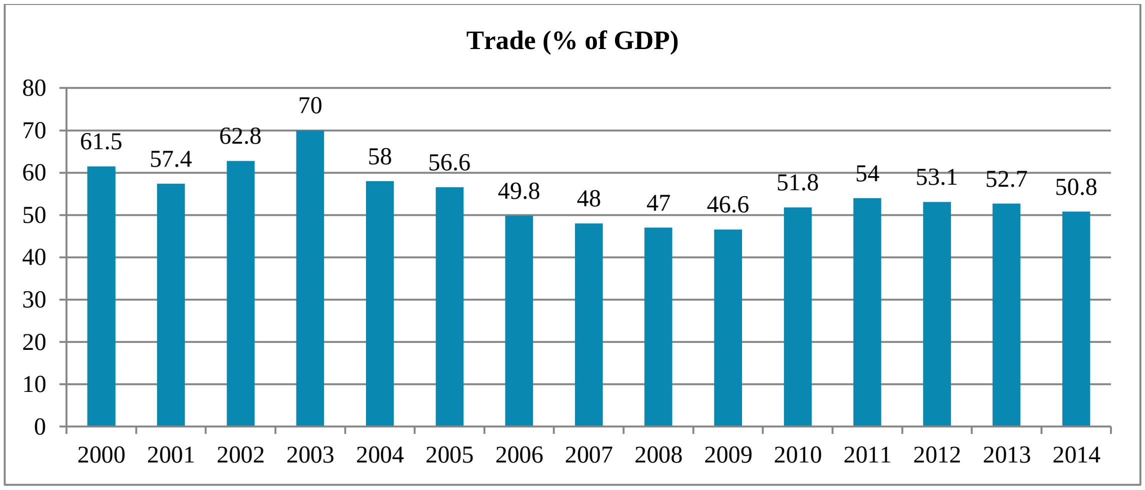
Figure 5. Exports and Imports[5]



As evident from Figure 5, foreign trade expanded speedily from 2000 to 2008. Imports of goods and services increased from US$ 885 million dollars to US$ 4,426 million while exports of goods and services nearly tripled from US$ 300 million to US$1,057 million.

[5] Source: RANSS

Figure 6. Trade as percent of GDP[6]



Regrettably, the economic situation went into reverse in 2009. The recession of the world economy because of the global financial crisis abruptly reduced remittances and FDI, hitting important sectors of the economy, such as construction, which, in turn, negatively impacted other areas. Imports decreased from the peak US$4, 426 to US$3, 321 million, while exports declined from US$1,057 to US$710 million.

After the extensive shock that affected the country in 2009, the economic activity started to progressively recover in 2010 with expansion of both imports and exports, though at a slower pace than before the 2009 recession with exports reaching US$1,547 million, and imports US$4,424 million in 2014. The main trade partners of Armenia are been Russia, Germany, Bulgaria, China, Iran, US, Turkey, Canada. Armenia's top exports are metals, such as copper, gold, molybdenum, cut diamonds, food and beverages, such as brandy and wine. Top commodities that Armenia imports include petroleum, gas, equipment, food, diamonds, tobacco and machinery.

[6] Source: World Bank

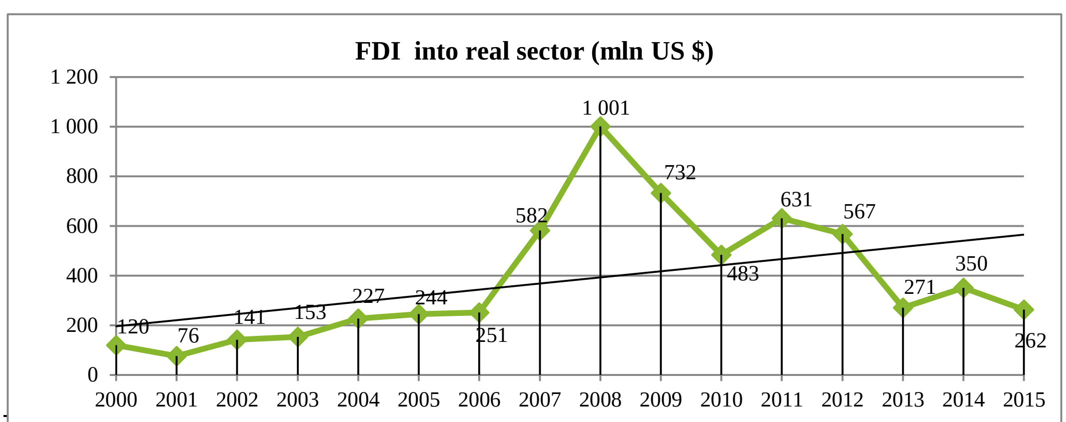
Foreign Direct Investment

According to a number of studies, FDI has been one of the central factors in Armenia's economic development given the country's constraints in size, geographical situation and natural resources and was officially encouraged by investment-friendly policies. The main supply of FDI has been the worldwide Armenia Diaspora.

Being a country that predominantly depends on foreign trade, Armenia has been implementing reforms since post-independence era to attract FDI by adopting "open door" policy, Most Favored Nation and National Treatment regimes, and comprehensive legal protection for foreign investors. As a result, the investment regime in the country is a liberal one, and allows foreign investors to limitlessly participate in Armenian enterprises (GIZ 2011). Investors are also protected from nationalization of property by the State (exception- legislative disallow on foreign citizens to own land in Armenia ("The Constitutional Court of the Republic of Armenia" 2016)).

In accordance with the information of the Armenian Statistical Service, FDI in Armenia, which flew mainly from Russia and the EU, increased from US$120 million USD in 2000 to almost $1 billion in 2008. Foreign investment has predominantly been done into mining, communications, energy, utilities, financial services, and food processing.

Figure 7. FDI into Real Sector of Economy[7]

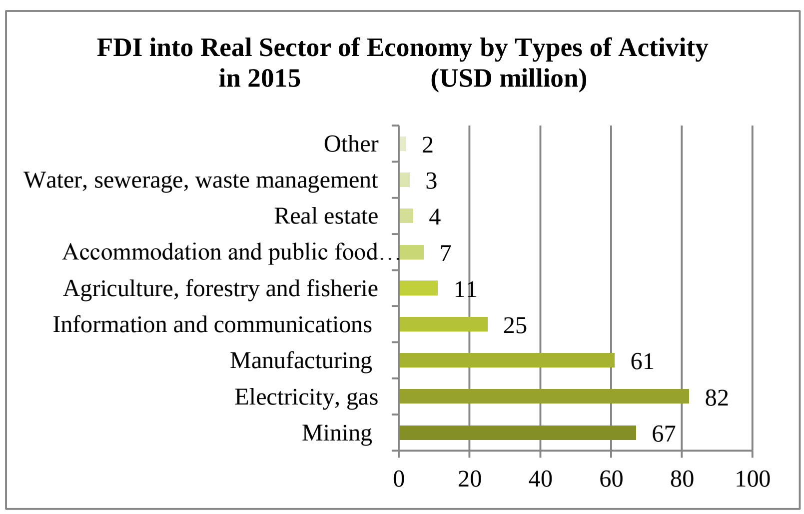


[7] Source: RANSS

The inflow of FDI declined after the international financial crisis of 2009-2010 and then again increased to US$631 million in 2011. In recent years however, inflows of FDI weakened. Until 2008, the growing volumes in FDI were originating primarily by airport reconstruction, privatization in mining and telecommunications.

Analysis of the RA Ministry of Economy factsheets on investments shows that during the first nine months of 2015 the net flows of FDI into the real sector of Armenia amounted to 262 million USD. During the indicated period the FDI was done mostly by Switzerland (87 $US million) directed mainly to mining industry, wholesale, retail, Luxemburg (60$US million) mainly into beverage production, electricity, gas, steam and air conditioning supply, Russian Federation (30 US$ million) mainly into mining industry, metals production, production of pharmaceutical products, electricity, gas, steam and air conditioning supply, telecommunication.

Figure 8. FDI by Types of Activity in 2015[8]



France (20.5 $US million) invested mainly into beverage production, telecommunication, water collection and distribution, residency, USA (16 $US million) into production of computers, electronic and optical equipment, electricity, gas, steam and air conditioning supply, construction, software development,

[8] Source: RA Ministry of Economy

consultancy and related activities in the field of computer technology, finance and insurance, UK (13 $US million) mainly into mining industry, beverage production, residency, sport and recreation, Argentina (11 $US million) into agriculture, Ireland (8 $US million) Software Development, consultancy and related activities in the field of computer technology, information services, Germany (3.3 $US million) mainly into metals production, metal or mining (RA Ministry of Economy 2015).

Remittances

Armenia has been widely known for its dependence of private remittances, which have been playing a considerable role in the economy of Armenia since the collapse of the Soviet Union. To compare, in 1997, the share of remittances in GDP 8.3, while in 2004 it stood already at 12.1%, and in 2013 at 19.7%. Remittances declined, like FDI and other monetary inflows, during the economic recession of 2008-2009, then again recovered due to economic revival in destination countries, and again declined in 2014 conditioned by economic inactivity in those countries from which money was remitted.

Figure 9. Official Remittances, % of GDP[9]

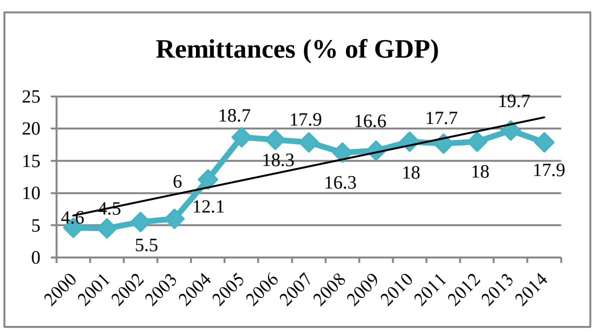
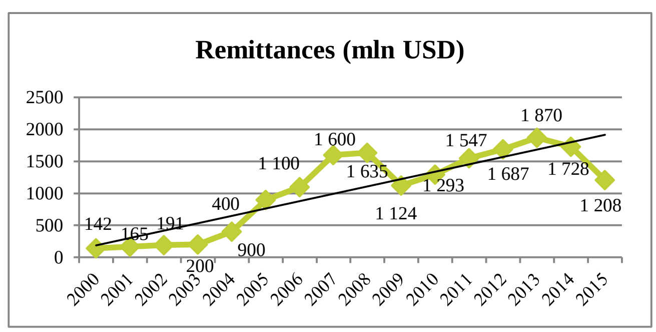


Figure 10. Official Remittances[10]



[9] Source: World Bank

[10] Source: RA Central Bank

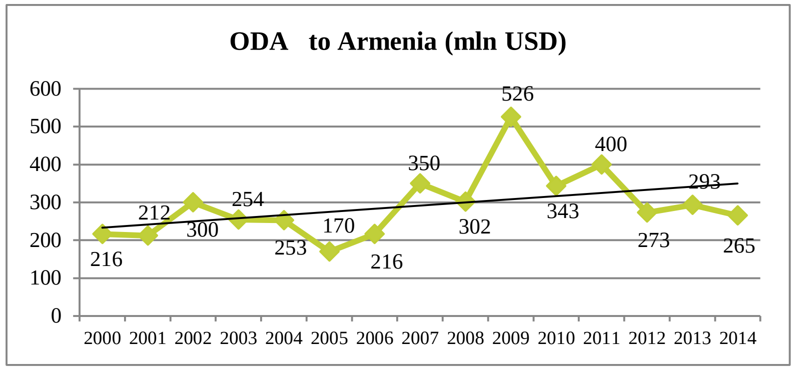
During the period 2002-2008, when the economy of Armenia was growing speedily, increasing remittances contributed to construction sector making prices for this type of goods very high (Shelburne and Palacin 2007).

At that period, there was an increase in the private consumption, which augmented the aggregate demand. The raise in remittances during 2005-2008 led to the appreciation of the national currency, negatively affecting the competitiveness of local goods. Together with the amplified consumption, the AMD appreciation increased demand for imported goods and services, negatively affecting the account balance from -1.1 to -11.8 percent of GDP (Karapetyan and Harutyunyan 2013).

The positive effects of remittances is their augmentative effect on consumption and investment. The funds from abroad are directed to additional demand for goods and services. Before the crises, they helped to boost the construction and service sector. The negative aspects of a too much reliance on remittances include moral hazard effect, decline in labor force, underinvestment in productive sectors and as a result investment in one-shot non-productive sectors, such as services and construction in case of Armenia. They may also lead to Dutch disease leading to expensive exports, which make country less competitive. Most importantly, they can deter the Government from doing wide-scale productive investments, as it may feel more secured because of the existence of the money from abroad.

Official Development Assistance

Figure 11. Official Development Assistance[11]

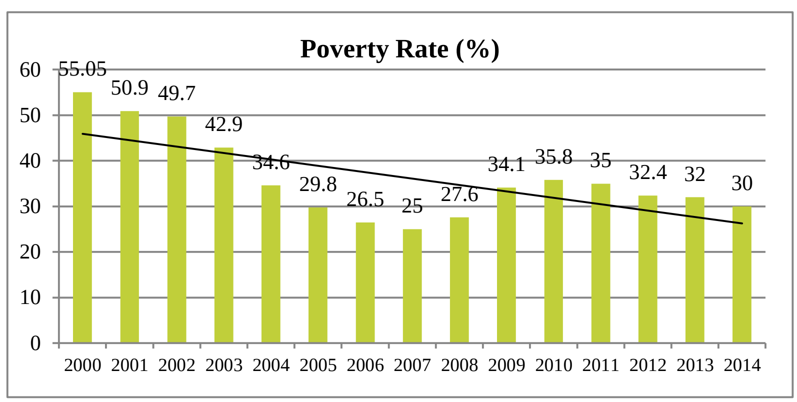


Since independence Armenia has been receiving continuous ODA to tackle the issues of underdevelopment, encourage democratization efforts and rule of law and to create satisfactory social services.

During 2013-2014 average, ODA has been allocated the following way: 37% went to economic infrastructure and services, 27% to other social infrastructure and services, 19% to production, 7% to education, remaining part to multisector assistance, health, humanitarian aid, etc. The main donors are EU Institutions (74.45), ADB special funds (50.65), Germany (40.88), US (37.65), International Development Assistance (36.62), IMF (concessional trust fund, 20.22), France (14.31), Global Funds (6.38), Russia (6.06), Switzerland (4.80).

Poverty and Inequality Snapshot

Figure 12. Poverty Rate[12]



During the years preceding the global economic recession, Armenia experienced a stable reduction in official poverty rate every year downsizing from 55.05% in 2000 to 25% in 2007.

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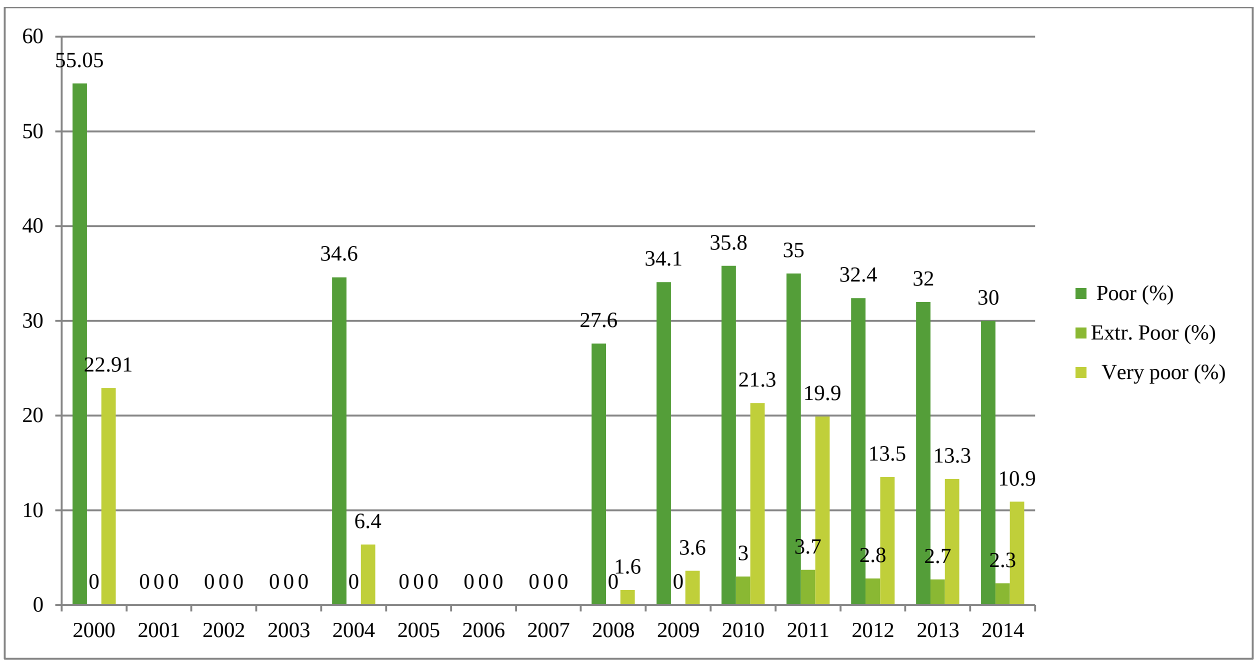
[11] Source: World Bank
[12] Source: RANSS

The arrival of the crisis reversed this trend with a peak year being 2010 when the official poverty rate rocketed to the 35.8% of the population. A positive dynamics was recorded in 2011, 2012 and 2013 when the poverty rate weakly, but constantly decreased amounting to 30% in 2014. The same trend was evident with respect to extreme poverty: the share of population that lived below the food line declined from 22.91% in 2000 to 1.6% in 2008, (poverty line 1996/1999 = 10784/11735 drams), but increased to 3.6% in 2009, again decreasing from 2010 and reaching 2.3% in 2014.

Figure13. Poverty and extreme poverty levels[13]



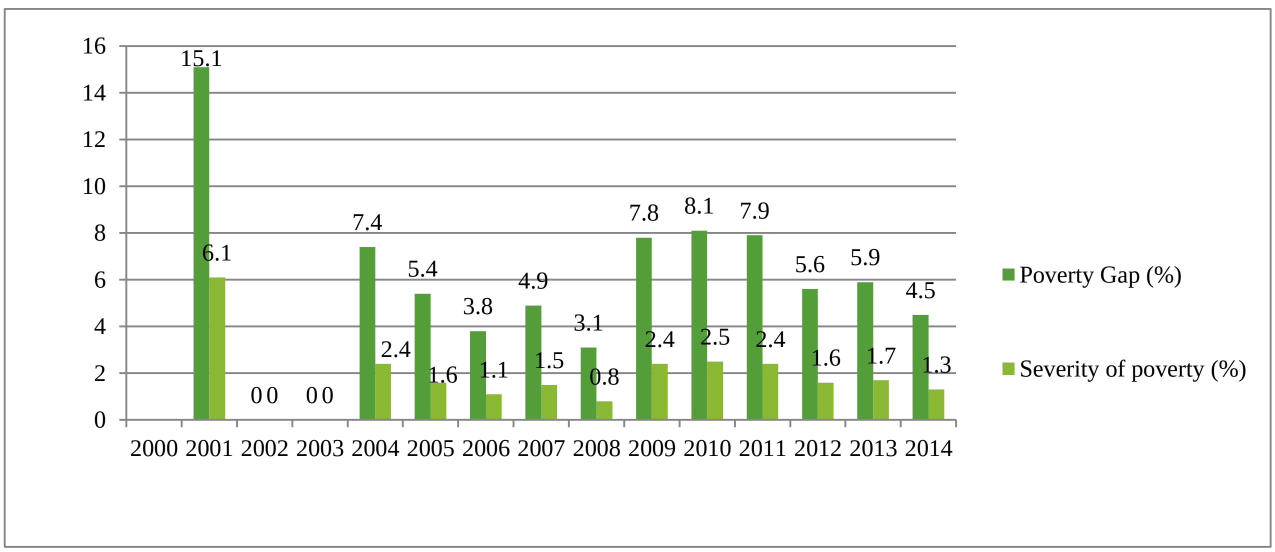
The analysis of the RA NSS data on poverty shows that it subdivides poverty into three categories, namely poor, very poor and extremely poor. Poor are considered those people, whose monthly per adult consumption is below the upper poverty line, which in 2014 was 40 264 AMD per month. This means that in 2014, with the official poverty rate equivalent to 30%, around 900 000 people in Armenia were poor considering that the official population of Armenia is estimated at around 3 million people.

[13] Source: RANSS

Very poor are those people, whose monthly per adult consumption is below the lower poverty line, which was estimated at 33 101 AMD in 2014. The per cent of very poor people in 2014 was estimated at 10.9 as compared to 12.6% in 2013. Extremely poor are those, whose monthly per adult consumption is below the food poverty line, defined at 23 384 AMD respectively. According to 2014 estimated, extremely poor in Armenia is 2.3% or around 70 000 people compared to 1.6% in 2013.

Figure 14 below presents the trends in poverty gap and severity. Poverty gap indicates the degree to which the average consumption or income of the poor lies below the poverty line. The severity of poverty shows the inequality between the poor. The poverty severity was 1.3% in 2014.

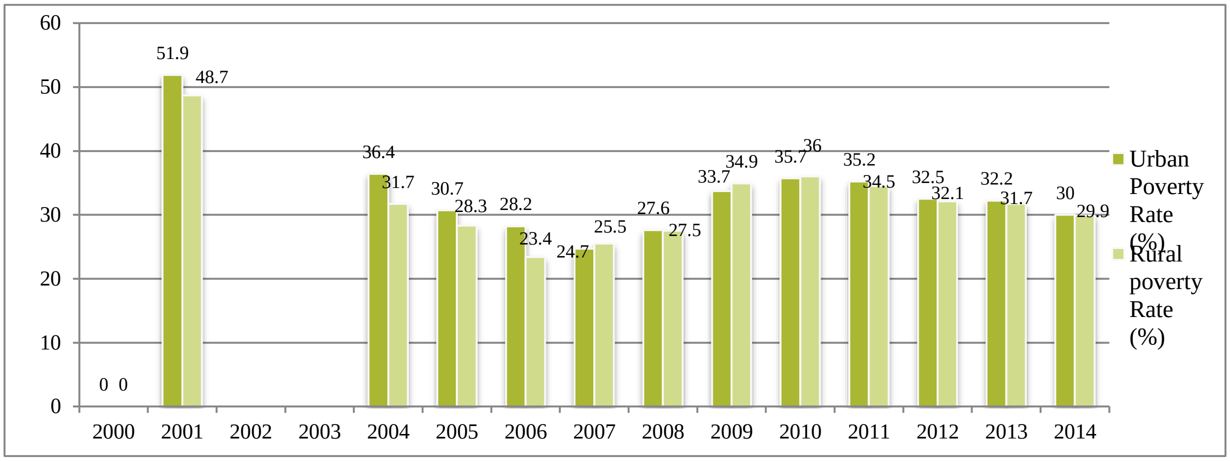
Figure 14. Poverty Gap and Severity of Poverty[14]



The dynamics of poverty rate in urban and rural communities over the last 15 years shows that the incidence of poverty has been generally higher in urban areas.

[14] Source: RANSS

Figure15. Urban and Rural Poverty[15]



It should be noted, that state policy during the crises period 2008-2012 was aimed to partially offset the risks caused by the increased poverty. The state transfers for the period 2008-2012 increased in volumes and share in the monetary incomes of citizens. Specifically, the analysis of the RA NSS data shows that in 2004, in the average monthly per capita income the share of state transfers was 13.6%, while in 2008 it equaled 18.1% and 18.4% in 2012 (RANSS 2014).

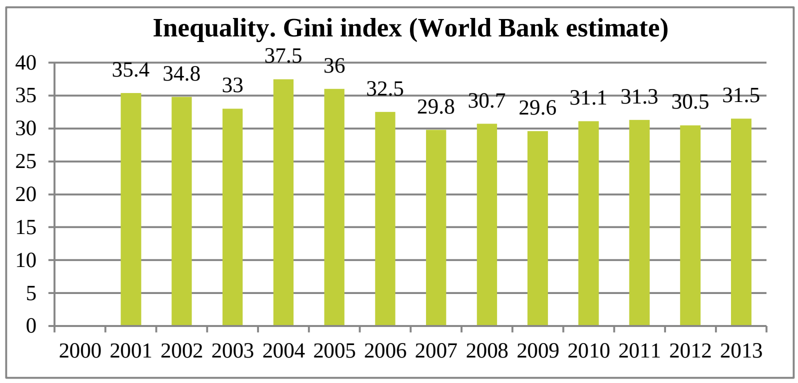
The analysis of the RANSS Household Income, Expenditures, and Basic Food Consumption document over 2004-2014 (RANSS 2015), shows that monetary income that results from economic growth (employment and income from sales of agricultural products) was increasing during 2004-2008, and declined in 2009, weakly increasing from 2011. At the same time, the RANSS data shows that during 2004-2008, the average monetary income of the poorest two deciles increased by 2.3 times, while the richest two deciles increased their income by nearly 1.7 times.

[15] Source: RANSS

Inequality

During Soviet times, income distribution in Armenia was relatively equal. After the independence, and abrupt transition to a market economy followed by a full scale war, there was a substantial rise in income inequality driven by corrupt business practices, plutocracy, nepotism, inadequate policy reforms and privatization deals, etc.

Figure 16. Inequality[16]



Inequality trend in the country, measured by Gini coefficient, indicates the degree of inequality in the distribution of income, which normally include earned income, income from self-employment, and from property.

The dynamics of the inequality shows that in the period from 2001-2006 the division between the income of the rich and poor in the country was moderate, averaging 34.8 Gini. Notable reduction was recorded in 2007; since that, however, the numbers are rising indicating to an increasing disparity among groups of the population.

The analysis of the RANSS data shows that in the immediate post-crisis years, 2009-2012, besides poverty, inequality also increased, amounting to 31.3 and the incomes of the 20% richest population surpassed the incomes of the poorest 20% by 8.5 times, which means that economic

[16] Source: World Bank

growth after crisis was benefiting the rich more that the poor and that economic downturn had a bigger impact on the poor than on the rich.

Correlation analysis[17]

Based on the analysis of the above mentioned indicators of Armenian economy, it becomes evident that the economic model that has been employed in Armenia since 2000s was mainly based on remittances, FDI, export of raw materials and foreign aid and showed notable economic growth until the global economic crisis in 2008-2009.

It is interesting to observe that during 2000-2007 domestic consumption was increasing year by year in the context of negative export rates. Thus, it can be assumed that the role of external factors in the development of the country's economy was relatively important. Consequently, the subsequent correlation analyses will try to estimate the relationship between these external factors (FDI, remittances and foreign aid) along with exports on one hand and economic growth, poverty and inequality in Armenia on the other hand.

The correlation analysis of the relationship **between FDI and GDP per capita** (Table 1) shows a strong statistically significant positive correlation ($r = .683^{**}$, $p = .005$) between these variables, implying that an increasing amount of FDI also increases the GDP per capita. The same statistically significant positive correlation is found in the relationship between **FDI and nominal GDP** ($r = .753^{**}$, $p = .001$), (Table 2). These findings support the observations done based on the review of the Armenia PRSP 2008 as well as Armenia Development Strategy for 2014-2025 which consider FDI one of the main drivers of economic growth of the country.

Unquestionably, FDI can have an important role in the growth of a country since they can bring high technology equipment, effective management, create employment and generate more tax collection. However, both the overall volumes and the spheres where FDI is channeled raise some

[17] Correlation tables can be found in Appendix A.

issues. Firstly, the overall volumes of FDI in Armenia are relatively low, especially declining for the last several years which may suggest existence of factors discouraging the inflow of investments, such as unstable geopolitical situation, unsatisfactory legislative and tax systems as well as relatively unskilled workforce. Secondly, as evident from the reviewed data, FDI goes mainly into raw materials, or public infrastructure. It is important to note, that comparatively small volumes of FDI go to the spheres that are considered strategically important and prioritized by the RA Government (USA and Ireland in 2015 together invested 24 US mln only part of which went to high technology/ICT sector - sphere prioritized by the RA Government). Comparatively small volumes of FDI were directed to agriculture.

With respect to FDI's role in poverty reduction, findings of this study on Armenia go in consistence with the conventional wisdom found in the relevant literature that FDI does support development since it is a major element of economic growth and sound economic growth is the most important factor in poverty reduction, and FDI is central to achieving it as supported by the correlation analysis of FDI and GDP.

The correlation analysis shows that there is a statistically significant negative correlation ($r = -.736$, $p = .002$) between **nominal GDP and poverty rate** (Table 3) implying that as nominal GDP increases poverty level decreases. The same statistically significant negative relationship ($r = -.800^{**}$, $p = .000$) is true for the **GDP per capita and poverty level** (Table 5), showing that an increase in GDP per capita is associated with a decrease in poverty level. **FDI** itself has a statistically significant negative association with **poverty level** ($r = -.589^{*}$, $p = .021$), (Table 4).

Evidently, by using correlation analysis, this study shows associations, and not the impacts of variables, in this case FDI, GDP and poverty, which implies that there may be other variables that might be responsible for the reduction of poverty, such as efficient governmental policies, programs that develop social safety nets and successfully redistribute assets, etc. However, scientific economic literature argues that these "other variables" - programs, redistribution, etc are complementary measures, but not alterative options to policies aimed at economic growth since growth is needed to make those programs possible.

However, it should be noted that the role of FDI in the economy should not be overestimated since it can deplete the resources of the country, trigger environmental problems as well as problems in working conditions and security where the owners can try to economize, and lead to income and capital flights from the country. In addition, companies created by extensive FDIs in strategically important spheres of the economy make the country vulnerable to foreign states pressure and meddling into its domestic affairs. The FDI should be directed to the spheres that are considered priority by the Government and assist the industrial sectors of the economy. In addition, the international practice shows that in order to increase the amounts and impact of the FDI, the prevailing interest rate should be high. This high rate further translates into higher discount rates in the investment projects, improving the benefit-cost ratio. Therefore a country should work on creating necessary conditions for transforming high savings into investments.

The role of another key ingredient of globalization- international trade- is seen at present as one of the main prerequisites for economic growth and well-being, though its benefiting effects are not automatic, but require specific settings, such as developed financial sectors, high levels of education and good governance. The study findings show a clear positive association between exports and economic growth, as demonstrated by the correlation analysis of export volumes and GDP indicators.

In particular, there is a strong positive correlation between **nominal GDP and export** volumes (r =.882**, p = .000), (Table 6), as well as **export - GDP per capita** (r = .913**, p =.000), (Table 7) relationship, which allows to suppose that whenever exports grew in volumes, GDP also increased, and vice versa. The analysis of **exports and poverty** rate shows a strong, significant negative association ($r = -.723^{**}$, $p = .002$) between these variables, implying that whenever exports grew, poverty decreased, and vice versa (Table 8).

These findings support the argument that overall exports are important locomotive for growth and poverty alleviation, via increasing productivity of individual companies or firms and through wage and employment. Literature also suggests that exports may not have a direct impact on poverty alleviation, but combined with easy access to credits for local producers, can have a significant poverty alleviating effect. This means that in order for exports to be effective for poverty reduction, they must be combined with proper policies.

The correlation analysis does not tell us the specific degree of impact that exports or imports have on growth or poverty; however, they show a clear and strong association between these variables. Thus, considering that foreign trade accounted for on average 55 % of the GDP during the last fifteen years, it can be inferred that exports and imports have been instrumental in the development of economy and reduction of poverty rate.

Armenia Development Strategy for 2014-2025, foresees significant reduction of the country's dependence from external financing by fostering exports and employing relative restrictive policy for imports, so that the trade deficit decreases from 24,8% of the GDP in 2012, to 15,1% by 2017, followed by 9.8% in 2021 and then 4.5% in 2025 (Government of Armenia 2014). In addition, the economic literature suggests that for exports to have a clear poverty reduction effect "pro-poor" export sectors should be promoted. However, most importantly, special export promoting policies and export support systems should be enacted.

In Armenia, one of the main sources of economic growth is remittances. During 2000-2008, around 6 bln USD were sent to Armenia as remittances, with 2013 being the peak year when remittances totaled 1,87 bln USD. One of the most important functions attributed to remittances by economic development literature is their poverty alleviating effect as supported by the correlation below.

The correlation analysis of **remittances and nominal GDP** ($r = .978^{**}$, $p = .000$), (Table 9) and **GDP per capita** ($r = .982^{**}$, $p = .000$), (Table 10) shows a statistically significant positive correlation between these variables, suggesting that an increase in remittances is associated with an increase in GDP indicators. The correlation analysis **of remittances and poverty rates** ($r = -.797^{**}$, $p = .000$), (Table 11) supports and confirms the findings found in the relative literature that money sent from abroad functions as a supplement of income for families, helping them to meet their basic needs, and so have a direct poverty alleviating effect in receiving countries.

The impacts of remittances on economic growth depend on whether they are used on consumption, or investment, i.e. if remittances are used for investment in human or physical capital, they can have a positive effect on economic growth; however, if they are used predominantly on consumption, their effect on growth can be small, they can provoke "moral hazard", and lead to inefficient governmental policies. In Armenia, during the reviewed period, remittances drove domestic consumption, construction and service spheres.

The problem with remittances is that although they are considered more resilient to the external shocks and fluctuations than other types of capital flows, their decline can lead to drastic recession in the economies that heavily rely on them, such as Armenia.

The last fifteen years brought about a sharp increase in external remittances sent to Armenia, twice interrupted by economic crisis in sending countries in 2009 and 2014-2015. This rising amounts of transfers from abroad resulted in appreciation of the local currency which diminished the export competitiveness of local export products and boosted non export sectors of the economy, in particular, construction and services. However, later sharp decline in the remitted money negatively affected not only the sectors that heavily depended on them, but also other branches of the economy.

This unleashed the weaknesses of the economy's concentration in non export and non-productive sectors, as well as its non- diversified nature.

Besides FDI and remittances, during the reviewed period, Armenia received around 2 bln as ODA. The correlation analysis of **ODA and GDP** indicators shows a moderate positive correlation between these variables, in particular $r = .478$, p .084 for ODA and GDP per capita (Table 11), and $r = .525$, $p = .054$ for ODA and nom. GDP (Table 12). The relationship is not significant. The negative relationship between **ODA and poverty** rates is also statistically not significant ($r = -.221$, $p = .448$), (Table 13).

Concerning relationship with **inequality measure**, correlation analysis showed significant negative relationship between **nominal GDP and GDP per capita and Gini coefficient** representing income distribution of Armenia's residents (nom. GDP/GINI $r = -.810^{**}$, $p = .001$), (Table 14), (GDP per cap./ GINI $r = -.779^{**}$, $p = .002$), (Table 15) testifying that, contrary to widespread belief in developmental studies about other developing countries, the rise in GDP specifically in Armenia has been associated with less inequality.

Concerning the association of globalization variables and Gini index, the correlation analysis showed strong, significant negative relationship **between remittances, FDI, ODA and Gini conefficient** (Tables 16, 17, 18). The negative association between **Gini index and exports** was moderate, but not significant (Table 19). The correlation analysis shows that the inflow of funds during the reviewed period has not been associated with increased inequality.

Regression Analysis[18]

A one-way analysis of variance (ANOVA test) was run to find out the degree of impact of change in GDP on poverty rate. A regression analysis, where GDP per capita functions as an independent variable or predictor, and poverty rate as the dependent one, shows that that one unit change in GDP per capita induces -.004 unit change in poverty rate.

[18] Regression analysis tables can be found in Appendix B.

The regression analysis where FDI functions as predictor, while GDP per capita as a dependent variable shows that one unit change in FDI induces 4.982 unit change in GDP per capita. The same analysis shows that one unit change in exports induces 4.486 unit change in GDP per capita, and one unit change in remittances stimulate 2.919 unit change in GDP per capita.

Conclusion

Several conclusions can be drawn based on the findings of the study. The analysis of the chosen indicators of the economic globalization (exports, FDI, remittances, ODA) and the main macroeconomic indicator (GDP) shows that economic globalization has been associated with higher economic growth in Armenia during the past fifteen years. Furthermore, contrary to many studies about globalization in developing countries, economic globalization in Armenia in general has been associated with less poverty and, most importantly, less wealth inequality. The regression analysis showed that each unit of economic growth reduces poverty by -.004 unit, which is not a significant degree of impact.

The analysis of the official data on monetary incomes of population shows that during the pre-crisis period economic growth was pro-poor; the trend, however, was reversed immediately after the crises, when, during several years, the official incomes of the 20% of the richest segments of population surpassed the official monetary incomes of the 20% of the poorest. This finding allows to rejects the well –known proposition in favor of globalization which states that growth is inequality neutral.

Additionally, both the document and the correlation analyses showed that the role of remittances in the economy of Armenia is significant. Precisely the remitted money showed the strongest positive correlation with economic growth, and the strongest negative correlation with poverty, which may suggest an apparent inference that remittances are a successful tool for economic growth and poverty alleviation. However, it should be kept in mind, that there is not a single example of a country that achieved a long term sustainable development by a remittance -led growth strategy.

Finally, the analysis of the main macroeconomic developments in the country during the last fifteen years allowed seeing the weaknesses of the structure of the Armenian economy. Any economy has an underlying combination of measures or sectors that drive its growth. In case of Armenia, two unproductive sectors - construction and services- became the drivers, fuelled by remittances and investment especially by Diaspora Armenians. The arrival of the crises unleashed the weakness of the economy's dependence on non-productive engines, emphasizing the imperative to diversify the economy, make businesses more innovative and sophisticate, and channel the foreign investments to the spheres prioritized by the RA Government, unlike the current situation.

Limitations

Limitation of the study relates to a limited number of time series- fifteen years- used for correlation and regression analyses, which negatively affects the degree of accuracy of the results. Furthermore, evidently, there are many factors that are responsible for economic growth and poverty reduction in the country (for example, conducive political environment, social/redistributive policies, etc.), that were outside the scope of this paper, but further examination of which is necessary for a comprehensive understanding of interrelations among economic globalization, economic growth, poverty and inequality.

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APPENDIX A

Table 1. FDI/GDP PER CAP

Correlations

		FDI	GDPPERCAP
FDI	Pearson Correlation	1	.683**
	Sig. (2-tailed)		.005
	N	16	15
GDPPERCAP	Pearson Correlation	.683**	1
	Sig. (2-tailed)	.005	
	N	15	15

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

Table 2. FDI/NOM GDP

Correlations

		FDI	NomGDP
FDI	Pearson Correlation	1	.753**
	Sig. (2-tailed)		.001
	N	16	15
NomGDP	Pearson Correlation	.753**	1
	Sig. (2-tailed)	.001	
	N	15	15

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

Table 3. NOM GDP/POVERTY

Correlations

		NomGDP	POVERTY
NomGDP	Pearson Correlation	1	-.736**
	Sig. (2-tailed)		.002

	N	15	15
POVERTY	Pearson Correlation	-.736**	1
	Sig. (2-tailed)	.002	
	N	15	15

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

Table 4. FDI/POVERTY

Correlations

		FDI	POVERTY
FDI	Pearson Correlation	1	-.589*
	Sig. (2-tailed)		.021
	N	16	15
POVERTY	Pearson Correlation	-.589*	1
	Sig. (2-tailed)	.021	
	N	15	15

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

Table 5. GDP PER CAPITA/POVERTY

Correlations

		GDPPERCAP	POVERTY
GDPPERCAP	Pearson Correlation	1	-.800**
	Sig. (2-tailed)		.000
	N	15	15
POVERTY	Pearson Correlation	-.800**	1
	Sig. (2-tailed)	.000	
	N	15	15

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

Table 6. EXPORTS/ NOM GDP

Correlations

		EXP	NomGDP
EXP	Pearson Correlation	1	.882**
	Sig. (2-tailed)		.000
	N	15	15
NomGDP	Pearson Correlation	.882**	1
	Sig. (2-tailed)	.000	
	N	15	15

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

Table 7. EXPORTS/GDP PER CAPITA

Correlations

		EXP	GDPPERCAP
EXP	Pearson Correlation	1	.913**
	Sig. (2-tailed)		.000
	N	15	15
GDPPERCAP	Pearson Correlation	.913**	1
	Sig. (2-tailed)	.000	
	N	15	15

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

Table 8. EXPORTS/POVERTY

Correlations

		EXP	POVERTY
EXP	Pearson Correlation	1	-.723**
	Sig. (2-tailed)		.002
	N	15	15
POVERTY	Pearson Correlation	-.723**	1
	Sig. (2-tailed)	.002	
	N	15	15

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

Table 10. REMITTANCES/GDP PER CAPITA

Correlations

		REM	GDPPERCAP
REM	Pearson Correlation	1	.982**
	Sig. (2-tailed)		.000
	N	16	15
GDPPERCAP	Pearson Correlation	.982**	1
	Sig. (2-tailed)	.000	
	N	15	15

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

Table 9. REMITTANCES/NOM GDP

Correlations

		REM	NomGDP
REM	Pearson Correlation	1	.978**
	Sig. (2-tailed)		.000
	N	16	15
NomGDP	Pearson Correlation	.978**	1
	Sig. (2-tailed)	.000	
	N	15	15

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

Table 11. REMITTANCES/POVERTY

Correlations

		REM	POVERTY
REM	Pearson Correlation	1	-.797**
	Sig. (2-tailed)		.000
	N	16	15
POVERTY	Pearson Correlation	-.797**	1
	Sig. (2-tailed)	.000	
	N	15	15

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

Table 11. ODA/GDP PER CAPITA

Correlations

		ODA	GDPPERCAP
ODA	Pearson Correlation	1	.478
	Sig. (2-tailed)		.084
	N	14	14
GDPPERCAP	Pearson Correlation	.478	1
	Sig. (2-tailed)	.084	
	N	14	15

Table 12. ODA/NOM GDP

Correlations

		ODA	NomGDP
ODA	Pearson Correlation	1	.504
	Sig. (2-tailed)		.066
	N	14	14
NomGDP	Pearson Correlation	.504	1
	Sig. (2-tailed)	.066	
	N	14	15

Table 13. ODA/POVERTY

Correlations

		ODA	POVERTY
ODA	Pearson Correlation	1	-.221
	Sig. (2-tailed)		.448
	N	14	14
POVERTY	Pearson Correlation	-.221	1
	Sig. (2-tailed)	.448	
	N	14	15

Table 14. NOMINAL GDP/GINI

Correlations

		NomGDP	GINI
NomGDP	Pearson Correlation	1	-.810**
	Sig. (2-tailed)		.001
	N	15	13
GINI	Pearson Correlation	-.810**	1
	Sig. (2-tailed)	.001	
	N	13	13

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

Table 15. GDP PER CAPITA/GINI

Correlations

		GDPPERCAP	GINI
GDPPERCAP	Pearson Correlation	1	-.779**
	Sig. (2-tailed)		.002
	N	15	13
GINI	Pearson Correlation	-.779**	1
	Sig. (2-tailed)	.002	
	N	13	13

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

Table 16. FDI and GINI coefficient

Correlations

		FDI	GINI
FDI	Pearson Correlation	1	-.733**
	Sig. (2-tailed)		.004
	N	16	13
GINI	Pearson Correlation	-.733**	1

	Sig. (2-tailed)	.004	
	N	13	13

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

Table 17. ODA and Gini coefficient

Correlations

		ODA	GINI
ODA	Pearson Correlation	1	-.664*
	Sig. (2-tailed)		.013
	N	14	13
GINI	Pearson Correlation	-.664*	1
	Sig. (2-tailed)	.013	
	N	13	13

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

Table 18. REMITTANCES and Gini coefficient

Correlations

		REM	GINI
REM	Pearson Correlation	1	-.755**
	Sig. (2-tailed)		.003
	N	16	13
GINI	Pearson Correlation	-.755**	1
	Sig. (2-tailed)	.003	
	N	13	13

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

Table 19. EXPORTS and Gini coefficient

Correlations

		EXP	GINI
EXP	Pearson Correlation	1	-.500
	Sig. (2-tailed)		.082
	N	15	13

GINI	Pearson Correlation	-.500	1
	Sig. (2-tailed)	.082	
	N	13	13

APPENDIX B

Table 20

Regression

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	GDPPERCAP[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: POVERTY

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.800[a]	.641	.613	5.7923

a. Predictors: (Constant), GDPPERCAP

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	777.274	1	777.274	23.167	.000[a]
	Residual	436.155	13	33.550		
	Total	1213.429	14			

a. Predictors: (Constant), GDPPERCAP

b. Dependent Variable: POVERTY

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

		B	Std. Error	Beta		
1	(Constant)	56.951	4.584		12.423	.000
	GDPPERCAP	***-.004***	.001	-.800	-4.813	.000

a. Dependent Variable: POVERTY

```
CORRELATIONS
  /VARIABLES=REM GDPPERCAP
  /PRINT=TWOTAIL NOSIG

  /MISSING=PAIRWISE.
```