

"Utilizing national competitive advantages: challenges and priorities"

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Preamble (Abstract)

The purpose of this paper is to examine national competitive advantages of Armenia considering major challenges and opportunities to utilize them.

We investigate the role of the government in a globalized economy under current circumstances, including growing uncertainties, economic threats, as well as new priorities for the nation. We intend to reveal the environment where the government intervenes in the economy to support the implementation of major projects and solve various issues related to the national economic competitiveness.

Despite the model of economic development, the role of the government has always been defined by two major functions – regulating (laws, standards, policies) and controlling (enforcement of laws, monitoring, system of checks and balances, etc.). While government interference is not been appreciated in the phase of booming and fair competition, it is mostly required to overcome the challenges caused by recession.

Before examining the role of the government in Armenia, one should consider geoeconomic and geopolitical environment of today's Armenia

- Post-soviet realities
- Peculiarities of being a semi-blocked and a land-locked country
- Uncompleted war with unreliable cease fire agreement
- Strong dependence on imports and private transfers
- Poor transportation infrastructure
- Massive outflow of population and continuous "brain drain"
- Contradicting paradigms of economic and political development
- Numerous local, regional and global threats and challenges.

Current realities

One of the biggest challenges for Armenia's development is long-lasting transition from the model of overestimated role of the state to a compelled choice of underestimated model of state and an illusion of self-regulating forces of free market since early 1990s..

Global financial crisis clearly demonstrated the limitations and weaknesses of liberal models of economic development for both developing and developed countries. Active involvement of the state to rescue private companies and commercial banks, as well as different mega projects implemented by developed nations turned the page of ultra liberal ideology, thus creating a new era of uncertainty worldwide.

Moreover, the global uncertainty was among the major concerns discussed during the global elite's meeting at the World Economic Forum in Davos (Davos, 2017). We believe, therefore, the free market forces may not overcome this challenge, and coordinated efforts of the governments need to concentrate more on local, regional and global development goals and common agenda.

Armenia is given unique opportunity to work out its own model of economic development without ideological "ism"s. In order to choose the right path for progress Armenia's government need to better allocate available human, natural, industrial, financial and other related resources to improve the level of economic competitiveness. While competitiveness is considered one of the major criteria for success on micro level, obviously on macro level this task cannot be performed without government policies.

The nature of competitive advantages on a micro level and opportunities to increase the level of competitiveness on a macro level

We believe that from a number of theories explaining the ways to define absolute, comparative, and competitive advantages of nations (Smith, 1776, 1997, Ricardo, 1817, 1951), Michael Porter's approach is more convincing (Porter, 1990) since it uses a diamond form diagram to explain the main ingredients of competitiveness with a specific role of government as a catalyst and challenger (this presumes certain encouragement to raise their ambitions and improve their competitiveness).



The Diamond model of Michael Porter for the Competitive Advantage of Nations offers a model that can help understand the competitive position of a nation in global competition. This model can also be used for other major geographic regions and is compatible with competitive neutrality policy that sets out a number of criteria for determining whether a particular government activity is a 'business'. These include the requirements that:

- the activity must charge for its services
- there must be actual or competitive competitors
- managers of the activity must have a degree of independence in relation to the production or supply of the goods and the price at which they are provided.

National competitive advantages of Armenia

First twenty-five years of independence clearly demonstrated the absence of national agenda. In early 1990s the state attempted to make as fast transition to a free market as possible through controversial processes of privatization of land, factories and housing, as well as liberalization of economy. The principles of “Washington consensus” and liberal model of economy were enforced by international organizations without careful consideration of local conditions, peculiarities and values. A painful transition to nowhere started by those who were mainly concerned to impress the West but not to build a competitive economy of an independent nation. Despite of the differences in knowledge, skills and ideology, almost all fourteen governments of Armenia changing each other had at least one thing in common – an illusion of self-regulated economy and an expectation of a magic in terms of utilizing national competitive advantages. And, of course, lack of clear vision and clear strategies. Only after quarter of a century later experts started to talk about the success stories of Singapore, China, Ireland and others without consulting with the international partner organizations.

The political economy of possible growth model became more complicated with the choice of Armenia between European Union and Eurasian Economic Union in 2013. Obviously, Armenia may not turn into an independent global player not only due to security reasons, but also considering the limited market. Therefore, aside from a few absolute and comparative (competitive) advantages, Armenia needs to work on utilizing cooperative advantages with nations holding common interests and adequate, predictable path of development, thus, trying to find the proper niche in the global economy.

We believe that many advantages can be utilized even before the anticipated peaceful solution of Artsakh’s problem. These advantages are mostly related to knowledge-based industries with high value added, including but not limited to information technologies, biotechnologies, nanotechnologies, energy sector (both traditional and alternative), health care services, exports of higher education in medicine, technical and natural science, architecture, music, various segments of tourism, etc. (Global Finance, 2017).

Based on current realities, one may portray the type of Armenia’s economy as a vision for implementing above mentioned theories and principles:

- A country with a resource-based economy where competitiveness can be reached by exploring existing resources and utilizing inexpensive production factors;
- An investment-driven economy where competitiveness looks feasible due to immense volumes of investments in locomotive industries;
- Innovations-driven economy where national competitiveness is impacted by new technologies and added values for consumers.

Although the investment and trade policies of Armenia are one of the most liberal among post-soviet nations and foreign companies are being treated the same way as local companies, FDI and portfolio investments inflow is still far from being sufficient for economic growth. We find vitally important the establishment of an environment of trust first to encourage local investments as an important

precondition for direct and portfolio investments from the rest of the world. In addition, it is worthy to mention that there is no agreed approach yet to define national competitive advantages justified by set values, criteria and principles.

The role of economic threats

The role of the state cannot be overestimated in fighting economic threats and maintaining sufficient level of economic security, namely – food security, energy security, demographic security, as well as financial security, information security and others.

Economic diplomacy in service of utilizing national competitive advantages

One of the urgent issues is to accurately choose national competitive advantages from a large variety of goods and services. Another priority is to concentrate existing resources to arrange efficient process of their production, and finally to introduce and promote national competitive advantages in local and foreign markets. The latter may be defined as an art of economic diplomacy commonly missing in most of post-soviet countries, including Armenia.

The efficiency of the second-generation economic reforms being implemented in the Republic of Armenia, in our opinion, is highly correlated with the ability to respond to both domestic and external challenges properly. If the impact of the internal challenges can be, mainly, assessed using the indicators of the domain of economic threats and explain the potential of economic security, then the external challenges, in addition to the imperative of neutralizing the external economic threats, require clear direction and program of economic diplomacy.

Obviously, the meaning, forms and ways of economic diplomacy vary from country to country depending on the level of economic development (R. Saner, L. Yiu, 2003).

It is of a particular importance to design the concept of economic diplomacy of Armenia in the current stage of economic globalization, when the estimated impact of the latter one on the national economy being interpreted differently forces the policy makers to look for ways to stabilize the situation and to report progress in the future. Both state officials and the nation's economic elite need to set more specific objectives for the formulation of diplomacy by the diplomatic institutions established since the independence of Armenia favoring economic development and for educating respective competent professionals for these institutions (Juma, Calestous, 2013).

Ensuring economic growth and human development, as the majority of international experts are stating, the issues of economic diplomacy are closely related to the economic security and its strategies of the country (Moons, Selwyn and Van Bergeijk, Peter A. G., 2009). Taking into account the fact, that traditional threats of economic security day to day are supplemented by new resources (Glazev. 1997), the role of economic diplomacy is obviously growing in neutralizing the threats to the country's economic security (providing fair competition conditions, unrestricted exit to foreign country's products, raw materials and other markets, joint programs on use of global ocean and space, security for international transportation, prevention of nature disaster, support the Republic of Armenia in the world economic processes integration, increase of both political and economic image and etc.). In reality, a diplomatic support in bilateral and multilateral negotiations plays a substantial role mainly in international negotiations for formulating position of national delegation, as well as mobilizing assistance of possible partners, on reaching a consensus or a compromise for developing solutions on key issues and providing participation of interested national economic agents. Economic diplomacy has an important role in issues on providing information-analytical support to country's government bodies and reliable and comprehensive public awareness about the negotiation process on country specific issues (Hillary Rodham Clinton, 2011; MacLeod, Calum, 2012.). Taking into account the fact, that one of the most important competitive advantages of Armenia is the country's intellectual potential, the economic diplomacy should be directed to the proper presentation of Armenian intellectual resources abroad, providing commercialization of national intellectual resources and technologies, access to international markets through diplomatic agencies and international organizations.

Thus, the main purpose of economic diplomacy is the increased professional assistance to national development and proactive policy. Particularly, for development purposes it is important to meet the economy's demand on additional financial resources, including, attraction of external financial resources (both public and private).

Geo-politics and geo-economics of national competitive advantages: the role of regional actors

It is totally uncertain whether France, Spain or Portugal could be as successful as they are to utilize their competitive advantages, if they were surrounded with countries where wine, cognac and other alcoholic beverages are banned by local laws and not acceptable by culture and customs. Therefore, regional environment, regional actors and general geopolitics play significant role in utilizing national competitive advantages. Despite the lack of common borders, Russia continues to be a key actor both in terms of regional security and economic cooperation. Given the forced blockade by two out of four neighbors (Turkey and Azerbaijan), Armenia continuously strengthen political and economic relations with Iran and Georgia.

Currently Russia is the largest source country of investments in the economy of Armenia with almost 65% in 2016 (National Service of Statistics, 2017) of all investments totaling US\$3 billion which is significant for this small country. As a result, a significant part of the country's economic assets are controlled by Russians, both by the government and state-owned companies, and by private Russian companies. The bulk of the former group of assets came from the 2002 debt-for-equity swap, whereby Armenia repaid its US\$97 million dollar debt to Russia accumulated during the crisis of 1990s. The state-controlled Russian companies are especially strong in the energy and power industry. In particular, more than half of the electricity-producing capacities of Armenia are controlled by Interengco, a subsidiary of RAO UES. Among this company's assets in Armenia are four blocks of the Hrazdan Thermal Power Plant (TPP), the largest power plant in the country, and Armenia's energy distribution network. Another Russian state-controlled giant, Gazprom, owns 100% of Armrosgazprom, Armenian gas network operator. Among non-governmental Russian companies, Vypelcom is by far the largest single investor in Armenia, as it took 90 percent of the ArmenTel shares of its previous owner, Greece OTE for some Euros 482 million or US\$616 million dollars, equivalent to more than 10 percent of Armenia's projected GDP this year. Another large private investor is the Russian aluminum giant Rusal, which owns Armenal, a large foil-producing factory. Rusal in recent years invested 80 million dollars to modernize it.

IMPLICATIONS: The facts show that, at least for the time being, Russian investments in Armenia have had a mostly positive impact with the goals pursued appearing to be purely economic. Whereas in the 1990s, there were cases of politically motivated competition among Russian and western investors for Armenian assets, no such cases are known to have taken place in the past six years. Moreover, Russian funds have often been the only available investments in Armenian assets, with no competitors. Despite the efforts to diversify the geography of FDI, Armenia may have even more close contacts with Russia within the framework of Eurasian Economic Union.

Maintaining economic growth and progress will depend on positive political developments as well. The trade embargo imposed by neighboring Turkey and Azerbaijan is a major impediment to development. Transport costs through Georgia are expensive. Trade with Iran is small, restricted by poor transportation links (bad roads, no railroad) and by the fact that the portion of Iran adjacent to Armenia is a remote and underdeveloped region. U.S. involvement in trade with Iran is also limited by the Iran Sanctions Act (formerly Iran-Libya Sanctions Act, ILSA). Trade relations with Iran became more active after the new deal on Iran's nuclear program. Armenia initiated free trade zone with Iran in December 2016 which may serve the entire Eurasian Economic Union thus providing new opportunities for Armenia to establish a bridge between the neighboring country and other EEU member states.

It is worthy to mention that despite the absence of diplomatic relations, the trade turnover with Turkey continues to increase. From \$40mln in 2000 the overall trade volumes reached \$270mln in 2008, then decreased to an average of \$220-225mln up to 2014. It was reduced to \$138 in 2016, however, compared to the first quarter of 2016, there is a significant growth of 86.2% for the same period of 2017ⁱ. One of the major sectors of exports for Turkey is tourism. The number of tourists from Armenia has grown since 1998 from less than 16,000 to almost 40,000 in 2016.

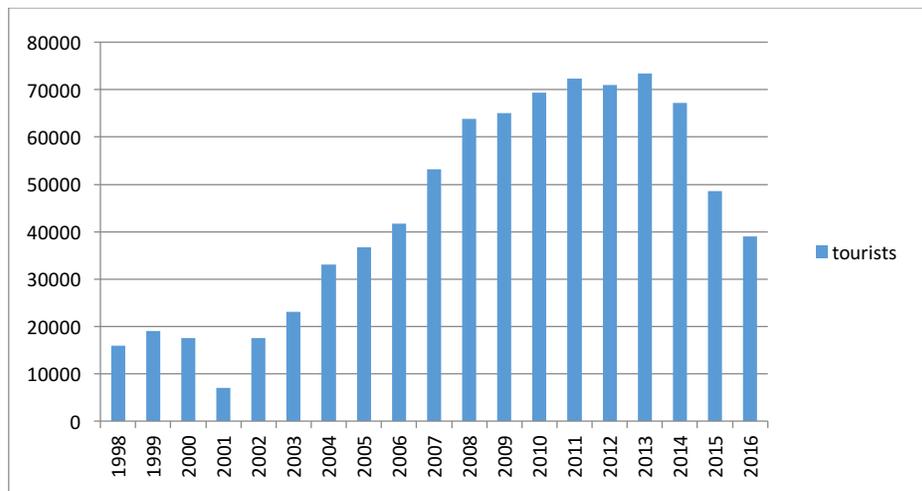


Figure 1. Number of tourists from Armenia in 1998-2016ⁱⁱ

Lifted sanctions against Iran and gradual liberalization of Iranian economy

Iran presents for Armenia, surrounded by unfriendly countries, a strategically important corridor for entering foreign markets through the ports of the Persian Gulf. Inclusion of Iran in the EAEC will allow Armenia to significantly reduce the cost of duties and get rid of additional bureaucratic difficulties.

Influencing factors

In our opinion, the relationship between Armenia and Iran should be considered both from the standpoint of bilateral ties, also from the point of view of Armenia's role in establishing and developing mutually beneficial ties between Iran and other EEU countries. These processes are facilitated by a number of geo-economic and strategic factors:

- Armenia is the only EEU country that borders directly with Iran and has very close economic ties with it;
- As a member of the EEU, Armenia initiated an agreement on the establishment of a free trade zone between Iran and the EEU countries;
- Armenia and Iran periodically organize international trade and industrial exhibitions, which is an important tool for the exit of local products to the markets of both countries;
- The expected functioning of the North-South Corridor will enable Meghri to connect with Georgia's border with Bavra, providing an additional logistic channel for delivering products from Iran through the Black Sea ports to different countries of the world;
- Using the opportunities provided by the free economic zone "Araz" and the free economic zone of Armenia to the Iranian company, as a result of which it is possible to export products, providing the needs of a large Russian market;
- Using its strategic position, Armenia will not only provide an advantageous transit for mutual deliveries of goods from Iran and from the EEU and Georgia, but will also be able to sell local products in these markets.

The new realities allow the producers of Armenia to export their products to more than 75 millionth market of Iran, at the same time, to count on attracting large Iranian investments to the Armenian economy. The Iranian market is especially attractive for Armenian entrepreneurs, who are trying to find their niche and expand it. At the same time, as before, Iran implements strict measures to protect the domestic market. Exhibitions and sale of Armenian goods in Iran and Iranian - in Armenia will be continued. At the same time, these steps will also have a positive impact on the tourism sector, and Iranian tourists will be offered products that better meet the requirements of a particular group.

According to the agreement between the parties, construction of the third high-voltage electric line between Iran and Armenia is underway, the completion of which is planned as early as 2018. The construction of the third high-voltage line will make it possible to increase the volume of gas and electricity exchange between Armenia and Iran. The construction of the Meghri hydropower station on the Araks River was also initiated lately.

Iran accounts for only 5% of Armenia's foreign trade turnover. According to statistical data, in 2014 the volume of trade between Armenia and Iran amounted to \$ 291.1 million. Now Iran is the fifth trade partner for Armenia on the import line and the seventh for exports. There is potential for Iran to become Armenia's second trade partner after Russia.

Real expectations

The creation of a free trade zone between Iran and Armenia, the construction of a hydroelectric power station on the Araks River, the construction of a North-South corridor, the construction of a railway, an oil refinery, an oil product pipeline, the third high-voltage transmission line between Armenia and Iran, Meghri HPP on the border and other projects are currently underway. It is also useful to take into account the Iranian consumer market for the supply of industrial products of newly-involved Armenian enterprises to meet the demand for radio electronics, consumer electronics, computers, smartphones, tablets, etc. Armenia can become the training of Iranian IT specialists in Armenian universities according to the highest international standards.

As for the expected results from the cooperation, we should expect that all this will positively affect not only the trade and economic indicators of bilateral relations (currently the trade turnover is less than 350 million US dollars), but will significantly accelerate the economic growth rates in both countries.

And although some believe that in case of tariff liberalization with Iran, the export from the Eurasian Economic Union (EEU) countries to Iran as a whole may increase by more than 70%, and the export from Armenia to Iran may increase more than threefold, according to our calculations and forecasts, as a result of implementation of mentioned and related projects, the trade turnover for the next five years could grow to at least two billion US dollars, Armenia's GDP could double, and Iran's GDP could grow from 450 billion US dollars to 500 billion US dollars or more, especially given the possibility of an exit of Iranian products to the markets of the EEU. Under these conditions, Iran could become the fourth partner, the second largest (after Russia) partner for Armenia.

Expanding the circle

Iran can count on Armenia's support in entering the market of the EEU with a convenient geographical location. At the initiative of Armenia, the EEU countries began a joint study of the prospects for concluding a treaty on a free trade zone with Iran. In this regard, it is necessary to take into account the importance of the construction of a transit corridor for the Persian Gulf - the Black Sea, and the North-South highway, which will connect Georgia with Iran, the Iran-Armenia railway, will contribute to the Eurasian market. In addition, Armenia for Iran can become an industrial platform where it will be possible to create, process products and, in finished form, export to the countries of the EEU. Armenia can give Iran the opportunity to enter the market of the EEU without any technical or procedural obstacles, without customs duties and other bureaucratic delays. Iran will always be a competitive state due to its huge market and potential, and this applies not only to the oil refining industry.

Regional players: Georgia

Attention should be paid to the fact that Armenia can play a significant role in the development of trade and economic ties between Iran and Georgia. At the same time, we are talking not only about the importance of using the territory of Armenia as a transit between them, but also about the possibility of establishing tripartite cooperation and joint projects, as well as going out through Georgia to the Black Sea and further to Europe. This is facilitated by the fact that for several years there has been a free trade zone between Armenia and Georgia, as well as additional privileges and favorable terms of trade provided to Armenia by the European Union after the re-establishment of integration ties with this regional alliance. A preliminary agreement was reached on the operation of the Abkhazian railway.

At the same time, one should also take into account the fact that due to technical difficulties Armenia remained outside the North-South railway corridor project, as Iran concluded an agreement on the continuation of the construction of a branch with Azerbaijan (Astarra (Iran) -Astarra (Azerbaijan)) road construction through the territory of Armenia. Nevertheless, it will not cause much damage to further relations with the EEU. Cargo transportation from Iran to Armenia is actively carried out on the existing highway. Although Iran does not abandon the idea of creating a railway between Tabriz and Yerevan, the project is impossible without sponsorship for Armenia of \$ 3.2 billion (this is how much the construction of the Armenian section of the road is estimated).

In this way...

The first stages of the "Brain Storming" and joint research of Armenian and Iranian experts confirm the idea that

- for Iran Armenia can really become a good corridor linking the Persian Gulf and the Black Sea, as well as the shortest road that connects the country through the Black Sea with the European Union;

- Armenia can provide through its territory access to the Russian market, as well as to the markets of other EEU countries;

- Being the only country of the EEU having a land border with Iran, Armenia can become a connecting bridge for these countries, as well as a bridge linking the EU and the EEU, other regional integration formats;

- Armenia's strategic geographical position can contribute to the creation of an effective regional and international transport and communication hub ensuring reliable trade and economic ties between the countries of the EEA, the Persian Gulf, South and South-East Asia (ASEAN);

"Effective cooperation between Iran and Armenia, and through Armenia and with the EEMP, can serve as a good example for India, ASEAN, Egypt, which are already interested in closer ties with the EEA, and Iran shows interest in partnership with China, which is assessed as a very winning project for all countries of the region;

- An important impetus for the implementation of these plans can be the abolition of the visa regime between Iran and Armenia, which will facilitate bilateral relations, as well as the creation of a free trade zone between the two countries;

- Armenia can provide the necessary support in institutional reforms and improvement of the banking system of Iran, assist in resolving issues related to financial institutions, in particular, to find out through which banks the money transfers serving the foreign trade will be carried out. Armenia may also represent Iran's financial interests in the countries of the Unified Energy System (The contacts of the Bank for Development of Iran's Export with the Financial Structures of Armenia have already been held);

- It will be profitable for the business circles of Iran to jointly process raw materials, produce goods and deliver them to the markets of the EEU countries (petrochemical industry, household chemicals - liquid soap, dishwashing detergents, washing powders, and also light industry products, the food industry - natural juices, Different drinks, tomato paste);

- Armenia can facilitate the inflow of foreign investments for the implementation of joint projects not only from the countries of the EEU, but also from the EU and the USA;

- Armenia can contribute to the inflow of foreign investments to implement joint projects not only from the EEA countries, but also from the EU and the US, taking into account Armenia's participation in the GSP, GSP +, GSP ++ system, which allows the delivery of local goods to the markets of these countries under preferential terms. Therefore, it becomes profitable to produce, process and label products with the brand "made in Armenia".

One of the major ingredients of success is the Armenian Diaspora, that plays important role in bilateral relations with Iran, as well as in strengthening links of cooperation with EEU, the EU, the United States, and the Middle East, for multilateral cooperation and access to the markets of third countries. In addition, geo-political and geo-economic environment may also be favorable for utilizing national competitive advantages depending on the role of Diaspora in neighboring countries and key players in the region.

Diaspora – as an unexplored national competitive advantage of Armenia.

For the efficient utilization of the Diaspora's potential, encouraging an inflow of its investments and enhancing its role in Armenia, it is necessary to analyze what has been done so far, pragmatically assess the reality, reveal the obstacles and develop a comprehensive plan of activities to overcome them (Manasserian, 2004).

The efficient utilization of the Diaspora's investment potential cannot be isolated from global trends and regional development shifts. Nowadays, new developments are observed in the world that touch upon the vital interests of both Armenia and the Diaspora, and Armenia cannot disregard these challenges. It is necessary to work out and implement a current and prospective far-reaching plan of economic integration with the Diaspora. There has been no thorough conception of its professional and business potential so far.

For effective cooperation, it is necessary to promote Diaspora's consolidation, utilize its investment and professional potential in Armenia's gradual integration into the world economy, and work out joint programs for regional economic integration.

What Has Been Done. The Results of Lobbying by Diaspora Organizations

The Armenian Assembly of America, Hay Dat (The Armenian Cause) Offices, and other Diasporan organizations lobby to increase delivery of humanitarian assistance to Armenia.

Table 1 Distribution of Armenian Diaspora by countryⁱⁱⁱ

N	Country	Population	N	Country	Population
1	Russia	2,250,000	42	Cyprus	2,740
2	United States	1,400,000	43	Venezuela	2,500
3	France	450,000	44	Lithuania	2,500
4	Lebanon	234,000	45	Latvia	2,500
5	Ukraine	150,000	46	Italy	2,500
6	Syria	90,000 ^{iv}	47	Estonia	2,000
7	Argentina	130,000	48	Thailand	1,000
8	Poland	92,000	49	Sudan	1,000
9	Turkey	80,000	50	Spain	1,000
10	Iran	80,000	51	Norway	1,000
11	Canada	80,000	52	Finland	1,000
12	Uzbekistan	70,000	53	Chile	1,000
13	Australia	59,400	54	Honduras	900
14	Germany	42,000	55	New Zealand	600
15	Brazil	40,000	56	India	560
16	Turkmenistan	32,000	57	Mexico	500
17	Bulgaria	30,000	58	Ethiopia	400
18	Kazakhstan	25,000	59	Colombia	250
19	Belarus	25,000	60	South Africa	200
20	Greece	20,000	61	Monaco	200
21	Uruguay	19,000	62	Quatar	150
22	United Kingdom	18,000	63	Cuba	100
23	Hungary	15,000	64	Dominican Republic	75
24	Yugoslavia	10,000	65	Ireland	50
25	Romania	10,000	66	Singapore	35
26	Czech Republic	10,000	67	Zimbabwe	28
27	Moldova	7,000	68	Cote D'Ivoire	20
28	Egypt	6,500	69	Costa Rica	20
29	Tjikistan	6,000	70	Hong Kong	16
30	Jordan	5,500	71	China	16
31	Switzerland	5,000	72	Senegal	15
32	Sweden	5,000	73	Ghana	15
33	Kuwait	5,000	74	South Korea	12
34	Belgium	5,000	75	Zambia	10
35	Kyrgyzstan	3,285	76	Luxembourg	10
36	UAE	3,000	77	Japan	10
37	Netherlands	3,000	78	Indonesia	10
38	Israel	3,000	79	Vietnam	8
39	Iraq	3,000	80	Swaziland	8
40	Denmark	3,000	81	Philippines	8
41	Austria	3,000			

Some Results of the Experience of Utilizing the Diaspora's Potential in Other Countries

At a certain stage of its history, any nation, as an ethnic entity, establishes a state as the highest formation of its national self-determination. When established, the state forms civil society. When strengthened, civil society protects the state. While Armenia is striving to utilize the Diaspora's potential effectively, other countries and people have already achieved significant results in putting to their own country's advantage the business and professional potential of their compatriots who live in various parts of the world but have the same national roots. Especially edifying are the cases of Indian, Chinese, Israeli, Italian, Irish, and Mexican economic reforms and rapid development in terms of the formation of the national economy, and the realization of its competitive advantages.

Assessment

One may single out culture, customs, traditions, the system of moral values, religion, church, homeland, and the maintenance and reproduction of national identity as **commonalities**. The Armenians have a common history and historical experience, common values and ideas, concerns and aspirations, a common spirit of solidarity; they speak a common language of the same origin. The most characteristic commonality is the common interest of worldwide Armenians—to rebuild the homeland of all Armenians, promote the strength of its national economy and provide dignified living standards.

One may single out the following among the **obstacles**:

- the dispersion of the societies constituting the Diaspora who speak with different voices, have different mentalities and approaches, and different expectations from Armenia and the Diaspora, so that no organization, individual or collectively can speak on behalf of the Diaspora;
- the non-homogeneity of Diaspora Armenians, not only in geographical sense -- that is, with different imprints of the given local countries, as well as “old and new Diasporan Armenian ” cultures (deported from Baku and Sumgait, emigrants to the USA and Europe from Armenia and other CIS countries), but also with different world outlooks and different approaches to cultural interrelations, which do not allow them to organize themselves as a pan-Armenian structure;
- the non-systemic and -coordinated character of the financial aid provided for Armenia, and the absence of coordination of business and cultural programs, which reduces the effectiveness of Diaspora participation in any program;
- the nearly full blockade of land communications with Armenia, which makes economic business cooperation with the Diaspora costly, increases the cost price and the price of commodities of Diasporan investors for consumption abroad;
- the low level of awareness between Armenia and the Diaspora, patronizing and pretentious postures, prejudices, and misunderstandings of different aspects have developed an atmosphere of disregard and mistrust towards each other;
- the politicization and partisanship of some segments of the Diaspora, which prohibits the coming together of communities even in the most compact regions and effectively utilizing their force for investments in Armenia;
- the lack of the country’s priorities and overall, statewide programs, which does not allow the Diaspora to have a clear idea of the role they assume and the possibilities to utilize their professional potential;
- the postponement of the discussion of dual citizenship, which prevents a number of Diasporan Armenians from obtaining the real estate that would help to multiply their investments in their homeland;
- the absence of the rule of law, which results in mistrust, and consequently, a reduction in investments;
- the unequal status of the Diaspora and Armenia as partners; Armenia is a country with a homogeneous population in a geographical-political special environment where there are joint approaches on both internal and external factors, whereas every community of the Diaspora has its own approaches and perceptions;
- the isolation of a large number of Diasporan Armenians from the economic, cultural, and political life of their given country, which does not allow them to integrate into the economy and to have relations with foreign businessmen, and business and professional structures, thus limiting the expected material and professional investments;
- the appropriation of a number of Diaspora investments by clans established in Armenia, the revelation of which make them cease investment programs;
- the lack of preconditions for economic security and its separate constituents, which causes an unstable investment climate and prevents long-term investments;
- Diaspora Armenians’ contributions to Armenians immigrated from Armenia who live in different countries. A considerable part of Armenians believes his/her mission towards Armenians is thus fulfilled. It is tangible and visible while the assistance donated to the people of Armenia via authorities is more often out of control.

Still, there are other issues to be addressed: what is the state of Diaspora-Diaspora relations and the self-organization of the Diaspora as a systemized departure point; is there any change of the role of the Diaspora and its expected mission during independence; can the Diaspora be the main investor; are we mutually satisfied with the role of the Diaspora in economic development; what should be done and how to encourage Diasporan investments in Armenia; what role should the Diaspora play in Armenia’s future; what are Armenia’s expectation from the Diaspora: cash or Know How; what are the main inconsistencies in organizational culture; what should be among fair conditions for future collaboration?

While a lot of work is needed to resolve efficiently mentioned issues, in sum, we believe that the role of Diaspora cannot be overestimated in utilizing national competitive advantages. The following recommendations are proposed to achieve this goal:

- consider the Diaspora's professional resources;
- create networking in all professions;
- utilize Diasporan investment and professional capacities for Armenia's gradual integration into the world economy;
- promote regional economic cooperation;
- promote the self-organization of the Diaspora via the policy pursued by Armenian authorities;
- conduct market research on Armenia's export capacity abroad;
- establish the supremacy of law in all the spheres of business for the confidence-building of Diasporan investors towards Armenia and for the abolishment of "privileged" conditions;
- implement joint studies with the Diaspora for the choice of strategic partners and comprehensive analyses of the investment climate;
- establish regular business forums that represent Armenia's economic potential abroad by best utilizing the Diaspora's professional potential;
- enhance the stock market and growth of the Armenian economy;
- create a pan-Armenian information system and computer network;
- provide goal-oriented long-term and short-term training of Armenian specialists in the Diaspora;
- create an information bank of Diasporan specialists;
- establish a pan-Armenian university;
- establish a regional medical and health center;
- develop and implement joint investment programs;
- restructure and increase the efficiency of the Pan-Armenian international development bank.

Conclusion

Issues related to the role of the state in utilizing national competitive advantages are not expected to be accepted and implemented overnight. It is a time- and energy consuming process, presuming close cooperation of local and external actors: partnership between the public, private sectors and the professional niche of the civil society. Moreover, it needs open collaboration and coordinated efforts of Armenian government and Diaspora based on solid roots of trust and devotion. While it is commonly assumed that none of the governments (with a rare exception of the one in 1996-1997 and another one in 1999) deserved sufficient trust, it is worthy to mention, that the civil society of Armenia is not used to "employ" real civil servants and treat the government as a management team hired by taxpayers, as well as demanding required efficiency and accountability. At the meantime, none of the governments during Armenia's independence (with no exceptions) learned to use efficiently existing resources, and first of all – human resources, professional potential of Armenians, which leads to mass migration from the country and mass "brain drain". We believe that a real breakthrough in utilizing national competitive advantages is possible based on efficient use of regulating and controlling functions of the state, hard work on facilitating local and foreign investments and other resources from Diaspora through the establishment of favourable and competitive business environment and ambitious sources for innovative development. These need well educated, trained national leadership with clear vision and achievable national ideology. In addition, Armenian government need to restructure the entire system of science and education, promote the use of innovations, and create attractive environment for young scientists in order to maintain sufficient level of competitiveness in all fields and directions of economic development. This, in turn, requires efficient economic policy, aimed to further development of S&T, strengthening professional links between Armenia and Diaspora.

The following steps may be considered to further improve national competitiveness:

- Define specific S&T fields in emerging technology industries as priority industrial development directions, based on the competitive advantages of Armenia
- Reduce the number of existing scientific research institutions within the National Academy of Sciences' (NAS-RA) system and under the Ministries, eliminating those that are most unproductive and are not specialized in the fields defined as priority development directions
- Establish special programs for training of the scientists in the priority development fields
- Reform of the higher education system of Armenia to assure adequate supply of high quality specialists for the emerging science sectors
- Establish special investment promotion and incentive mechanisms to promote scientific research projects and businesses in high-tech industries

- Further develop and broaden bilateral and multilateral relations with US and European countries, establishing links with scientific organizations and universities.
- Form a special advisory committee to the Government with the participation NAS-RA scientist and prominent Diaspora business leaders and scientists to develop proposals on S&T development policy implementation mechanisms and addressing existing problems in the S&T sector
- Provide assistance in creation of professional associations between scientist in Armenia and the Diaspora
- Create joint Government-Diaspora venture capitals and technological incubators to enhance the intellectual potential of Armenia.
- Create of a new high level committee under the auspices of the President or the Prime Minister, which will be responsible for coordinating the activities between different elements of Armenia’s education, S&T, as well as the formation of a national S&T development strategy.

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Endnotes

ⁱ <https://168.am/2017/05/07/790919.html>

ⁱⁱ <http://www.aniarc.am/2017/04/27/armenian-tourists-in-turkey-1998-2016/>

ⁱⁱⁱ Tatoul Manasserian (2004), *Diaspora the competitive advantage for Armenia*, Working Paper No. 04/14, IMF

^{iv} Estimated number after mass outflow in 2013-2017.