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3-FOR-1 FOR THE BLACK SEA: 3X DEVELOPMENT, 3X SOFT POWER

Against the backdrop of a global economic crisis, the Black Sea is likely to suffer from the decline of Official Development Assistance (ODA) and/or remittances. Because most of the states in the region are very dependent on these capital flows, this is likely to have tremendous socioeconomic effects. This paper proposes a response founded on the idea that less capital could be more productive if deployed in the right manner. The policy framework proposed is inspired by the Mexican “3-for-1” model of collective remittances, proposing the reframing of development aid policy to work in synergy with migrant remittances. Such an approach would treat ODA as “seed capital,” thereby increasing the donor’s “soft power” and the growth of the receiving state. Focusing on the Black Sea region, this paper takes note of the conflicting interests, relative strengths and weaknesses of policy actors competing for soft power leverage in the region: the European Union (EU), Russia, Turkey, the United States (US), and corporate actors. It makes the case that such policy framing would, for those who would endorse it, provide a competitive edge.

Key words: Crisis, Soft Power, Black Sea, Remittances, ODA, 3-for-1, European Union, United States, BSEC, Development, Turkey, Russia.

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In the midst of an economic crisis, developing states have access to two sources of capital that can be counter-cyclical: Official Development Assistance (ODA) and remittances. ODA is a top down flow of capital channeled from developed states and international organizations, through governments, to communities. Remittances are a bottom up flow of capital, from individual migrants to their family. As the economic crisis looms, this paper presents the case for a synergy of these two capital flows, maximizing their developmental potential.

Theoretically, ODA is designed to respond to economic crises of various types and/or structural weaknesses of a developing economy. From a policy development perspective, the main weakness of ODA is also its strength. These funds constitute public

money and must be justified to tax payers and voters. It follows that allocation is inevitably responsive to the taxpayer’s political sensitivities rather than the needs of those in the receiving end. At the same time, ODA can be deployed strategically, even if targeting is inevitably contested. Developing states can include ODA receipts in their annual budgets and cooperate with donors to develop policy on the basis of a dependable source of funding; however, a lot of these funds may be lost in administrative expenses, used by receiving governments to create a political clientele or merely reflect the hunt for “soft power” of the donor.

Again, from a development policy perspective, the strength of remittances is also their weakness. Allocation of such peer-to-peer “gifts” can hardly

be contested ethically, when sufficiently monitored. Of course monitoring is a daunting task, because remittances are often transferred in suitcases, or through friends, which makes them indistinguishable from money laundering operations. (The Economist, 20 July 2013) Nonetheless, this capital alleviates absolute poverty and may increase in volume precisely as a crisis at home escalates because, after all, it constitutes a form of solidarity. And there is a further policy weakness in remittances: the allocation is not “strategic.” The developing state “feels” the impact of remittances indirectly, through consumption taxes, micro-investment, etc. There are dependable patterns, but not dependable forms of aggregation and economies of scale. Remittances lead to subsistence, but not necessarily to development.

The policy proposal put forth is realistic in accepting the basic traits of these capital flows rather than wishing them away. Developed states will, inevitably, balance their soft power ambition against domestic fiscal pressure. Nye’s controversially defined concept of “soft power” as “the ability to attract and co-opt rather than coerce” (2004) another state is fully embraced. In this scheme, the credible threat of stopping ODA is as significant as the promise of its supply; and the supply is and will be always subject to a wider agenda of considerations. Similarly, remittances are money of the people, which if they did entrust to governments, they might have had fewer reasons to emigrate in the first place. To go against these facts is to provide an unrealistic policy proposal.

This paper is also timely. The most dynamic economic sector in the Black Sea region is the production of internationally traded commodities, such as grain or oil and gas. (Japaridze and Roubanis, 2012a; Japaridze and Roubanis, 2011; Roubanis and Dimadama, 2011) Often, the singular dependency of these states to this sector makes price fluctuation a security concern. As the majority of states from the Western Balkans to the South Caucasus are either low or middle income countries, an economic crisis means that scores of people go hungry almost immediately. This is likely to happen at this point in time for at least three reasons:

1. First, at this point in time there is capital flight from emerging market economies, which includes some of the biggest economies in the Black Sea region, such as Turkey and Ukraine. These states also host significant migrant populations. A

drop in exchange rates alone, not to mention an economic slowdown, has significant implications for remittances. Moreover, the overall structure of the migrant labor market is likely to be affected, since construction is globally a major sector for migrant workers and one of the first to suffer in economic slowdowns in recent years (The Economist, 7 September 2013a).

2. Secondly, because there is a direct link between oil prices, the value of the ruble and Russian growth prospects in general (Financial Times, 6 September 2013). This means that flourishing growth prospects for Russia, the biggest host of migrants in the Black Sea region, should not be taken for granted. Due to the Syrian crisis, soaring oil prices have so far shielded the Russian economy from capital flights experienced more profoundly in other emerging markets (The Telegraph, 27 August 2013; EUObserver, 28 August 2013). However, Europe’s anemic recovery and energy diversification strategy means that growth prospects in the medium run are not optimal.
3. Thirdly, because a sizable pool of migrants from the Black Sea and Southeastern Europe – from Albania and Bulgaria to Georgia and Moldova – have emigrated in the most crisis stricken states of the Eurozone, that is, Spain, Italy and Greece.

If these factors were to converge, states in the region may also find they cannot count on traditional sources of countercyclical development capital, precisely because this time “their crisis” is part of a global crisis. The bottom line is that no capital flow is absolutely countercyclical. Once everyone is in the vicious recession cycle, countercyclical flows of capital are in short supply. ODA is likely to suffer, as developed economies struggle to sustain acceptable levels of economic growth while trimming public expenditure. At the same time, remittances sent home are also likely to slow down. These are facts that cannot be wished away. The proposal put forward is a synergy in the deployment of ODA and remittance capital on the basis of precedents tested in Latin America, so that less cash can do more. And less cash is the only dependable variable at this point in time.

The Triviality of Regional Framing

Focusing this policy proposal on the Black Sea does present a certain degree of triviality. The Black Sea’s relevance as a region stems from the Black

Sea Economic Cooperation Organization (BSEC), comprising 12 member states: Albania, Armenia, Azerbaijan, Bulgaria, Greece, Georgia, Moldova, Romania, the Russian Federation, Serbia, Turkey and Ukraine.

Paradoxically, speaking of this region without reference to colliding East-West trajectories maybe seen as particularly constructive, especially for polities where this cleavage has been “domesticated” and has a detrimental effect in the democratization process or, more broadly, political stability.

Whether the Black Sea is “a region” in political terms is disputable. In fact, this “region” bundles together a number of mutually exclusive conceptions of geopolitics. In EU terms, the Black Sea is home to “New Eastern Europe” (Moldova, Ukraine), pre-accession states (Western Balkans and Turkey), Southeastern Europe (Bulgaria, Romania) and problematic Greece. In Russian terminology, the Black Sea bundles together the “CIS plus Georgia” (CIS+) cluster of states, considered as the “Near Abroad,” three EU member states and post-communist polities that eluded Moscow’s influence even during the Cold War. In sum, this regionalization seems devoid of substance if viewed in terms of overlapping geopolitical mental maps. (Akgun, 2013; Dragneva and Wolczuk, 2012; Adomeit, 2011; Hamilton and Mangott, 2007)

Precisely how irrelevant is the Black Sea in terms of geopolitics becomes clear in the framing of international databases. When it comes to migration studies, international organizations such as the United Nations, the International Monetary Fund and the World Bank, tend to ignore the notion of a “Black Sea” region. The prevalent geographical clusters are “Eastern Europe and Central Asia” (ECA) or the “Commonwealth of Independent States plus Georgia (CIS+).” The same is true when discussing ODA trends in the OECD framework. This is in part because data-driven analysis gravitates towards established geopolitical framings of power and influence in order to establish relevance.

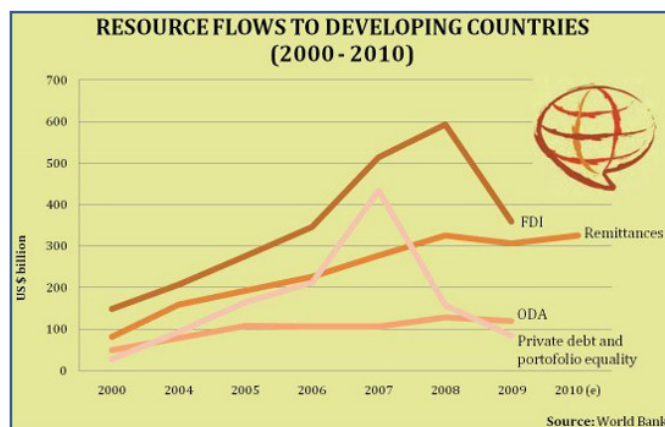
Speaking of this region without reference to colliding East-West trajectories may be seen as particularly constructive, especially for polities where this cleavage has had a detrimental effect in the democratization process. (Japaridze and Roubanis, 2012b) Nonetheless, it is naïve to speak of development in “politically neutral” terms. The Black Sea

is a theater of political competition rather than cooperation for “soft power.” However, ODA capital is scarcer and exploring new development strategies may be necessary for competing actors. In this scheme, the Black Sea here denotes a geoeconomic region that is interconnected in terms of economic sectors (commodities, oil and gas), institutional (post-communist transition) and social (human migrations, underdevelopment) challenges. However, the Black Sea is not a geopolitical region; indeed it is the sum of mutually exclusive visions of geopolitical delineation.

Relative Significance of Development Cash Flows

Development terminology often connotes political neutrality. The Paris Declaration in 2005 spelled out five principles that would boost ODA efficiency (Vahamaki, Schmidt and Molander, 2011): giving the recipient full control over the assistance; harmonization; coherence; mutual accountability; and results-based management. These indicators were then translated into operative benchmarks of excellence in development assistance. Despite this apparent emphasis on development efficiency, factors of national security, domestic special interests, multilateral objectives or “broader geopolitical considerations” are known to weigh on resource allocation. That is not a concern for migrant remittances. Money sent home can be seen as a form of peer-to-peer financial aid, which is more targeted on poverty alleviation. And in terms of volume, globally, remittance flows have outgrown ODA by roughly a factor of 3-to-1. In 2010, when global ODA flows peaked at a little less than 130 billion US dollars, remittances stood at 326 billion US dollars, which was not the best year for remittances. (Figure 1)

Figure 1

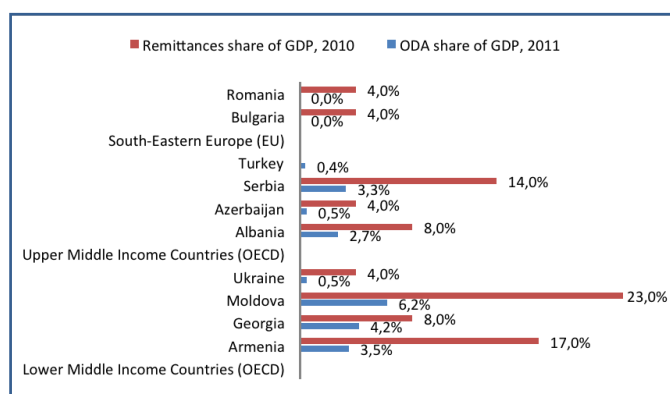


In absolute numbers, the global 3 to 1 ratio of remittances to ODA is not merely confirmed in the BSEC region, but actually surpassed: for instance, in

2008 Albania received 0,4 billion US dollars in ODA and 1,5 billion US dollars in remittances; Armenia 0,3 billion US dollars in ODA as compared to nearly 1,1 billion US dollars in remittances. The only exception to this rule is Turkey, which due to impressive economic growth in recent years has seen the significance of remittances decline in relative terms. For example, in 2010, remittances accounted for less than 0,1% of Turkey's Gross Domestic Product (GDP) according to the OECD's remittances online database.

However, the rule of thumb stands. True, the significance of ODA in the BSEC group of nations cannot be overstated. As of January 2012, 8 out of 12 member states of the BSEC were eligible for ODA funds either as Lower Middle Income Countries or as Upper Middle Income Countries. (OECD, 2012) According to World Bank statistics, in 2011, ODA ranged as a share of Gross Domestic Product in the region from 0,4% in Turkey to 6,2% in Moldova. However, these sums can hardly be compared to the significance of remittances as a share of GDP in the region, which in 2010 ranged from 23% in Moldova to 3-4% in Azerbaijan, Bulgaria, Romania and Ukraine. (Figure 2)

Figure 2: Sources of Countercyclical Development Capital as Share of the GDP



Sources: World Bank, OECD, UNDP-RIBEC (Slay and Bravi, 2011)

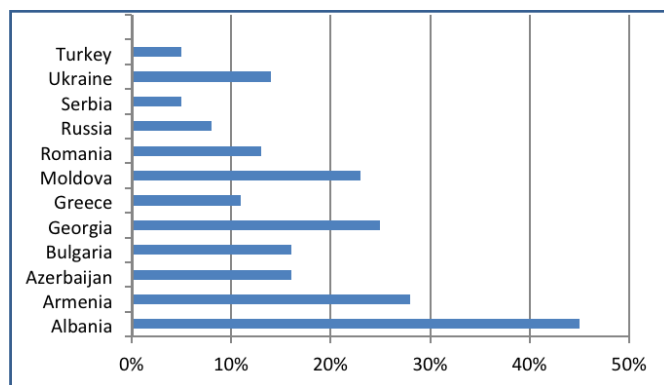
This significance of remittances is more pronounced in post-communist polities, where transitions entailed tremendous and enduring socioeconomic shocks (Deacon, 2000) inducing massive human migrations. Roughly 15% of the population of Armenia, Albania and Georgia emigrated in the first half of the 1990s, often comprising of the most economically active and educated social strata. In the early 2000s, Bulgaria,

Moldova, Romania and Ukraine suffered demographic stagnation; and this was also the case in Russia as well, despite a massive influx of migrants in the 2000s. (Mansoor and Quillin, 2007)

These post-communist demographic revolutions matched a solid tradition of emigration from Greece and Turkey to Western Europe, which peaked in the 1970s. (Erdem, 2006; Vermeulen, 2008) This latter tradition of human migrations in the European semi-periphery has remained significant, not only due to persistent even if declining waves of political asylum seekers from Turkey to Western Europe, but also due to the profound economic crisis in Greece since 2008. (Figure 3) As tens of thousands of Greeks are fleeing economic conditions akin to a war economy, with youth unemployment at 62% (1st quarter, 2013), emigration patterns are likely to follow a post-communist trajectory. (Barking, 7 May 2013)

In sum, the Black Sea emerges as a region where different types of political transition overlap (Roubanis, 2013), challenging notions of historically linear political evolution, democratization, development or, in a word, "progress."

Figure 3: Share of Emigrants to Total Population



Source: UNDP-RIBEC (Slay and Bravi, 2011)

ODA and Foreign Policy Instrumentality

When it comes to ODA, the EU is indeed a significant international actor in "the region" (and beyond). In 2010, the EU and its member states spent 53,8 billion Euros on ODA; 9,7 billion of which were dispersed directly through EU institutions. In 2011, EU institutions were the most significant source of ODA for Albania, Moldova, and the Ukraine, and the second most significant in Armenia, Georgia, and Turkey. Multilateral EU assistance is dispersed

through two specific vehicles in the Black Sea region, namely the ENP Instrument (budget: 11,2 billion Euros, 2007-2013), which is focused on the “CIS+” region (95% ODA) and Pre-Accession Funds (budget: 11,5 billion Euros, 2007-2013), focused on Turkey and the Western Balkans (90% ODA). Still, how ODA is defined by the EU, which countries benefit and what kind of funds are factored in this equation is of course a fiercely contested issue.

On a bilateral level, for medium sized EU member states, the criterion for ODA bilateral disbursement seems to be chiefly geographical, adding a soft policy dimension that correlates with trade and investment flows, historical ties, as well as ethno-national prerogatives. By taking a look at top ODA donors in Albania (Italy, Greece) and Moldova (Romania), this seems to be a straightforward conclusion. Greece, for example, always prioritized the Western Balkans in ODA disbursement in consonance with its own self-perception as a leader in the region. (Hellenic Republic Ministry of Foreign Affairs, 2011) More economically powerful EU member states emerge as top ODA donors on the basis of a regional approach, where the criteria for disbursement sometimes follow a needs-based rationale (i.e., Swedish ODA to Moldova) or, more frequently, a broader foreign policy agenda (German ODA to Azerbaijan; French, German and Spanish ODA to Turkey).

Divergence between bilateral and multilateral policy priority is also a cause of friction within the EU. In recent years, a surge of criticism against development policy as framed in Brussels stems from the UK. In a report published by the Open Europe think-tank (April 2011), the EU’s “soft power” approaches were “deconstructed” on several fronts. In terms of targeting, it was pointed out that in 2009 only 46% of EU aid reached lower income countries, compared with 74% of UK aid and 58% of EU member states’ bilateral aid in general. Notably, it was pointed out that Turkey was the chief recipient of the EU’s multilateral aid. In terms of administrative efficiency, not only was the EU bureaucracy more costly than the UK’s but, more significantly, 10% of the EU’s aid budget is reportedly passed on to other agencies, such as the IMF and the World Bank, being recycled between donors – up to three times in some cases – before it reaches a recipient country. Perhaps more seriously in terms of transparency, the report pointed out that several projects, particularly in the European Neighbourhood, are classed as “confidential” without

public accountability for their disbursement. (Booth and Herbert, 2011) This vein of criticism has since moved into Westminster, where MPs not only echo the Open Europe report’s findings, but accuse Brussels of “fudging the figures” to frame as ODA all kinds of funds disbursed by member states to make the EU’s overall contribution to global development look better than it really is. (Hotham, 27 April 2012)

This broader than needs-based approach to ODA disbursement is also evident in the policy framing and priorities of other actors who match and, at times, exceed the EU’s multilateral significance as an ODA donor, such as the United States (in Armenia, Azerbaijan, Georgia, Ukraine) and Japan (Azerbaijan, Turkey). In fact, aid policy is often visibly decoupled from needs (OECD, www.oecd.org/dac/states). For instance, *The Economist* recently criticized the USAID food aid program for its association with special interests in Washington. Rules stipulate that food must be bought by US producers and shipped by ships flying a US flag, which has an efficiency opportunity cost of as much as 16%. The alternative practice of selling US produce and using the money for aid can distort local markets and waste as much as 25% of the budget. (The Economist, 27 April 2013)

And there are countries that do not even participate in this “needs-based” debate, explicitly framing their aid policy in nationally instrumental terms. For example, Turkey’s commitment to ODA is significant, exceeding that of Russia, despite being considered a “middle income country” and indeed the prime beneficiary of bilateral and multilateral ODA funds in the region. In the BSEC region, TIKA (Turkish International Cooperation and Development Agency) has offices in Albania, Azerbaijan, Georgia, Moldova, Serbia and Ukraine (Crimea). TIKA disbursement criteria in the region are thus explicitly ethno-national. (Nurdun, 2010)

Russia appears to be a latecomer in the deployment of aid as a “soft power” instruments. According to the Russian Federation’s ODA National Report (2011), the Russian ODA budget in 2011 was little more than 500 million US dollars, down from a peak of about 700 US dollars in 2009. For comparison, this is roughly the 2011 Japanese ODA budget for Turkey alone. Indeed, TIKA had a higher budget than Russia in 2008. The sums that are disbursed go through bilateral and multilateral channels on a 40%-60% ratio and take the form of in kind donations

(equipment, technical assistance, capacity-building, food programs) and debt relief. Cash is rarely deployed. Therefore, it appears that Moscow's volume and form of aid policy constitutes more of a lip service to diplomatic protocol and less a dimension of "Great Power" politics. This perception may be deceiving. For example, energy pricing is deployed consistently and throughout the CIS+ region as an indirect form of "soft power," although it is not measured as ODA. In sum, Moscow does employ means of "soft power" that are not conventional and, hence, not measurable.

How Governments (do not) have a Remittance Leveraging Policy

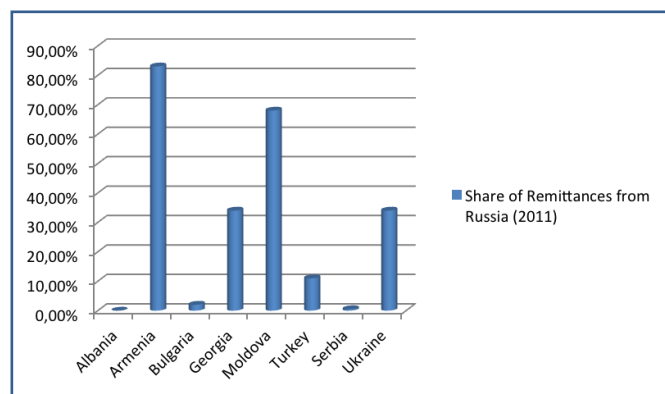
The perception of Russian under-exploitation of soft power policy tools would be absolutely reversed if remittances could be made to count as a form of ODA. They are not and, perhaps, with good reason. It has been suggested that from 2006 to 2008 the Russian Federation became the largest recipient of migrant flows in the world after the US (Abasov, 2009), although OECD databases do not corroborate these findings. However, the migrant stock is very significant, estimated by the World Bank to be 12,3 million people (Timmer, 2011), most of whom came from the CIS+ region.

Overall, migration to Russia appears to be the unintended consequence of factors such as the cultural "post-Soviet effect," geographic proximity, the sheer size of the Russian labor market and the pace of its economic growth. But, there are cases when the instrumental use of Russia's migration regime has been considered. For example, it is interesting to note that a surge in Moscow's aid spending in 2009 –785 million US dollars – was primarily aimed at mitigating a shortfall of remittances to Tajikistan, due to the Russian Federation's economic slowdown. In the midst of this slowdown, Russia did have the foresight to take note of the fact that Tajikistan is the most remittance-dependent country in the world (up to 41% of GDP) and that most of this money comes from Russia. Bridging this gap in revenue gap was seen as necessary to address basic food security concerns. But, altruism was not the only factor at play. Recently, Russian analysts are blunt about the connection between the agreement on the prolongation of the 201st military base in Tajikistan with assistance in fighting drug trafficking, softening the terms and conditions for labor migrants' entry to Russia, and subsidized supplies of Russian fuel, gas

and lubricants. (Yatsenko and Bartenev, 2013) It is not official Russian policy, but the instrumentalization of remittances as a soft power leverage in the post-Soviet space has become apparent, albeit, mostly in terms of a "stick;" that is, a threat of making the life of migrants more difficult. (The Economist, 7 September 2013b)

In comparative terms, it is a fact that the United States went from contributing 25% of global remittances in 2000 to about 10% in 2008, whilst the Russian Federation went from 1% to 6% during the same period. (Papadimitriou et. al., 2009) However, Russia's remittance weight in the region under examination is simply unmatched. In 2009, an IMF study was claiming that Russian remittances were Moscow's most significant "instrument" of economic leverage, affecting GDP growth more directly and profoundly than any other form of financial investment or trade policy in the CIS+ region. (Alturki, Espinosa-Bowen and Ilahi, 2009)

Figure 4: Share of Remittances from Russia to Total Remittances



Data: UNDP Vulnerability Data Base 2012

However, while it is true that an effect of economic cycle synchronization between top remitters and remittance-dependent countries exists, as evidenced by the effects of the Russian economic slowdown in 2008 (Papadimitriou et. al., 2009), instrumentality as such maybe called into question. Clearly, the Russian significance as a remittance hub is much higher in the CIS+ than in Southeastern Europe. However, very few people would argue that Moscow has more influence over Tbilisi than over Belgrade. In fact, more often than not, Russia politicizes its own ethnic Diaspora more than its own migrant stock, particularly in the Baltics.

This is a common trend. In theory if not always in practice, Turkish foreign policy for example is informed by its own post-Ottoman self-perception as the motherland and protector of all Muslims in the wider Black Sea region (Fotiou and Triantaphyllou, 2010), often treating Turkish migrants and Muslim minorities – especially Turkish speaking – as part of a single soft power network. Meanwhile, its own position as a human migrations corridor seems to be hardly “governed” or indeed instrumentalized.

There is a historical rationale underpinning Turkish foreign policy. Turkey has hosted Muslim refugees from the Balkans and the Caucasus for more than a century. Between the late 19th century and early 1920s four million Tatars, Turks, and Circassians moved to the Ottoman heartland; about one million Anatolian Turks were forced to move from the Balkans to Turkey, even prior to the formal exchange of populations with Greece in 1923; in excess of 800.000 Muslims moved from 1945 to 1989 to Turkey from Bulgaria and the former Yugoslavia. Migrants ready to ascribe to a Turkish ethnic identity continue to come. That is not to say that Turkey attracts ethnic migration alone. Since the collapse of the Berlin Wall, suitcase traders contributed to massive circular migration waves from the Balkans and the CIS+ area, a stock that frequently combined entry with seasonal work in construction and services. Indeed, from 1990 to 2009 the number of entries to Turkey from the former USSR rose by a factor of 24. Throughout the 2000s, Ahmet İcduygu, estimated that the sum of regular and irregular migrants as well as asylum seekers in Turkey ranged between 200.000 and 250.000 individuals year on year. This does not mean that Turkey was the final destination, since the country’s location makes it one of the most significant transit corridors for migration to the EU, including illicit trafficking in human beings for the sex slave industry. (Erdem, 2006; Hecker, 2006; İcduygu, 2008; Pahaci, 2009)

However, it does mean that Turkey is a regional demographic hub. The World Bank’s Factbook’s (2011) estimate that Turkey is home to a 1,4 million migrant stock understates the human networks established through seasonal, circular, and transit migrations, not to mention historical and ethno-cultural links. Surprisingly, however, Turkey is not listed as a main source of remittances in the region. For instance, in 2010 the OECD online data base mentions 2,7 billion US dollars in outgoing remittances, which in absolute terms is considerable, but, relative to other host

countries, negligible. There are several explanations for this phenomenon: i) migrants in Turkey are often ethnic minorities whose contribution is lost in the national framing of data gathering, where foreign born and aliens as such are sometimes confused; ii) labor in Turkey is often seasonal and associated with the vast expanses of an informal 3D economy (Dirty, Difficult, Dangerous); coextensively, informal networks of money transfer may understate Turkey’s significance as a source of remittances; iii) Turkey is a middle income country, with a domestic supply of low income workers; therefore even if real remittances channelled informally are higher than recorded in terms of volume, they are probably lower than the EU’s or Russia’s in terms of value. Clearly, these cash flows also appear “ungovernable” and there seems to be no conscious policy of their “instrumentalization,” save the occasional implicit threats for Armenian migrant workers.

Similarly, the EU seems to be self-consciously using visa policy as a soft power instrument, not least by creating a connection with the pre-accession negotiation process in the Western Balkans. Conceptually, in terms of “remittance leverage,” the EU appears to be second to none in the region, including Russia, that is, if we see the EU as a “single actor.” Eurozone member states (EU 15) remitted 75 billion US dollars in Eastern Europe and Central Asia in 2010, an amount that dwarfs the 15,6 billion US dollars that the Russian Federation remitted the same year. (Slay and Bravi, 2011) But, this picture is largely deceiving for two reasons.

First, because certain EU member states followed naturalization policies similar to Turkey and Russia, cultivating their own ethnic networks in the region, especially since the collapse of the Berlin Wall. Germany and Greece were pioneers in naturalization on the basis of *jus sanguinis* criteria in the ECA region. (Katsavounidou and Kourti, 2008, Joppke and Roshenhek, 2001) In time, similar policies were pursued by former communist states, following the EU’s “big bang” expansion of 2004: most prominently, Romania, Hungary, Slovakia and Poland. (Skumin, 12 April 2013; Mutus, 19 April 2009) This phenomenon stimulated Ukrainian migration to Poland, Moldovan migration to Romania (and from there to Italy), Georgian migration to Greece. (Timmer, 2011) These passports provide access to an EU labor market, but have little to do with EU policy. In fact, when it comes to naturalization policies, which is beyond the

Commission's scope of competencies, skepticism in Brussels is not infrequent.

Second, because remittances from the EU come in fact from specific states with distinct economic conditions. For a country in Southeastern Europe, such as Albania, the most significant sources of remittances are Greece and Italy; for Turkey it is Germany, France, the Netherlands and the UK; for Serbia it is Austria, Germany, France and Denmark; for Bulgaria it is Spain and Greece; for Romania it is Italy, Spain and Hungary. Consequently, in particular years, certain BSEC member states suffered from their undue exposure to the EU's periphery or benefitted from "the hedging" of migrant settlements across the EU. In this scheme, the EU's "average growth" or "average unemployment rate" means very little to the European Neighbourhood. People migrate to specific states, not the EU; the EU does not remit, states do. (Thränhardt, 2010)

In comparing the "remittance leverage" of Russian, Turkish and EU member states, certain characteristics of this particular capital flow become evident. First, treating remittances as "diplomatic leverage" of the remitter over the receiver is extremely difficult. On the one hand, because remittances constitute a people-to-people and locality-to-locality flow of capital: it is people's money rather than national money. On the other hand, because remittances are hard cash, often of unbanked people, frequently gained in the informal 3D sector and, therefore, characterized by a "stealth quality" both as an income and as capital transferred. This means that host countries may be unable to harness their impact in a manner instrumental to their foreign policy, while source countries are unable to cohesively leverage their impact in a manner instrumental to their macroeconomic policy. To some extent, it seems that remittances are "ungovernable" and, thereby, not a soft power instrument. Regulating the form of access to the labour market is not the same as actual control over population movement or indeed remittance flows.

Floating Policy Proposals for Remittance Leveraging

More often than not, remittances are looked upon as a soft power instrument of the source rather than the host country of migrants. Interestingly, it is past and present sovereign debt crises that brought ODA and remittances into a single conversation, although with a logic underpinned by a developed or "host country"

rationale. In terms of actual cash flows, the 2008 crisis depleted the pool of ODA. And as traditional creditor nations did not want to extend credit, or "handouts," they offered to write-off debt instead. Therefore, massive amounts of public debt, caused by the "financial innovation" of corporate syndicated loans of the 1970s, was realistically acknowledged as unrecoverable. When this recognition became official, it was presented as a form of ODA. In recognition of the fact that actual cash was in short(er) supply, the World Bank suggested that countries with low sovereign ratings should look amongst other things to their Diasporas in times of economic distress, mobilizing "financial innovation," which chiefly meant two things: a) remittance securitization and b) Diaspora Bonds. (Ketkar and Ratha, 2009)

Remittance securitization is founded on the idea that even sovereigns in default may continue to generate income from abroad, stemming from sources such as crude oil, minerals, or agricultural goods. Since 2000, it has also been possible to securitize future earnings from abroad, processed through the SWIFT system, including qualified export earnings, foreign direct investment and, not least, electronic migrant remittances. The idea of securitizing future remittance flows is appealing because of the assumed countercyclical performance of this cash flow. Altruistically motivated Diasporas are known to remit more money during a natural disaster, such as the earthquakes (Turkey 1999), albeit less in governance-induced crisis (Russian default, 1998). And although remittance flows can decline when the country of origin is itself in crisis, the risk can be mitigated by over securitization or legal safeguards in the national default law (i.e., the state pays even if the bank defaults).

In theory, the securitization of remittances works as follows: a national "systemic bank" pledges its remittance flows to an offshore Special Purpose Vehicle, to which designated correspondent banks transfer remitted capital. This money is in hard currency and is received by a collection agent prior to entering the country in question. The agent retains principal and interest payments and sends excess collection to the borrowing bank. In turn, the borrowing bank credits the account of the intended recipient the total amount in local currency. Or, if the bank fails to do so for lack of capital, the government will have to come to the rescue. In sum, the creditor's risk is mitigated ipso facto, avoiding convertibility and other macroeconomic

risks, while the recipient has post facto “guarantees only.” The only risk for the creditor in a product of securitized remittances is bank default, which is unlikely if the debt issuing bank is “systemically significant.” Besides, he can be sure that if the state itself runs into macroeconomic imbalances, calling upon the IMF, honoring external liabilities will be a top priority. This is why such securities have better ratings than sovereign bonds.

However, a number of factors indicate that this envisaged financial innovation is largely unrealistic. First, the world market of official remittance transfer is dominated by “small” transactions through post offices, exchange bureaus, and other money transfer operators (MTOs), which more often than not are not “systemically significant,” even if some banks do assume the role of servicing payment in the country of destination. (Orozco, 2007) Such transactions are not based on account-to-account transfers and allow cash to be transferred quickly, at times anonymously, and flexibly. Even if there were policies designed to change this trend and MTOs were somehow convinced to go along – staking credibility and market share – the recent bail-ins in Iceland and Cyprus may have all but extinguished the certainty of systemic guarantees for creditors. Second, the SWIFT process itself makes sense when the institution where the money is remitted from is other than that received, but represents only a fraction of transactions because of added costs and time inefficiency. In sum, while it is clear “what’s in it” for the sovereign issuer of this product, it is less clear what benefits are there for migrants. Globally, individual migrants have no incentive to use official vehicles (OECD, 2005), unless they are offered specific incentives.

Indeed, various sources confirm the fact that remittances are channeled primarily through informal channels: 81% in Albania, 80% in Armenia, 42% in Moldova, 50-80% in Serbia, 56% in Bulgaria. (Orozco, 2007; Milligan, 2008; Aghazarm and Escudero, 2008; de Zwager et. al., 2005) Remittances to Turkey are more likely to be officially transferred, primarily because the banking sector has responded with high interest savings accounts and has set up branches abroad offering low remittances charges. (OECD, 2005) Of course this stealth quality of remittances is not inconsequential for sovereign ratings and, moreover, informal money transfers offer sizable opportunities for money laundering and organized crime. But, the bottom line is that such securitization schemes are

unlikely to work out if the migrants do not trust their governments, or their banks, or do not want to assume cumbersome transfer costs and, not unlike creditors, convertibility risks.

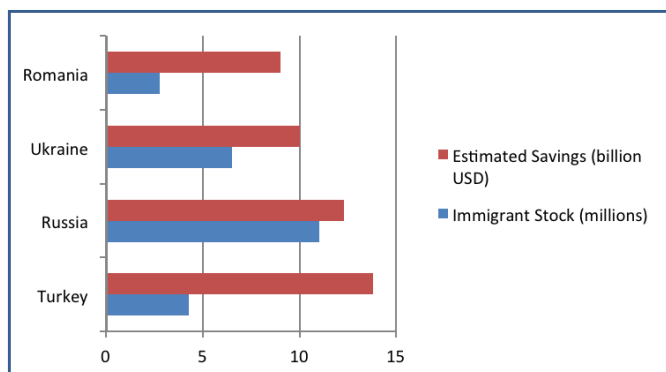
Studies in the past indicate that the more recent the emigration flow, the higher the volume and value of remittances, not least because there is a hope of return and this blends in with a number of self-interested motivations to remit, such as the hope to inherit; if the emigrant has family at home he or she are more likely to remit. (OECD, 2005) In sum, migrants may be patriotic, but their loyalty to relatives is probably higher than loyalty to sovereign creditors; it is the interpersonal rather than the “national” bonds with the country of origin that sustain the flow of remittances.

The idea of Diaspora Bonds has also been floating for decades. Israel has issued such bonds since the 1950s, India since 1991 and Sri Lanka since 2001. The Diaspora of Israel is known to accept discount rates and, at times, even not claiming proceeds when the bonds have matured. By 2009 these issues made up 32% of Israel’s total external debt. At times, such bonds are “project bonds” earmarked for infrastructure such as desalinization or, perhaps more controversially, housing developments. India also tapped on nonresident Indian investors in difficult moments, such as the aftermath of sanctions, following nuclear bomb testing (1998). The bonds are nearly always denominated in foreign currency and are not known to diverge significantly from market rates. In sum, the attraction of Diaspora Bonds is the possibility of market discount, the perceived “security” of the credit supply – even in adverse times – which tends to have a beneficial effect on sovereign ratings and, not least, the sustained relationship with a Diaspora.

Put in a Black Sea context, the idea of Bonds is essentially about tapping on migrant wealth and savings accumulated abroad. Indeed, it has been observed that the “return” scenario harbored in the minds of migrants entails an amount of savings that will allow them to return expecting a different style of living than the one they left behind. (OECD, 2005) Clearly, there is a case to be made. In 2009, preliminary estimates by the World Bank suggested that annual savings of Diasporas from developing countries could be in the range of 400 billion US dollars, of which 72,9 billion in the ECA region, or 2,8% of the region’s GDP. These savings are mostly held as cash under the mattress or in low-yielding

bank accounts in the countries of destination. Even taking into account the biggest regional economies of the BSEC area, these savings could amount to more than 40 billion US dollars. (Figure 5)

Figure 5: Estimated Savings of Immigrants Originating from the 5 most populous BSEC States



Source: World Bank (Ratha and Mohapatra, 2011)

It should be noted that these are conservative assumptions, not taking into account sizable stocks of undocumented migrants. However, the problem at hand is that many of these migrants will be reluctant to lend their meager or substantial savings to countries that have undergone frantic currency depreciation (Moldova, Serbia), bank and sovereign debt defaults or haircuts (Greece), which is partly the reason why they emigrated in the first place.

The Case for an ODA – Remittance Synergy

One common reflection on both ODA and remittance capital inflows to developing countries is their relatively small impact in improving production capacity. Remittances

... This policy proposal can be read as an argument both of 3-for-1 (development leverage) and as a 1-for-3 (soft power leverage).

fuel consumption, which because of scarce productive capacity, tends to boost imports. The connection of remittances to investment and employment does exist, but it is relatively weak, especially in Eastern Europe. In sum, neither a sovereign nor a receiving household can count on remittances to make the leap from low to middle income. Also, emigration often

deprives an economy of its economically active and, often, most qualified population to the detriment of its future development prospects. (Stratan et. al., 2013; OECD, 2005; OECD, 2007) Similarly, ODA offers more relief and less growth. Recent DAC statistics of the OCED suggest that as a rule of thumb less than 5% of ODA is spent in improving the developing state's productive capacity.

In sum, both capital flows can make the difference between subsistence and absolute poverty, but little difference in the passage from aid to sustainable growth. However, if both sources of capital were combined, a number of development challenges in the region could be addressed. The question of course is "how."

One way of leveraging remittances so that they actually stimulate growth is to learn from the Mexican model of "collective remittances," known as the "3-for-1" program. The idea is relatively straightforward: the Mexican Diaspora, primarily in the US, is organized in Home-Town-Associations (HTAs), drawing people of specific origin in Mexico. For every dollar these associations collectively remit for development projects, ranging from sanitation and school infrastructure to the construction of a clinic or a school, the Federal, the State and the municipal governments add another, hence "tres-por-uno."

From 2002 to 2011, 27 Mexican states and 1000 HTAs have been engaged in collective remittance schemes. The initiative is of the migrant community in synergy with the government, Senators and Mayors. The caveats are several, including the difficulty of extremely poor municipalities to match-fund such projects, as well as the appeal of HTAs to partisan politics. Evidence as to the interrelation between clientelist networking and the program go both ways, with some evidence pointing to the undercutting of clientelist leverage and some to its empowerment. The context matters as well. This policy framework is amply facilitated by US immigration policy that is more flexible than European policy in granting various intermediate forms of legal residence, which makes networking easier and financial transactions more transparent. In addition, Mexican diplomacy helps, using consulates as information points, encouraging migrants to open bank accounts in the US and facilitating the emergence of cultural centers. In sum, two factors determine the relative success or underperformance – though hardly "failure" – of the scheme, namely networking and the policy development package. (Aparicio and Meseguer, 2012; OECD, 2005)

Collective remittances as such are no novelty. Similar schemes are known to exist in France with African Diasporas organized in OSIMs (*Organisations de solidarité internationale issues des migrations*). (OECD, 2005) What distinguishes the Mexican experience is the people-to-government synergy. Interestingly, the Mexican “3-for-1” ratio stands for the sum of policy actors: i.e. migrant dollar, plus Federal, plus Regional, plus Local equals four. By coincidence, the 3-for-1 is also the constant global of remittances to ODA ratio. In sum, this policy proposal can be read as an argument both for a 3-for-1 policy (development leverage) and as a 1-for-3 policy (soft power leverage). If one were to transfer this 3-for-1 policy framework to the Black Sea Region, different national settings would probably result in a variety of networking and policy development packages.

In leveraging development, one question of relevance is where remittance money is already spent, by whom and where. This goes to targeting and is an area in which the BSEC could probably play a role as the sole institutional meeting point of all the major players involved by coordinating the establishment of the common infrastructure necessary for the development of such policies. This will necessitate intergovernmental, compartmentalized and technical cooperation, which can be facilitated through technical committees that are in fact at the heart of the BSEC’s operations. Getting precise answers on “technical” questions on the subject of remittances is not an unprecedented endeavor. A detailed study of remittance flows in the South Caucasus was published by the European Bank for Reconstruction and Development in 2007 (Orozco), releasing valuable and unmatched information based on large sample surveys rather than formal statistical databases.

The qualitative findings of this study were significant. For these kinds of studies, there is hardly a need for duplication. Multilateral cooperation makes sense irrespective of possibly colliding soft power objectives. In Georgia, for example, remittance recipients are younger than that of the general adult population, which means there is considerable scope for projects targeting human resource development. In Moldova, remittance recipients are more likely to be older, female, and urban dwellers, indicating perhaps a significant scope for public health insurance schemes. However, these findings are snapshots. In designing an effective policy infrastructure, which does not go from study-to-study but provides a continuous stream of information and effective networking, requires durable, cyclical and

methodologically integrated data-gathering. On this front, the BSEC can be an ideal forum for “policy incubation.” (see below: BSEC as an actor)

Arguably, the most cost-effective approach would be for donor countries to contribute towards the development of more comprehensive databases in migrant originating countries, with parameters built-in that could offer valuable proxy insight on migration policy regimes in destination countries. In this context, one politically sensitive question would be how data would be periodically collected, owned, managed, as well as negotiating a comprehensive access protocol. In this scheme, some level of cooperation between national statistical services would also be required, potentially in view of building synergies with major statistical databases, such as national censuses. All this is feasible within a BSEC framework.

Of course, 3-for-1 schemes as such would probably compete rather than operate under a single umbrella. Community-building could be pursued on various networking platforms, varying from physical HTAs to online communities, with consular authorities, migrant organizations, NGOs, political parties, religious organizations, or specific media outlets lending their expertise for this endeavor. The resulting databases of members recruited, would be more personalized and sensitive. Their management would no doubt be challenging, not least because it should conceivably include a number of undocumented migrants. There is an added complication in this respect, which reinforces the rationale of utilizing the BSEC framework, namely the fact that migrants are often members of national minorities. Therefore, it is conceivable that Georgian-Armenian cooperation would be valuable, as would cooperation between Turkey and Bulgaria, when it comes to harnessing collective remittances networks.

In this scheme, migrant host states can opt to either offer incentives for participants and guarantees of discretion and/or cooperate with source states and/or international institutions. Ultimately, success will not only be measured in terms of the volume of remitters engaged, but also by the effectiveness of public consultation, treating migrants as stakeholders, formulating projects attractive to both mind and wallet.

The transparency of this process may also play a key role for the mobilization of additional capital beyond ODA, corporate and charitable. These ODA+ Remittance initiatives could take the form of source-

national/“ethnic Diaspora” funds or cooperative structures with international organizations and national authorities also providing policy development expertise. That would make sense for migrants. The experience of African Diasporas development projects based and coordinated from France indicates that one-way collective remittance schemes run exclusive by migrants rarely lead to viable productive ventures.

But, there must be a balance. In Mexico, it has turned out that projects with a productive orientation where the government treated remittances as merely capital, not fully exploiting the transnational networking of the HTAs, also failed. (OECD, 2005) In sum, migrants can benefit from governance expertise; but, governments need to do more than design policies suitable “for anyone,” or specifically their own policy agenda. Cooperatives or trusts must tailor adjust their project proposals in a manner that reinforces rather than disregards the sense of transnational community-building, which is potentially their productive “edge.” And governments must learn to use a transnational logic to design nationally effective development projects.

Ultimately, the participation of migrants in such alternative collective remittances vehicles will depend on the success of pilot projects. The “carrot” of matching funds and the credibility/legitimacy of the administrators is a prerequisite for initial Diaspora engagement, but unless ventures save or make money, the policy will fail. For poor states that have a difficulty in match funding, there is an array of possibilities. Some of these vehicles can almost certainly mobilize resources from a growing international pool of “concerned citizens,” through emerging crowdfunding platforms, of which some have an explicit social infrastructure development focus (The Economist, 18 May 2013). The latter source of funding is so far untapped and could prove more adequate than the traditional charity sector because it is project rather than value-focused. In sum, rather than suggesting a single “3-for-1” framework for the Black Sea, this paper concludes with motivations for the key stakeholders to pursue several, or indeed to compete in the framing of different policies, be it “2-for-1,” “3-for-1,” or “4-for-1.”

Potential Benefits for Actors

Corporate Actors: The financial sector is the obvious beneficiary of such a proposal. Huge

Besides the “aggregate demand effect,” the key to corporate interest is that cooperative or Trust based collective remittance vehicles can be credit rated in terms of origin, volume, source, duration and value.

corporations, such as Money Gram and Western Union are already taping on this multi-billion dollar industry for decades. But, these companies transfer cash without performing the basic function of a bank, which is based on the existence of accounts.

Banking the unbanked migrants is in the interest of several financial institutions, because this translates into hard, regular, often anti-cyclical and dependable cash flows valued both at the source and at the receiving end. Banks could, therefore, gain in two ways: a) tap onto small-but-steady income on the receiving end, create a credit profile and offer a range of products including mortgages, savings accounts, and all kinds of insurance (home, life, health) and; b) tap onto the source of collective remittances, aggregating demand, assuming the role of building societies or cooperative financial structures – in synergy with foreign agencies, private donors, national and local governments – to mitigate the risks of financing public infrastructure, housing, insurance, education, etc. Incidentally, similar initiatives would be ideally suited for a new and emerging trend in financial services, namely crowdbanking. (The Economist, 15 December 2012)

In this scheme, aggregate demand should also attract other sectors: education, health, retail, heavy industry, car manufacturers, logistics, consulting, construction and others. Even energy companies, which offer energy at low rates in one region, may find that investing in the energy efficiency of poor housing would be a cheap way to release supply for more lucrative markets. This is especially true in post-communist polities with antiquated infrastructures of natural gas networks for example.

Besides the “aggregate demand effect,” the key to corporate interest is that cooperative or Trust based collective remittance vehicles can be credit rated in terms of origin, volume, source, duration and value. Consequently, individual HTA members can be offered incentives including low or zero commission on individual remittances, loans, or even access to insurance and investment products in otherwise unimaginable terms. To the effect of attracting remittance business, albeit without the collective remittance angle, there are precedents to such services in Ecuador, India, Mexico and the United States. Sticking to the region under examination, in Moldova, there are micro credit establishments that credit rate their customers on the basis of remitted income over six months (Savings & Credit Associations). In sum, there is money to be made and the benefits to migrants are clear.

The BSEC: In this policy proposal, the BSEC can be envisaged as a policy incubator. Often, national development policies in the region gravitate on sizable projects or, more specifically, the attraction of Foreign Direct Investment. However, the divergent membership of the BSEC means that the sum of its member states does not make up for a holistic vision for the region’s economic evolution (Celac et. al., 2012). This becomes apparent in view of the forthcoming Eastern Partnership Summit in Vilnius (November 2013). Joint policy initiation as such is thereby hindered. Yet for all practical purposes the heart of the BSEC’s operations is the work of intergovernmental committees, which are in effect unique multilateral *fora* in terms of composition. This provides opportunity for the development of common policy infrastructures necessary for the development of otherwise diverse “soft power” initiatives. In sum, what is suggested is to focus on policy infrastructure, not policy as such.

All policies must be data driven. Thereby, the obvious point of departure for the engagement of the BSEC in a “3-for-1” policy process is data gathering, database building, database harmonization and the development of data sharing protocols. In this field, there is hardly need for duplication whereas the rationale or even necessity for multilateral cooperation is obvious. Also, the BSEC can also become a forum for the exchange of best practices and the development of 3-for-1 pilot projects in coordination with originating and host countries of migrant stocks in the region. In this scheme, micro-finance policy coordination; the development of funds and investment proposals; the

organization of donor conferences and private-public partnerships; wide public consultation campaigns; and research and implementation monitoring would benefit from a multilateral setting.

A welcome side effect may be that through this policy incubation process, the cooperation between member states may deepen and provide the opportunity for the emergence of a technocratic elite that is capable to more efficiently support economic policy development initiatives with a regional and bottom-up perspective. Another point of added value is that ethnicity and citizenship do not always correlate between migration stocks.

States of Migrant Origin: Countries will differ in terms of capacity in policy development. But, if any of those states did wish to set up a “3-for-1” structure, the first challenge would be networking. As the experience of Mexico and, to a lesser extent, France, indicates, there are a number of tactics to build a transnational network:

- a. Offering something: In synergy with corporate actors, offering “financial literacy lessons” or general settlement orientation courses may be a good start for consular authorities to gain access to their Diaspora communities abroad.
- b. Build on existing communities: For certain nationalities, such as Armenians, Turks or Greeks, this networking process will be amply facilitated by decades of experience in Diaspora networking. But, it is clear that no country can produce a single strategy for networking because settlement patterns in countries of destination differ, with ghettos favoring tightly knit networks.
- c. Work through proxy associates: Some states will find it harder to gain their citizens good will, but they can support the endeavor indirectly by offering legal assistance and facilitation in terms of red-tape cutting for intermediary institutions, such as religious institutions.

As in the case of the corporate sector, there is much to be gained for a source. Different political actors will find it appealing to harness HTAs irrespectively of whether or not the legislation allows for Diaspora voting. Ultimately, making the case for one collectively financed project over another, especially if there are foreign donors and rigid requirements of accountability involved, requires a different style of politics. And

the process may emerge as the incubator of a new type of leadership.

Clearly, there are votes to be won, growth to be achieved, accounts and reports to be presented and, ultimately, money to be made. As the Mayor of Trabzon contests his seat over the aspirant, they will no doubt have different "3-for-1" ideas, for which they will no doubt seek the support of German or Dutch HTAs, not to mention ODA donors, corporate and charitable investors. This kind of global-local political contestation is largely unknown to many regions in the Black Sea.

On a national level, it is well documented that for small and remittance-dependent countries (i.e., Moldova, Armenia), the more official the flow of remittances is, the more transparent it becomes for international credit rating agencies and, thereby, leading to a smaller spread on sovereign bonds. (Avantano, Gaillard and Nieto-Parra, 2009) Additionally, if a bond of trust is established, it is possible to envisage that Diaspora Bonds and remittance securitization will also become viable options. Perhaps more significantly, if one assumes that community ownership of the projects can be harnessed with international help into targeted and transparent SME ventures, employment can be created and poverty alleviated more effectively. And this is bound to also have an electoral effect.

The EU: The EU's collective clout is significant both in terms of remittances and in terms of ODA. If synergies were established between remittances and ODA flows, the EU's clout as a single international actor would stand to benefit. If the possibility for HTA bidding in EU funded tenders was mainstreamed in various programs, Brussels might acquire more convincing partners than typical NGOs, able to exploit and disseminate results more effectively in a number of policy areas, including trafficking prevention, Life Long Learning, SME development and the like.

At the level of the European Parliament, policy development takes place through political parties, such as the European People's Party (EPP) or the Progressive Alliance of Socialists and Democrats (S&D). One of the weak points of this confederal political structure is that it brings together members who often share a value base, but are rarely able to harness transnational constituencies: for instance, during European elections, Romanian citizens able to vote in Italy rarely do. If they do, European parties

have little, if any, sway over their vote. One of the reasons is that abstract and "value-based" policy platforms are largely decoupled from a concrete transnational agenda with an immediate effect on nationally framed lives. This is not a problem across the US or Russia, but it is in the EU. However, a 3-for-1 platform would create possibilities to create solid policy proposals with a human development scope, not only between EU member states, but indeed with states in the European Neighbourhood, paving the way for a transnational constituency.

At a Commission level, the EU would be able to tap into a virgin territory of soft power, in a policy framework where it has the experience, human and material resources to excel. For instance, in securing the participation of an Abkhaz HTA in Greece, Brussels could implement people-to-people projects in Georgia that are not currently possible. This may be a point that should be of some significance in the Eastern Partnership framework as well, allowing for a bottom-up rather than an exclusively top-down process of stakeholders' engagement in the region.

At the level of member states, 3-for-1 program would be an opportunity to reevaluate the significance of different migrant stocks in terms of their development potential. Political forces hostile to migration would be able to formulate convincing policies of return migration; progressive forces would be able to formulate convincing policies that capitalize on migrants as "cultural capital" that can be leveraged for economic growth. Different governments could place their limited resources to flexible 3-for-1 structures that resonate the most with their own "national interest" and values, without worrying about small returns in terms of visibility, or indeed waste resources in multilateral fund recycling. Moreover, leveraging ethnic and gasterbeiter HTAs would provide a powerful tool for the promotion of commercial interests that would not be unethical per se.

Turkey: The argument for collective remittance platforms was made by Turkish migration experts a little less than a decade ago. (Icduygu, 2008; OECD 2005) What has not as yet been tested is the setting up of similar structures in Turkey. Similarly, the Turkish financial sector has decades of experience of taping into the Diaspora market, but has yet to exploit the full potential of its own migrant population.

A 3-for-1 approach would benefit both Turkey's foreign policy and domestic growth. It would create a multi-dimensional relationship with the Diaspora, as well as targeted Muslim minorities in the region with a presence in Turkey (Gagauz, Bulgarians, etc.). Presumably, this policy frame would add significant leverage both in terms of lobbying and in terms of economic development across the region and the EU. Moreover, the intensity of networking established through TIKA and established Diaspora platforms would probably increase the impact of its post-Ottoman rationale. Finally, Turkey has already experimented with Diaspora Bonds, but not remittance securitization, instruments that would probably become viable if similar policy frameworks were in place.

Russia: In Russia there is a general tradition of skepticism vis-à-vis the political benefits or “national returns” of multilateral ODA disbursement. Also, there are voices calling for the empowerment of Rossotrudnichestvo (the relevant federal agency), in view of mapping and implementing projects that aim more explicitly on productive capacity, jobs, and infrastructure. (Yatsenko and Bartenev, 2013) While the volume of ODA from Moscow is in absolute terms “small,” if it were treated as “seed capital” investing on existing remittance leverage, it is clear that Russia would become an unmatched “soft-power-superpower.” And, if it pioneered the way into a 3-for-1 approach in the region, Moscow could challenge the international community to follow the lead as a match funder in a number of projects.

The United States: US leverage in the region stems primarily from know-how and best practices, especially in the context of Latin America. Cutting edge know-how in a number of policy development tools, including securitization, crowdfunding, crowdbanking, and various remittance-leveraging schemes already tested by USAID could probably shape the agenda. In synergy with the EU, or through bilateral arrangements with states in the region, capitalizing on its ODA clout, Washington could pave the way in policy development, as well as implementation.

List of Abbreviations

BSEC: Organization of the Black Sea Economic Cooperation

CIS: Commonwealth of Independent States

DCD-DAC: Development Co-operation Directorate - Development Assistance Countries

ECA: Europe and Central Asia

EU: European Union

GDP: Gross Domestic Product

HTA: Home-Town-Association

ODA: Official Development Assistance

OECD: Organization for Economic Cooperation and Development

OECD-DCD: Organization for Economic Co-operation and Development - Development Co-operation Directorate

SWIFT: Society for Worldwide Interbank Financial Telecommunication

TIKA: Turkish International Cooperation and Development Agency

UNDP: United Nations Development Program

UNDP-RIBEC: United Nations Development Program, Regional Bureau for Europe and the Commonwealth of Independent States

US: United States of America

USAID: United States Agency for International Development

USD: United States Dollar

WB: World Bank

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Ilia Roubanis holds a PhD in Social and Political Sciences from the European University Institute in Florence. He is an area studies expert with a professional background in consultancy and academia, including for some time at the International Centre for Black Sea Studies. He currently teaches at the Greek National School of Public Administration and publishes on policies relevant to the Black Sea region.

About the CIES

The Center for International and European Studies (CIES) at Kadir Has University was established in 2004 as the Center for European Union Studies to study Turkey's European Union accession process. Since September 2010, CIES has been undergoing a major transformation by widening its focus in order to pursue applied, policy-oriented research and to promote debate on the most pressing geostrategic issues of the region.

Its areas of research and interaction include EU institutions and policies (such as enlargement, neighbourhood policies and CFSP/CSDP), cross-cutting horizontal issues such as regional cooperation, global governance, and security, inter alia with a geographical focus on the Black Sea Region (including the Caucasus), the Mediterranean, Southeastern Europe, Turkish-Greek relations, and transatlantic relations.

About the Black Sea Trust for Regional Cooperation

The Black Sea Trust for Regional Cooperation (BST), a project of the German Marshall Fund of the United States promotes regional cooperation and good governance in the Wider Black Sea region;

accountable, transparent, and open governments; strong, effective civic sectors; and independent and professional media. To respond to the rapid shifts in the region, BST staff regularly consult with regional experts and aim to sharpen the program's grantmaking strategy in order to more effectively achieve the Trust's goals. Taking into account the complexity and diversity of the region, BST priorities are revised regularly and adjusted to respond to the region's changing needs. Adjustments are made in consultation with the BST Advisory Board, the German Marshall Fund's network of offices and internal expertise, and in coordination with other donors active in the region.

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