The Role of the Diaspora in Generating Foreign Direct Investments in Armenia

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Anna Makaryan

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Current Economic Challenge

- Armenia faces a difficult challenge to move from a resource-driven to investment-driven stage of competitive development.

- The next stage of development requires massive investments in technologies and business processes to increase efficiency.

- The speed and success of such transition will be dependent on the ability to infuse large amounts of productive capital into competitive sectors.

- Foreign Direct Investments (FDI) are the top priority source for such capital; they bring access to markets, technologies, know-hows, managerial competences, etc.

- In case of Armenia, the Diaspora is considered one of the most important levers to attract FDI.
FDI Statistics for Countries with Established Diasporan communities

Net FDI Inflows, per capita (current US$), 2003

- Armenia: 39.56
- China: 41.53
- India: 4.01
- Israel: 580.11
- Philippines: 3.91
Understanding the Diaspora

“Diaspora” is:
1a. A dispersion of people from their homeland; 1b. The community formed by such people.
2. Dispersion of an originally homogeneous entity, such as language and culture. (AHCD, 2002)

“Diaspora or emigrant networks” is:
The dispersion of people of ethnic Armenian descent, and communities formed by Armenians in foreign countries who interact with each other for mutual benefits and support based on ethnic affiliation.

“Network” is:
An extended group of people with similar interests or concerns who interact for mutual assistance or support. (American Heritage College Dictionary, 2002).

For Republic of Armenia with population of only 3.0 million (2004, WDI) and large Diaspora communities of more than 6 million (www.armeniadiaspora.com) living all over the world, ethnic Armenian Diaspora is viewed as an exceptional asset for the national economy to:

✔ Generate FDI and private transfers;
✔ Gain political support;
✔ Advocate Armenian culture abroad.
Study of Other Ethnic Groups

Facts

• According to some estimates in 1999 70% of China’s 50 billion FDI came from ethnic Chinese (Devan, Tewari, 2001)

• Chinese entreprenuers were the first or second important source of FDI in Thailand, the Phillipines, and Vietnam (Kao, 1993)

Stereotypes

“although the Diaspora, particularly in the United States, has been famously generous to Israel and critical to its foundation and success, the community has not even been the major business investors in Israel, either in technology or generally. Direct diaspora investment and stock purchases have averaged only 6% of domestic gross capital formation (Kleiman) over Israel’s history” (Davone)
Financial transfers to Armenia, Diasporan tourism, consumption and technical assistance (knowledge and technology transfer) were of interest to many researchers, experts and politicians, and think-tanks (Freinkman, Roberts and Banaian; Manaseryan, Armenia 2020, Miller, Samuelian, Gillespie et al, and others).

No country-specific detailed study on Diasporan business involvement on a firm/company level in FDI processes in the homeland economy, its detailed history, correlation between major homeland-Diaspora events and economic growth has been identified.

This paper is one of the first attempts to estimate and identify:

- the Diasporan involvement in investments (FDI structure);
- the share of Diaspora-connected FDI (DCI) in total FDI in Armenia;
- the factors affecting DCI attracting process.
- the motivational factors affecting investment decisions
- the ethnic discount
Methodology

The study operates with three types of indicators of the Diaspora’s involvement in FDI generating processes in Armenia:

✓ Number of Diaspora-connected Investors - DCIR
✓ Number of Diaspora-connected companies (companies with the Diasporan and Diaspora related investors’ capital) - DCC
✓ Amount of Diaspora-connected foreign direct investments – DCI
Methodology

The methodology of our estimates of the size and structure of the Diaspora-connected investments implied very detailed company-level research.

- List of companies with foreign capital and shareholders (State Registry)
- Additional sources – Spyur, industry associations, consulting companies, Diaspora organizations
- Scrupulous analysis of shareholders (status, country of origin, connections, relationships with other shareholders, etc.)
- The information investment size of different groups of companies was obtained from the National Statistical Committee on an aggregated basis
- No principle of confidentiality has been violated

In total, about 2,600 companies and 6,500 shareholders have been analyzed and explored.
Diaspora-connected investors (DCIR)

**Diaspora-connected individual investors:** Foreign investors who invested in local companies together with Diasporan investors and new emigrants or a foreign company somehow connected to the Diasporan investor.

**Individual Diasporan investors:** Diasporans (both old and new) who invested in a particular company alone or with other Diasporan investors.

**Diaspora-connected corporate investors:** A foreign company that invested in a local company somehow connected to the Diaspora (one of the top executives or a key shareholder of the foreign company is a Diasporan; the foreign company invested in other Armenia-located company; the foreign company invested in Armenia because of Diasporan connections, i.e. Diasporans who assisted in generating FDI for a particular local company).
DCIR: Dynamics and Trends

Armenia’s Diaspora-connected FDI composition reflects the distribution of Armenian population in various traditional Diaspora settlements, their relative strength, level of connection to the Homeland and the peculiarities of Armenia-Diaspora relations.

During this 1994-2004, **69%** of foreign investors that invested in Armenia were Diaspora-connected investors (DCIR), and **68%** of FDI-recipient companies were Diaspora-connected (DCC).
Number of Foreign Investors and DCIR in Armenia, 1994-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>DCIR</th>
<th>DCIR Share in Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>127</td>
<td>102</td>
<td>80%</td>
</tr>
<tr>
<td>1995</td>
<td>330</td>
<td>219</td>
<td>66%</td>
</tr>
<tr>
<td>1996</td>
<td>326</td>
<td>212</td>
<td>65%</td>
</tr>
<tr>
<td>1997</td>
<td>340</td>
<td>224</td>
<td>66%</td>
</tr>
<tr>
<td>1998</td>
<td>324</td>
<td>203</td>
<td>63%</td>
</tr>
<tr>
<td>1999</td>
<td>344</td>
<td>207</td>
<td>60%</td>
</tr>
<tr>
<td>2000</td>
<td>350</td>
<td>198</td>
<td>57%</td>
</tr>
<tr>
<td>2001</td>
<td>298</td>
<td>210</td>
<td>70%</td>
</tr>
<tr>
<td>2002</td>
<td>393</td>
<td>269</td>
<td>68%</td>
</tr>
<tr>
<td>2003</td>
<td>394</td>
<td>303</td>
<td>77%</td>
</tr>
<tr>
<td>2004</td>
<td>458</td>
<td>379</td>
<td>83%</td>
</tr>
<tr>
<td>Total</td>
<td>3684</td>
<td>2526</td>
<td>69%</td>
</tr>
</tbody>
</table>
## Number of Companies with Foreign Capital, 1994-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>DCC</th>
<th>DCC Share in Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>97</td>
<td>77</td>
<td>79%</td>
</tr>
<tr>
<td>1995</td>
<td>263</td>
<td>166</td>
<td>63%</td>
</tr>
<tr>
<td>1996</td>
<td>244</td>
<td>163</td>
<td>67%</td>
</tr>
<tr>
<td>1997</td>
<td>268</td>
<td>179</td>
<td>64%</td>
</tr>
<tr>
<td>1998</td>
<td>239</td>
<td>152</td>
<td>64%</td>
</tr>
<tr>
<td>1999</td>
<td>257</td>
<td>156</td>
<td>61%</td>
</tr>
<tr>
<td>2000</td>
<td>254</td>
<td>144</td>
<td>57%</td>
</tr>
<tr>
<td>2001</td>
<td>225</td>
<td>152</td>
<td>68%</td>
</tr>
<tr>
<td>2002</td>
<td>296</td>
<td>210</td>
<td>71%</td>
</tr>
<tr>
<td>2003</td>
<td>299</td>
<td>230</td>
<td>77%</td>
</tr>
<tr>
<td>2004</td>
<td>368</td>
<td>291</td>
<td>79%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2810</strong></td>
<td><strong>1920</strong></td>
<td><strong>68%</strong></td>
</tr>
</tbody>
</table>
DCIR: Dynamics and Trends

There are three distinct leader countries as sources of Diaspora investors for Armenia – Russia, USA and Iran. The number of DCIR from these countries comprises 60% of all DCIR from 1994 to 2004. The same pattern is observed regarding Diaspora-connected FDI recipient companies. The Diasporan investors from Russia, USA and Iran invested in 63% of all DCC. The leading group is followed by France, Syria and Lebanon (72% together with the three leaders).
Diaspora-Connected Investors: Dynamics and Trends

DCIR Number and Dynamics

- Iran DCIR
- Russia DCIR
- USA DCIR
- Total DCIR Exponentially Smoothed


Graph shows the number and dynamics of DCIR from 1994 to 2004, with a noticeable increase over time.
DCIR: Events and Factors

1994-1997

• First generator of investments after the cease-fire and launch of stabilization program supported by international financial institutions.

• Banning of ARF – 1994

• Exceptional opportunities provided by large-scale privatization deals

• Peak (then steady decline) of patriotic feelings

Interplay of contradictory factors (convergence of “opportunity” and “shock” contributed to “freezing” of the Diaspora involvement in investing in Armenia at a very low level compared to the potential (from 1994 to 2004, there were only 2,526 DCIR from the Armenian Diaspora which exceeds 6 mln. people).
Negative factors mostly affected the number of Diaspora investors, the share of DCIR fell to 57%. The developments carry the shorter lagged effects of negative political events and longer-term influences of positive political and economic events.
DCIR: Events and Factors

2001-2004

• Celebrations of 1700th anniversary of adoption of Christianity - 2001.
• Pan-Armenian Games – 2001
• Diaspora-Armenia Economic Conference - 2001
• Investment Conference in NY - 2001

Clear upward trend. The share of DCIR in total number of foreign investors reached 83%.
Principles of Estimation of the FDI composition

**Large Infrastructure/Utilities:** Diaspora-unrelated infrastructure companies that invested relatively large amounts of capital. The group includes ArmenTel, Armrusgasprom, Electric Distribution Networks, and Hrazdan Energetic Company.

**Large foreign investments:** The group includes “big fish” companies, Diaspora-unrelated companies that made large investments. The group includes Yerevan Brandy Company, Castel Group, the largest mining companies, Armenal, companies incorporated in the “Debt-Equity Swap” program with Russia.

**Pseudo FDI or “Local” companies:** This group includes the companies that are registered as foreign ones, mainly through off-shore territories, but are believed to represent local capital. We did a careful analysis of each company in the group and think the group represents a “minimum” number of companies with pseudo FDI. Following our conservative approach, we did not include companies that could potentially represent local capital, but there is no reliable data and evidence proving this.

**Diaspora-connected companies**

**Foreign Direct Investment Types in 1998-2004**

**Other non-Diaspora companies with foreign capital**
Distribution of FDI 1998-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Utilities</th>
<th>Pseudo FDI</th>
<th>Large Investments</th>
<th>Other Non-Diaspora</th>
<th>Diaspora</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>125,550</td>
<td>13,870</td>
<td>2,100</td>
<td>18,170</td>
<td>72,690</td>
</tr>
<tr>
<td>1999</td>
<td>53,480</td>
<td>5,610</td>
<td>30,000</td>
<td>8,240</td>
<td>32,960</td>
</tr>
<tr>
<td>2000</td>
<td>79,420</td>
<td>3,680</td>
<td>6,800</td>
<td>6,030</td>
<td>24,130</td>
</tr>
<tr>
<td>2001</td>
<td>38,180</td>
<td>2,490</td>
<td>18,000</td>
<td>3,440</td>
<td>13,750</td>
</tr>
<tr>
<td>2002</td>
<td>51,620</td>
<td>7,480</td>
<td>22,000</td>
<td>11,970</td>
<td>47,890</td>
</tr>
<tr>
<td>2003</td>
<td>10,450</td>
<td>5,190</td>
<td>88,100</td>
<td>9,950</td>
<td>39,810</td>
</tr>
<tr>
<td>2004</td>
<td>74,360</td>
<td>2,480</td>
<td>95,200</td>
<td>10,940</td>
<td>43,750</td>
</tr>
</tbody>
</table>
### Estimates of Diaspora-Connected FDI, 1998-2004

<table>
<thead>
<tr>
<th>FDI Composition</th>
<th>Share in Total</th>
<th>Share in Total (infrastructure excluded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure (utilities) investments</td>
<td>40%</td>
<td>-</td>
</tr>
<tr>
<td>DCI</td>
<td>25%</td>
<td>43%</td>
</tr>
<tr>
<td>Large non-Diaspora investments</td>
<td>24%</td>
<td>41%</td>
</tr>
<tr>
<td>Other non-Diaspora related</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>“Pseudo” FDI</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The peak of DCI share reached in 2002 (26%), being consistent with the DCIR trends reflecting the key role of 2001 events in triggering Diaspora business interest towards Armenia.
Diaspora-Connected Sectors

- ICT Sector
- Gems and Jewelry
- Tourism
- Agribusiness/Food Processing
- Apparels
- Construction

Drivers of economic growth
- Diaspora involvement was an important ingredient of success
Information and Communication Technologies

First-movers in the first half of 1990s
• Synergy International Systems, ViaSphere International, Hylink Corporation, HPL International, Khartia

Followers in 1997-1999
• Boomerang Software, Credence Systems, Virage Logic, E-Logic, Shant Laboratories, Epygi Labs AM, etc

Maturity in 2000-2004
• Sytrotech, Netsys, Xalt, SMS, Informatic Solution, Cad International, E-Z-Cad Inc., etc

International Brands - Lycos, Synopsis
Gems and Jewelry

First movers in 1994-1996
• Arslanian Family, Lily Jewelry, and a few of investors from the US, Russia, and Syria

1998
• Furfan Ltd

2000-2002
• Arevakn, Modern Tech, Gem Corp International
• LLD Diamonds, Lev Levaev
• Diamotech, Eastern Diamond, Precision Diamond

2003-2004
• Diasporan investors from the United States, Russia, Jordan, and France invested in 9 more companies
Tourism

First Movers in 1994-1997

- Levon Travel, Sidon, Saberatour, Sati, Intourtrans, Tatev TTT, Europe Hotel, Ani Enterprises, etc AK Development

1998-1999

- AK Development, Valencia
- Sector started attracting more and more Diaspora investors from Lebanon, Syria, France, USA, and Russia investing in restaurants and cafes.
- Many Diaspora-owned tour operator/travel agencies have been established in Armenia from 1998 onwards
Agribusiness/Food Processing

Alcoholic and non-alcoholic beverages, and mineral water

- Coca-Cola Bottlers Armenia Company, Jermuk Mineral Water Company, Tavush Wine and Brandy Company
- Pernod Ricard
- Waterlock, Aregak Brandy Company, Kaghtsrashen Wine Factory, Voske Takar, Arabkir Alco, Garry and Patrick Brothers, Alishan, etc.

Canned food

- Manuk Plant, Armenian Lolik
- Patrick and Garry Brothers; Borodino
Apparels

First Movers in 1994-1996
• Tufenkian Trancaucasus
• Diasporan investors from Russia, USA and Iran made investments in 6 more companies

1998-1999
• Garni Group, House of Davidian

2000-2004
• Itar, Nane Design, Armen Carpet, Patrick and Garry Brothers, etc.
Construction

First Movers in 1994-1995
• Ranchpar, Sipan and Arcon

1998-1999
• Hovnanian International, Villa Shin, Bamo, Soglasie

2000-2004
• Many investors from Switzerland (Itarco); Russia (Fragma, Oridom, Karart, Yerevan, Marada); Great Britain (Raffi Arev); United States (Heritage Development, Artcar Construction, Jer Tag Enterprises, Masisavan, Vanahovit), Iran (Alnes Construction, Dpirshin, Palimsest) and etc
Motivational Factors of Diaspora Investments

• What is the major motivational force for different Diaspora groups: altruism focusing on family and friends, ethnic attachment and patriotic feelings or pure business interest?
• Does the Diaspora or recent migrants invest to merely support family and friends or it is a way to help the homeland prosper?
• Is there any variation in motivation and triggering factors for different Diaspora groups?

We designed and conducted a short survey among Diaspora businessmen who had already invested in Armenia. We tried to estimate the role of ethnic identity and altruism as motivational factors while introducing and operating with the concept of “ethnic identity discount”.
Ethnic Identity or Family/Friends Altruism?

Ethnic Identity Discount

The willingness/readiness of the Diasporan investors to accept a lower level of return on investments or higher risks while investing in Armenia.

Ethnic Identity/Altruism

Contacts (Family/friends; visits)

Motivational Factor

Triggering Factors

Family and Friends Altruism

Ethnic Identity/Altruism

Assistance or other factors

Motivational Factor

Triggering Factors

Ethnic Attachment

Ethnic Identity/Altruism

Assistant or other factors

Motivational Factor

Triggering Factors
Survey Sample

- The dataset allowed us to construct the comprehensive population of Diasporan investors. We believe that we have incorporated 95% of the universe of the Diasporan investors.

- For survey purpose mainly Diasporans that invested from 2000 onwards were contacted to complete the survey (and some of them invested in more that one company).

- About 150 investors from 15 countries (United States, Russia, Cyprus, Bulgaria, Georgia, Germany, United Kingdom, Canada, Poland, France, Lebanon, Syria, Iran, Iraq, Netherlands) were contacted to complete the survey questionnaire.

- Only 37 respondents from 12 countries (United States, Russia, Cyprus, Bulgaria, Georgia, Germany, United Kingdom, Canada, Poland, France, Lebanon, and Iran) returned the survey questionnaire.
Survey Results

Survey Results: Motivational and Triggering Factors

- **Ethnic Identity**
  - Yes: 89%
  - No: 11%

- **Discount**
  - Yes: 0%
  - No: 100%

- **Business Interest**
  - Yes: 30%
  - No: 70%

- **Contacts**
  - Yes: 54%
  - No: 46%

- **Assistance**
  - Yes: 41%
  - No: 59%

**Assistance** (Technical assistance, outsourced contract opportunities for local companies, export assistance prior to investment as a key triggering factor; Yes=Assistance influenced, No=influence)

**Contacts** (Frequent visits, family/friends contacts prior to investment as a key triggering factor; Yes= Contacts affected investor's decision, No=Contacts did not affect)

**Identity** (Ethnic identity affiliation (being Armenian) as a key motivational factor affected the investment decision, Yes=Factor affected investor's decision, No= Factor did not affect)

**Business Interest** (Business interest as a key motivational factor affected the investment decision, Yes= Factor influenced the investment decision, No= Factor did not affect)

**Discount** (Willingness to accept an "ethnic identity discount", Yes= Willingness to accept the "discount", No= No "discount")
### Altruists vs. Ethnic Investors

<table>
<thead>
<tr>
<th></th>
<th>Family Altruists</th>
<th>Ethnic Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>51.1 (13.1)</td>
<td>49.7 (11.7)</td>
</tr>
<tr>
<td><strong>Schooling Years</strong></td>
<td>17.5 (3.2)</td>
<td>16.6 (3.3)</td>
</tr>
<tr>
<td><strong>Prior Experience in the Industry</strong></td>
<td>59%</td>
<td>79%</td>
</tr>
<tr>
<td><strong>Prior Assistance to Companies</strong></td>
<td>29%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Business Interest</strong></td>
<td>24%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Accepting Ethnic Discount</strong></td>
<td>94%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Knowledge Transfer</strong></td>
<td>65%</td>
<td>79%</td>
</tr>
</tbody>
</table>
Altruists vs. Ethnic Investors

- The family/friends altruist investors are more focused on altruistic side of the investment (helping and supporting the family and friends), therefore business interest is simply overshadowed in the mixture of motivational factors (24%).
- Ethnic investors are completely willing to accept the ethnic identity discount (100%).

Only “a ticket to the game”? 

The results of the survey showed:

✓ Motivation by ethnic identity can be clearly quantified by investors in the form of discount to the rate of return (or premium to risks).
✓ Family/friends altruists are slightly less inclined to accept that discount.
Ethnic Discount

The most acceptable level of the ethnic identity discount is the range between 20% and 50% for both categories of investors. Almost 8% of the respondents were ready to accept more than 75% discount.
Armenia-born Diasporans vs. Diaspora-born Diasporans

- The family and friend type of altruism seems to be a major motivation for Armenia-born Diasporans to invest in Armenia as opposed to Diaspora-born investors who are more inclined to invest as a result of their ethnic attachment to Armenia (87% vs. 71)
- Diaspora-born investors are more inclined to accept the “ethnic identity discount” (93% vs. 71%)
## Armenia-born Diasporans vs. Diaspora-born Diasporans

<table>
<thead>
<tr>
<th>Armenia-born Diasporan Investors</th>
<th>Diaspora-born Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Kith and kin relations matter in investment decisions more surpassing mere business interest, and is the major triggering factor in investment decisions</td>
<td>➢ Ethnic attachment or patriotic feelings are key motivational forces. Kith and kin relations are not predominant in investment decision-making.</td>
</tr>
<tr>
<td>➢ The majority of investors are inclined towards accepting ethnic identity discount.</td>
<td>➢ Ethnic identity strongly affects investment decisions and the willingness to accept ethnic identity discount (even in such cases when the investment was generated based on pure business interest)</td>
</tr>
<tr>
<td>➢ Mere business interest is not the major motivational factor</td>
<td>➢ Sole business interest is not the predominant motivational factor</td>
</tr>
<tr>
<td>➢ Knowledge/technology transfer occurred in majority of cases</td>
<td>➢ Knowledge/technology transfer occurred in majority of cases</td>
</tr>
</tbody>
</table>
Findings and Conclusions

The Diaspora’s role was important in generating FDI in Armenia; however, it was less than conventional wisdom would suggest:

- The Diaspora-connected investors representing about 70% of the total number of foreign investors in Armenia provided only about 25% of total FDI in 1994-2004.
- An average Diaspora-connected investor invested 150,000 USD.
- Only about 2,200 individual and corporate investors from the Diaspora or connected to the Diaspora invested in Armenia (from the worldwide Diaspora of 6mln. people).

The Diaspora’s involvement took the form of mainly charity and humanitarian aid, advocacy and political support, cultural exchanges, information and knowledge transfer. Armenia does no yet occupy a top place in the hierarchy of investment alternatives for the Diaspora; it does not have enough competitive business appeal to the Diaspora.
Findings and Conclusions

Major Sources of FDI in Armenia

Large Infrastructure:
1. Large amounts were attracted through lucrative (sometimes politically-driven) investments
2. Still has huge potential but needs sound strategy

Privatization-led Large Investments:
1. Mainly resource-based industries through lucrative privatizations
2. The source will exhaust in the near future

Given the considerable external constraints, Armenia successfully competed with other transition countries in attracting FDI; however, it will start lag behind if no major strategy shift takes place.
Findings and Conclusions

Current Stage

Armenia reasonably relied on the exploitation of Diaspora resources, based on patriotic feelings. This generated small scale investments from the most ethnically motivated Diasporans.

Next Stage

Requires massive investments, technological upgrade, efficiency and scale. Absorption of foreign technologies, participation in global value chains and development of managerial competencies will be key priorities.

Current strategy will not be efficient any more
Findings and Conclusions

The Need for New Mechanisms: The approaches towards the Diaspora should be consistent with the current perceptions and its level of readiness to be involved in business in Armenia.

Risk dispersing and quasi-development vehicles of investment supported by the government, that are better positioned to attract small scale investments. They still can capitalize on the readiness of the ethnically motivated, but risk-averse part of the Diaspora to accept ethnic discount.

- Development bonds
- Development banks
- Investment funds
Findings and Conclusions

The Need for More Differentiated Approach: Different Diaspora groups have different motivations, and the policy should capture these differences by a segregated and well-thought approach to each group.

- **Family Altruists**: Improvement of business climate, promotion of SME and dissemination of information aimed at translating charity to business.

- **Ethnic Investors**: Much more sensitive to far-flung changes, direction-setting events are important.

- **Non-involved**: Special study is required to identify major motivational factors.
Findings and Conclusions

**The Need for Renewed Models:** A radical progress in FDI attraction can occur only with a fundamental re-direction of Armenia’s policy towards a more business-oriented strategy.

- Development of a clear value proposition targeted at major multinational companies that seek new locations for outsourcing, R&D, production and other activities of global value chains that mainly require organized, high skill labor.
- The Diaspora’s network can become the most important pillar of this new strategy.
- One of the key target groups will become ethnic Armenians occupying executive positions at different large, multinational corporations.

**Successful Cases**
- Marriott Armenia
- HSBC
- KPMG
- Coca-Cola
- Synopsis
Findings and Conclusions

The Leadership Challenge

Motivation → Vision → Strategy → Action
The electronic version of this presentation as well as the working paper will be available at:

www.ev.am

and

www.crrc.am