

UDC: 338.121:339.727.22-054.72(497.7)"2003/2015"

Original Scientific Paper

Management of Diaspora Potential in the Function of Economic Development – The Case of North Macedonia

Gjilnaipe Bexheti

Department of Finance and Accounting, Faculty of Economics

Contact e-mail: nipe.bexheti@gmail.com

Abstract

Economic Diaspora, which reached its peak at the beginning of political and economic transition (the 90's of the last century), is still the key factor in the local economy, not only in the case of North Macedonia but also for Balkans. According to the reports from the World Bank, the six countries of the Western Balkans (Albania, Kosovo, North Macedonia, Bosnia and Herzegovina, Montenegro and Serbia) that have active Diaspora in the world (EU, US, Canada and Australia) carry and transfer funds but also experience, knowledge and partnership in countries they live or in their homeland.

In the last two decades, this potential varies between 10-20% of GDP, which represents a great economic potential for these countries but does not affect accordingly for their economic development.

North Macedonia, among the six countries mentioned above has the most dynamic Diaspora and the transfers per capita are the highest after Kosovo. It varies between 12-15% (to 300,000) only in the official section of the population, but the financial effect at least statistically is more 'stable' with transfers and influxes into the country. The majority are ethnical Albanians that live mainly in Western Europe and United States. In the case of North Macedonia, the size of transfers from the Diaspora is 3-5 times more than FDI, and almost all are not treated or managed to channel directly economic development. A decade ago they were not even analyzed and studied to be identified formally and statistically.

The purpose of this study will be looking for good management models of this potential, by exploring more successful models and practices in the world. If institutions spend so many resources on FDI (Foreign Direct Investment) and the effects are not extraordinary, than they should at least give more effort to DDI.

Keywords: Diaspora Potential, management models, Economic Development

Introduction

Economic diaspora, who was on the peak, in the beginning of political and economic transition (90's of the previous century), still remains a key factor of national economy not only for the case of North Macedonia but for many developing and developed countries. West Balkans, all the six countries (Albania, Kosovo, North Macedonia, Montenegro, Serbia, Bosnia and Herzegovina); according to the World Bank Report has active diaspora in the West (EU, USA, Canada and Australia), who remit (transfer) financial means but also experience, knowhow, partnership in their homeland.

Remittances represent direct and immediate return to migrants' families for the economy. They go far beyond FDI for 3-4 times and development assistance from donors.

➤ Emigration and remittances

Migration is an economic, social and political process that impacts people, the origin countries as well as the host country where the emigrants move. On the grounds of this definition it is easy to conclude that migration as a process has positive and negative effects for the people who move but also in their origin countries or the countries where they move. Numerous researchers considered emigration as a phenomenon that had bad impact on the country of origin, because emigration has to do with human capital and it deregulated the labor market of the countries.

Economists Dean Yang and Claudia A. Martinez in their research "Remittances and Poverty in Migrants' Home Areas: Evidence from the Philippines" (2005), for Philippines remittances conclude the following: according to them remittances in the Philippines have a "pillow" effect-social amortization. These incomes help emigrant families to survive.

➤ Emigration and technology transfers

Emigration and remittances beside economic impact have also a nonmonetary impact in the economy. Part of third world emigrants beside remittances also send equipment, machinery and advanced technology in the country of origin.

➤ Emigration and foreign investment

Emigration frequently has impact on foreign investments. This *symbiosis* happens through potential investor and migrants in the host country. Commonly investors, after research on economic, social and political reality of the country of origin, decide to invest in these countries counting on qualification, responsibility and knowledge that labor force has on the countries of origin.

➤ Emigration, remittances and brain-drain

Population movements from developing to developed countries includes unqualified or average qualified labor force, in which case we do not have the phenomenon of brain-drain, excluding the case of movements because of wars or because of ethnical or religion reasons. Such cases are known since the Nazi regime, with the case of Jews, the communist regime till the recent case involving the wars in Iraq, Afghanistan and Syria where millions are forced to leave their home in order to survive from the war terror.

In the recent two decades it is recognized a new trend of movement, because from developing countries migrants are qualified work force especially in fields such as informatics, medicine and different professions that in the country of origin have high economic cost for their development. These overqualified emigrants are more paid than ordinary emigrants, bring higher remittances, but their impact in the economy is evaluated negatively, because the effect of missing this type of workforce is higher than the remittances that they bring.

➤ Emigration and state political system

In political system of patrimonial state, where people are part of state administration who support their political leader, being part of a range of friends and families who have monetary benefit in exchange of political loyalty, the case of West Balkans especially the case of Kosovo and North Macedonia, thousands of citizens move towards developed countries because of economic reasons but also towards "non personal" countries.

Thousands of citizens have moved to find hope because now and future are fully determined, the future is predicted to be same as today, because with the job they are doing they cannot ensure the future and by crossing the border a new hope is open.

Diaspora effects are not managed in proportion with its potential.

There is no other factor with larger possibility than diaspora but it is not put into effect regarding economic development. Remittances from diaspora are not channeled in economy proportionally with their potential effects.

In specific conditions of North Macedonia, there is a decreasing trend of remittances which will be noticed in a decrease of balance of payments of the country and several other consequences. This effect may be corrected by forming SMEs' which will start up through emigrants' savings. But the question is also the objective of this paper: how much and what kinds of measures are undertaken in this direction?

Literature Review

In recent years, migration topic, especially interaction between migration and development cooperation (DC) has moved forward to an important topic in international agenda. This interaction contributes towards reduction of migration and reasons why people migrate from countries of origin. However, this stimulates stronger use of positive potential of migration, which generates a wide range of possibilities for development of countries of origins of migrants. Relevance of migration for sustainable economic development for couple of years has increased, topics such as migration and development have attracted the attention of world researchers from the authorities of development and cooperation such as multilateral organizations and twofold donors.

Conferences of high level such as the conference of UN- Dialogue of high level for International Migration and Development in September 2006 and 2013, are a proof for the high level of importance of the topic in international level. Dozens of world researchers have studied these topics such as Maimbo, S.M. & Ratha, D.) (2005), Caglar Ozden and Maurice Schiff (eds) (2007), World Bank (2008).

Integration of migration in sustainable economic development can use the provided opportunities through improving financial transfers that according to World Bank are estimated to be around 543 billion US dollars in the world (Rathe et al 2012), out of which 406 billion US dollars are transferred in developing countries. However, not just remittances but an important role represents use of migrants potential as investors and innovators of reforms when qualified workers migrate.

Different practices are known for migration and remittances in OECD countries as well as developed countries. Germany through Federal Ministry for Economic cooperation and Development in accordance with 113th division responsible for migration is focused on promotion of reintegration of emigrants in their country of origin. The purpose of the study is to determine the importance of migration topic for sustainable economic development and to identify how cooperation and development may use positive effects of migration.

The research is undertaken by Heike Daume in cooperation with Susanne Bauer and Kirsten Schüttler (CIM – Center for International Migration and Development). The aim of the study is migration and sustainable economic development in order to determine the importance of

migration topic in sustainable economic development and identify views for cooperation and development through the use of positive effects of migration.

Many researchers have studied the topic of migration and the effects of this process:

- Remittances in North Macedonia are mainly spent for consumption (Dietz, 2010),
- The stream of migration in North Macedonia happened in 1960s' and 1970s' (Government of Macedonia, 2010),
- Migrants usually left in young age (Uzunov, 2011),
- Remittances are determinant factor of economic development (Bexheti, A, 2006),
- Remittances finance trade deficit (Bexheti A, 2006),
- More than 54.6% of Remittances in North Macedonia are addressed to consumption of family members (Xhaferi S, 2002),
- A global provider such as Western Union, makes remittances in Ireland more expensive compared to where bank infrastructure has more branches (Moirra Mc Cathy, 2009),
- Remittances sent from formal channel are at least 50% of official remittances (Word Bank, 2006),
- Formal transfer costs are estimated from 1-5% of the value of transfers (Swanson & Kubas, 2005),
- In total there are 465339 persons registered that migrated according to data from different countries in the world (Agency of Migration of Macedonia, 2016),
- Around 543 billion US dollars are transferred in the world in 2012 out of which 406 billion US dollars in developing countries (Word Bank-estimate Ratche et al, 2012),
- Remittances in North Macedonia have impact in social amelioration (Cipusheva, H, 2010) etc.

Analysis of the Case of North Macedonia

In North Macedonia migration process has started since half a century in an organized process (bilateral agreement with West Germany). Economical-social factors caused migration, but migration is an economic, social and political process that effects the people who move, also people in their origin countries and people in the countries where they move.

According to official data from Migration Agency of Macedonia, data gathered from different countries in the World there are 465333 persons registered, but a reasonable number of them all around the world are not registered.

Despite socio-economic factors that caused migration, another factor that affects migration process involves:

(HDI) Human Development Index, through which are measured three crucial life dimensions:

- Length and quality of life
- Education level
- Life Standard expressed through GDP per capita.

According to the Global Human Development Report (2013), North Macedonia is ranked in the 81st position out of 187 countries according to HDI index, the position is worse for 21 rankings from 2004.

Unemployment as a factor of migration

Data for inactive potential in North Macedonia are very interesting, because the ones that are able to work and do not look for a job are not considered as unemployed, they are people who get education, women in labor leave, workers expelled from their job etc.

Ethnically, lower level of in-active population is in Macedonian population (46,5%), while higher level in Albanian population (70,7%), that is as a result of missing Albanian women in the labor market and lack of interior migration of Albanians (Bexheti, A, 2006).

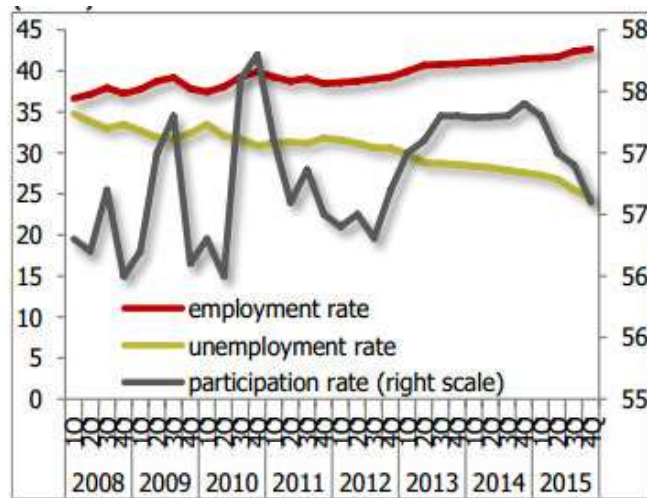


Figure 1. Labor market indicators, selected labor market indicators in %

Source: State Statistical Office and NBRM calculations

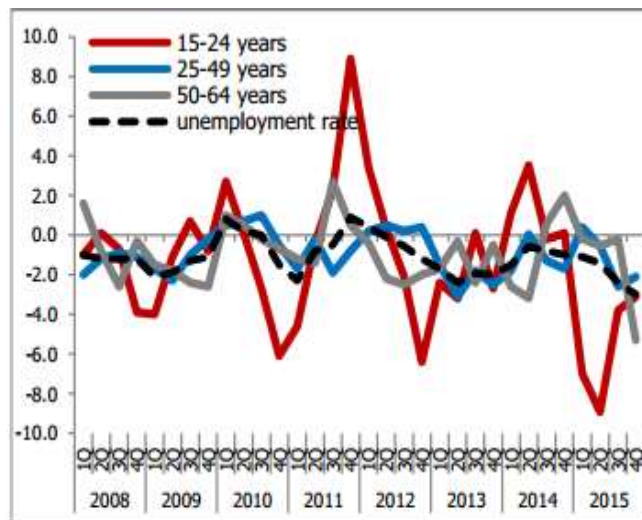


Figure 2. Unemployed by age groups, unemployment rate by groups (annual growth in percentage points)

Source: State Statistical Office and NBRM calculations

Diaspora Effects

Diaspora potential since the beginning of transition has increased rapidly, transferring financial means, knowledge and partnership.

In recent years, migration topic, especially interaction between migration and development cooperation (DC) has moved forward to an important topic in international agenda. This interaction contributes towards reduction of migration and reasons why people migrate from countries of origin. Conferences of high level such as the conference of UN- Dialogue of high level for International Migration and Development in September 2006 and 2013 are a proof for the high level of importance of the topic in international level. Contrarily to debates for emigration that look at consequences of migration for destination countries, the focus is on the impact of country of origin of emigrants especially in developing countries. Despite this the interaction between host and origin countries regarding labor markets is studied in detail. Migration and economic development connections are multi-dimensional.

Some characteristics of remittances in North Macedonia:

- In North Macedonia remittances arrive through formal and informal channels.
 - Transfer costs from fast operators (Western Union, MoneyGram) are high.
- Main information source of private transfer presents ITRS (international transaction reporting system)
- Formal remittances present (means for family support, rent, pensions, presents, heritage, etc. Also net buying value of foreign means form authorized exchange and banks in the banking system as a proxy of private transfer in informal sources.
- Informal transfers from diaspora sooner or later will end in exchange market.
- The term of DDI - Direct Diaspora Investment) in contrast to FDI - Foreign Direct Investment in the conditions of the economy of North Macedonia is not even mentioned while the deserved attention is not taken account off.
- From financial point of view, the average weight of the first is eight times greater than the latter. Just for comparison while in North Macedonia FDI in five previous years barely reach an average of 200 million in a year including reinvested earnings (that is almost half of the value), direct investments (transfers) of diaspora are around 1, 4 billion Euros per year.

Table 1. Transfers in millions of Euros, Balance of Payments - Current transfers

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transfers	436	450	668	769	823	767	922	1144	1231	1379	1296	1289	1335

Source: NBRM

Table 2. Foreign Direct Investments of North Macedonia, period 2003-2015

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
FDI	100	260	77	345	505	400	145	160	344	111	252	205	217

Source: NBRM

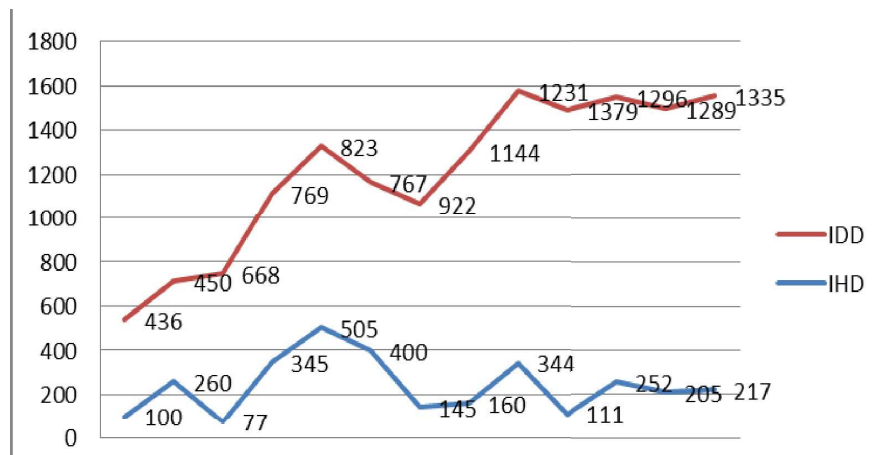


Figure 3. DDI and FDI of North Macedonia, period 2003-2015

Source: NBRM

Conclusion

Political instability results as the major rejecting force toward FDI than intentions, roads and costs to attract potential investors in the country. In 2013 Bulgaria attracted 1.450 million \$, Albania 1.225 million \$, Serbia 1.034 million \$, Croatia 580 million \$, even Montenegro attracted 445 million \$ while only North Macedonia and Bosnia and Herzegovina were left with only 330 million US dollars.

The downward trend of remittances from diaspora will go on until domestic institutions are aware of the importance of the latter. In order to encourage and easy of DDI in North Macedonia; a number of institutional reforms should be approved. Most of promotions examples of foreign direct investments in developed countries are on the grounds of encouraging investment from multinational corporations.

DDI is a larger potential for development and growth while they are discriminated compared to FDI. Foreign companies take advantage of tax, tax decrease because of imports, land subventions and other advantages all of them supplied by developing countries believing that this is the best way to attract multinational corporations. Diaspora Direct Investments look for intermediation and help for starting up a business in homeland, businessmen seek for creating network because diaspora prefers to work with people they know.

In conclusion we recommend:

- Economic diaspora may be a great agent for economic growth and development; a gift that is underestimated;
- That are superior compared to FDI in many ways;
- Successful examples of diaspora return in Ireland and Bangalore Boom in India reflect the real impact of this potential in form of indirect investment through transnational network;
 - International financial institution should encourage DDI through;
 - Ensuring equal treatment for DDI as for FDI
 - Ensuring Diaspora investors through help and intermediation to start up a business in their homeland in order to make a pressure for developing countries to reform their economies
 - Diaspora direct investments may be a representable sample in the world for creating transnational network.

References

- [1]. Agjencioni per migracion i Maqedonisë 2016;
<http://makemigration.com/strani/?setlang=al&args=&mainmenu=223&submenu=-2&page=http://www.makemigration.com/statal/STATAL.htm&type=insidelink>
- [2]. Bexheti.A “Demografskata dimenzija na socioekonomskiot razvoj na Republika Makedonija” (2006)
- [3]. C, Maimbo, SM (ed.) & Ratha, D (ed.) 2005, Socio-economic Impact of Remittances on Poverty Reduction, in *Remittances: Development Impact and Future Prospects*. The World Bank, Washington,
- [4]. Cipusheva, H.(2010) Migration, Remittances, and the Standards of Living in the Republic of Macedonia
- [5]. Çağlar Özden Development Research Group, The World Bank International Migration, Remittances and the Brain Drain (2005) (w/ Maurice Schiff) World Bank and Palgrave Macmillan-Heike Daume & Susanne Bauer & Kirsten Schüttler. CIM Migration and Sustainable Economic Development (2008)
- [6]. Dean Yang dhe Claudia A.Marinéz “ Remittances and Poverty in Migrants’ Home Areas: Evidence from the Philippines”(2005)
- [7]. Dietz, B., (2010), “Migration and Remittances in Macedonia: A Review”, Osteuropa-Institut Regensburg, NR.281.
- [8]. Joshevska, J., Mara, I., Narazani, E., Saban, N., Stojilovska, A., Yusufi, I., and Zuber, S. (2012): "Context analysis: migration and remittances and their impact in Albania and Macedonia", in Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind. Skopje/Tirana, ACSER/Analytica.
http://www.analyticamk.org/images/stories/files/ContextAnalysis_01072012.pdf
- [9]. Moira McCarthy, A Study of Migrant Remittances from Ireland (2009)
- [10]. Seadin Xhaferi, Skopje 2004“Financial potential of migrants and its inclusion in the economy of the Republic of Macedonia”,
- [11]. Swanson, Peter and Michael Kubas, 2005, “Global Money Transfer Report”
- [12]. Tom De Bruyn and Johan Wets (Higher Institute for Labour Studies, KU Leuven, Belgium (2005)
- [13]. UNDP, 2009. Macedonia National MDG Report. Skopje: UNDP.
- [14]. Uzunov, V. (2011): Macedonian Emigration: History, Trends and Current Profile. Iustinianus Primus Law Review, 2.
- [15]. World Bank-estimate Ratche et al, (2012), <http://www.worldbank.org/en/news/press-release/2012/11/20/developing-countries-to-receive-over-400-billion-remittances-2012-world-bank-repor>