

COMPETITION FOR RUSSIAN MIGRANTS: IS ARMENIA COMPETITIVE?

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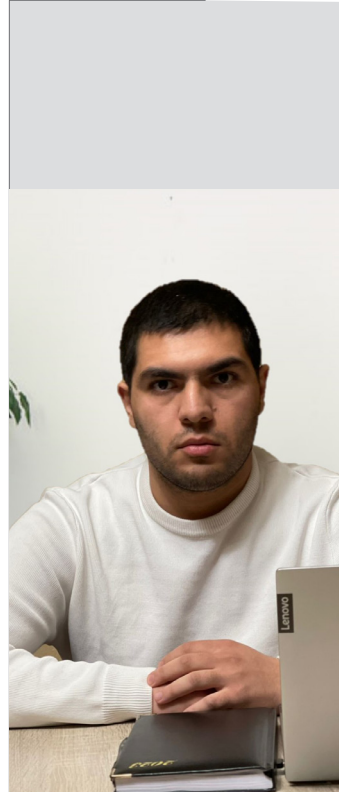
The Russian-Ukrainian war brought with it many negative humanitarian and economic consequences. If the humanitarian disaster is currently happening only in Ukraine, the economic consequences have affected almost every country in the world. The Russian economy is suffering many heavy blows under the influence of Western sanctions, and one of its most obvious consequences is the unprecedented growth of migration from Russia. This has become a source of competition for migrant-receiving countries. Armenia is one of the main countries receiving Russian migrants, and therefore also one of the main participants in the competition for migrants.

On February 24, 2022, Russia launched an attack on Ukraine, which had negative humanitarian and economic consequences not only in Russia and Ukraine but also around the world. As a result of the war, a large flow of people from Russia to other countries began. According to the State Federal Statistical Service of Russia, almost 400 thousand people left Russia in January-August 2022, which is more than double the number of people who left Russia in the same period last year¹.

The main destinations of migrants were Armenia (56,303 people), Kazakhstan (53,591 people), Kyrgyzstan (51,641 people), Tajikistan (72,918 people), Uzbekistan (47,626 people), Georgia (4,586 people), and Azerbaijan (27,067 people)². As a result, the above-mentioned countries,

¹ Федеральная служба государственной статистики Российской Федерации, Демография, Международная миграция, 2022.


² Федеральная служба государственной статистики Российской Федерации, Демография, Международная миграция, 2022.



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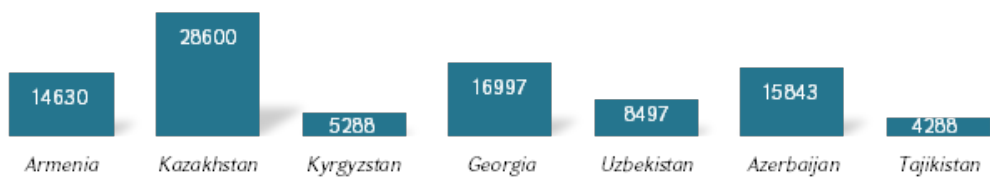


FIGURE 1



GDP per capita adjusted by purchasing power parity (US Dollar)³

which were the primary receiving countries for migrants, will be the focus of our analysis.

Such a large flow of people has certainly had a positive effect on the economies of these countries, and that is why competition has been created between these countries to become more attractive for migrants. In this context, the following question arises: is Armenia competitive in the competition for migrants, and can it become more attractive for them?

To answer this question, it is necessary to understand what factors influence migrants when they decide which country to move to. Conventionally, these factors can be divided into two groups: factors that governments can influence (controllable) and factors that governments cannot influence (uncontrollable).

Among the factors beyond the control of governments may be the nationality of those leaving the country, the attitude towards Russian citizens, cultural and religious similarities, the country being in a state of war, etc. All of the above factors can either not be influenced at all by governments or can only be influenced in the long run. We will examine the factors that the government

can influence.

When moving from one country to another, the degree of economic development of the given country is very important. GDP per capita is one of the main indicators for assessing the level of economic development of countries. Figure 1 shows GDP per capita in the study countries in 2021, adjusted for purchasing power parity.

From the data in Figure 1, it can be observed that Kazakhstan has the highest result among the countries studied in terms of GDP per capita adjusted by purchasing power parity, with 28,600 US dollars, followed by Georgia with 16,997 US dollars. Armenia ranks 4th among the countries studied by this indicator, with a result of 14,630 US dollars.

When moving from one country to another, it is also important to be safe in that country. It is very important for people to feel safe in the environment in which they have to live. The Institute for Economics and Peace (IEP) calculates the Global Peace Index on the security of countries. Figure 2 shows the global peace index scores for the countries under study.

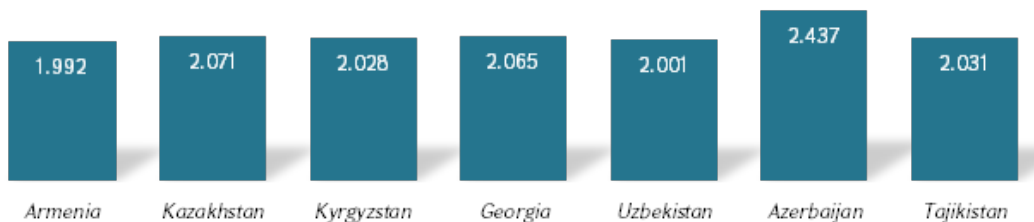


FIGURE 2



The Global Peace Index⁴

³ The World Bank, DataBank, World Development Indicators, GDP per capita PPP, 2021.

⁴ Institute for Economics and Peace, Global Peace Index, 2022.

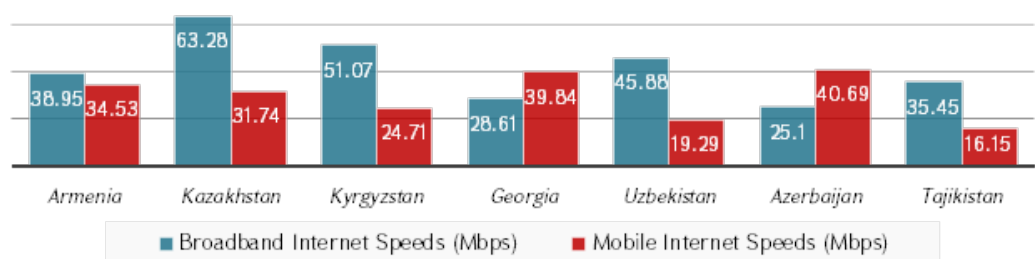


FIGURE 3

The speed of broadband and mobile internet in the studied countries⁵

When evaluating the global peace index, the number and duration of external and internal conflicts, the number of crimes committed in the country, the risk of terrorism, political instability, etc. are taken into account. In this sense, the lower the global peace index score, the safer the country. From the data in Figure 2, it can be observed that Armenia has the lowest global peace index score, Uzbekistan is the second, and Kyrgyzstan is the third.

The imposition of sanctions by Western countries not only greatly affects the Russian economy, but has also become one of the main reasons for leaving Russia. The point is that among the sanctions is the disconnection of the Russian banking system from the global SWIFT banking system⁶. As a result, money transfers to Russia through the SWIFT system were suspended. These greatly affected people who worked with foreign companies and received their earnings in foreign currency. Those who have such jobs are mainly those working in the field of information technology. Of course, as

a result of such a sanction, this part of the population had to leave the country in order to be able to receive the money they earned in another country.

For this segment, a number of factors may be significant when leaving the country. One such factor is, for example, the speed of the Internet and its tariff. Since people engaged in information technology mostly work and interact with their clients online, the above can be serious factors when they choose which country to move to.

Figure 3 shows the speed of broadband and mobile internet in the studied countries.

It can be noticed that Kazakhstan has the fastest broadband internet among the studied countries, with a speed of 63.28 megabytes per second. Among the studied countries, Armenia ranks 4th in terms of broadband internet speed. The first place in mobile internet speed is Azerbaijan, with a speed of 40.69 megabytes per second, followed by Georgia with a speed of 39.84 megabytes per second, and in the third place is Armenia, with a speed of 34.53 megabytes

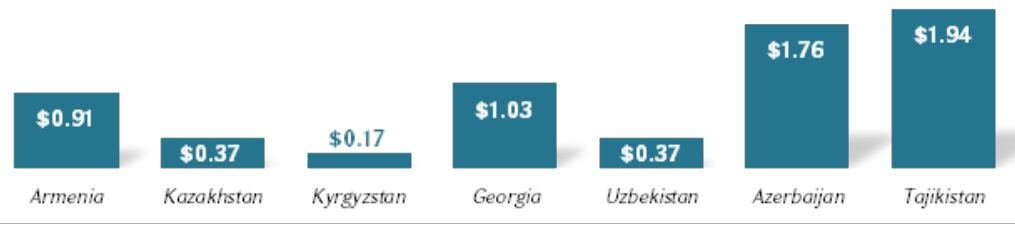


FIGURE 4

Internet tariff per gigabyte⁷

⁵ World Population Review, Internet Speeds by Country, 2022.
⁶ BBC News, "Western Allies will Remove Russian Banks from Swift", 26 February 2022.
⁷ Cable, Worldwide Mobile Data Pricing, 2022.



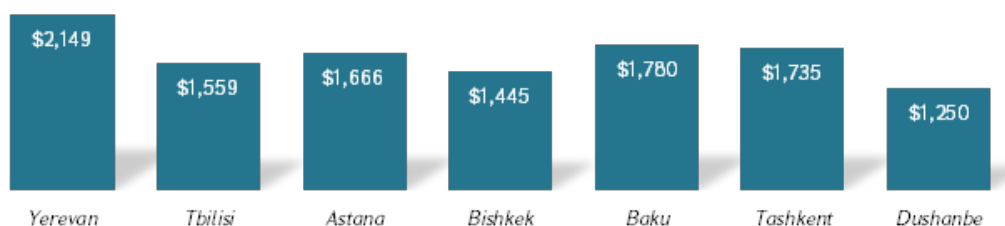


FIGURE 5

Average monthly rent for one-bedroom apartments (US dollars)⁸

per second.

It is also important to look into the internet tariff, as a lot of internet is used when doing online work. Therefore, the Internet becomes one of the major expenses for people doing online work. Figure 4 shows the Internet tariff in the countries under study.

From the data in Figure 4, it can be seen that among the countries under study, the cheapest internet tariff is in Kyrgyzstan (0.17 US dollars), followed by Kazakhstan and Uzbekistan (0.37 US dollars).

It is also important to look into rental property prices in these countries, as this is one of the biggest expenses for new movers. Figure 5 shows the average monthly rent for one-room apartments in the capitals of the countries under study, according to the Airbnb online platform.

From the data in Figure 5, it can be observed that the most expensive average monthly rent among the studied capitals is in Yerevan, which is 2149 US dollars. It is followed by Baku with 1,780 US dollars,

and Tashkent is in third place with 1,735 US dollars. It is important to take into account that, due to the influx of people into the country, real estate rental prices have increased dramatically in the past year. Numbeo is an analytical center which studies the cost of living in different countries, calculates the real estate prices/rental prices index. This indicator shows how many times the price of a property exceeds its rental value. In 2021, this indicator in Armenia was 20.06, and in 2022 it decreased to 15.24. In other words, real estate rental values have increased much faster than real estate prices. Among the countries under study, only Georgia recorded a larger decline. In the case of Georgia, this indicator decreased by 8 points in 2021-2022. Azerbaijan is the only country among the studied countries, where the real estate price/rental price index has increased⁹.

The amount of money spent on food is also important for migrants. The Numbeo analytical center also calculates the amount of expenditure in different countries for

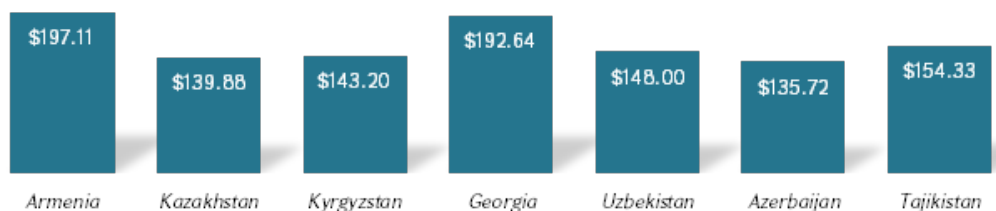


FIGURE 6

Amount of money necessary for the minimum amount of food needed for normal life activities (US dollars)¹⁰

⁸ Airbnb, House Rentals, 2022.

⁹ Numbeo, Price To Rent Ratio City Centre by Country, 2021-2022.

¹⁰ Numbeo, Food Prices, 2022.

TABLE 1

Rates of corporate tax, income tax and VAT

	<i>Corporate tax</i>	<i>Income tax</i>	<i>VAT</i>
Armenia¹¹	18%	21%	20%
Kazakhstan¹²	20%	10%	13%
Kyrgyzstan¹³	10%	10%	12%
Georgia¹⁴	0	20%	18%
Uzbekistan¹⁵	12%	12%	15%
Azerbaijan¹⁶	20%	14%	18%
Tajikistan¹⁷	25%	25%	18%

the minimum amount of food necessary for normal life activity, which is necessary to obtain 2400 calories (Figure 6).

It can be noticed that the amount of money needed for the highest minimum amount of food is in Armenia: 197.11 US dollars. Georgia is in the second place with 192.64 US dollars, and Tajikistan is in the third place with 154.33 US dollars.

Among the migrants, there are also many people who own companies and move their companies to other countries along with their migration. For these people, the level of taxes in those countries is very important. Table 1 shows the levels of profit tax, income tax and VAT in the countries under study.

From the data in Table 1, it can be observed that the lowest interest rate in terms of profit tax is in Georgia with 0 percent, and the highest in Tajikistan with 25 percent. The lowest income tax rate is 10 percent in Kazakhstan and Kyrgyzstan, and the highest is 25 percent in Tajikistan. The lowest VAT rate is 12 percent in Kyrgyzstan, and the highest is 20 percent in Armenia.

The above companies that are leaving Russia have mainly foreign clients and can no longer operate from Russia due to sanctions. Therefore, the revenues of these companies come from abroad and mostly in US dollars. In this context, it is very important to study the exchange rates of the national currencies of the above countries. According to the

latest data from the World Bank, the US Dollar/Armenian Dram exchange rate is 394 drams according to the latest data, which is almost 100 drams less than the average exchange rate of the previous year. The Georgian lari exchange rate for one US dollar is 2.66 lari, which is 1.55 lari less than the average exchange rate of the previous year. The exchange rate of the Kazakh tenge for one US dollar is 468.08 tenges, which is 42 tenges higher than the average exchange rate of the previous year. The Kyrgyz som exchange rate for one US dollar is 84.9 soms, which has not changed compared to the average exchange rate of the previous year. The exchange rate of the Uzbek som per US dollar is 11,274 soms, which is 674 soms higher than the average exchange rate of the previous year. The exchange rate of the Tajik somoni for one US dollar is 10.2 somoni, which is 1.1 somoni less than the average exchange rate of the previous year. The exchange rate of the Azerbaijani manat for one dollar is 1.7 manat, which has not changed compared to the average exchange rate of the previous year. Among the above-mentioned currencies, the Armenian dram fluctuated the most, which decreased by 22 percent from the average exchange rate of the previous year, followed by the Georgian lari by 16 percent. Azerbaijani manat and Kyrgyz som have almost not changed¹⁸. Thus, for companies that work with foreign

¹¹ Tax Code of The Republic of Armenia, October 4, 2016.

¹² Tax Code of The Republic Of Kazakhstan, June 12, 2001.

¹³ Tax Code of The Kyrgyz Republic, January 18, 2022.

¹⁴ Tax Code of Georgia, December 10, 2010.

¹⁵ Tax Code of The Republic Of Uzbekistan, December 31, 2019.

¹⁶ Tax Code of the Republic of Azerbaijan, 11 July, 2000.

¹⁷ Tax Code of the Republic of Tajikistan, December 29, 2010.

¹⁸ The World Bank, DataBank, World Development Indicators, Exchange Rate, 2021.

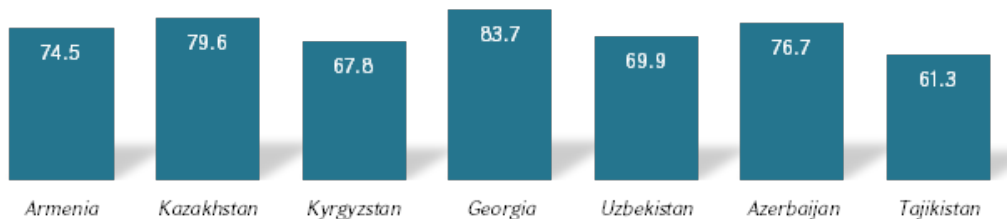


FIGURE 7

Doing Business Index¹⁹

companies and receive their income in foreign currency, the situation worsens when the exchange rate falls, because the price of one unit of foreign currency falls. In this context, the economic situation in Armenia has worsened. The best economic situation is in the Kazakh economy, where the exchange rate of the Kazakh tenge against one US dollar has increased by 10 percent.

When starting a new business in a new location, the most important indicator that investors consider is the Doing Business index calculated by the World Bank. When calculating the Doing Business Index, seven factors are evaluated. They are the ease of starting a business, obtaining building permits, electricity permits, property registration, ease of credit, small business protection, tax payment, foreign trade opportunities, contract enforcement, and bankruptcy recognition. Figure 7 shows the Doing Business Index score for the countries under study.

From the data in Figure 7, it can be seen that Georgia received the highest score with

83.7 points, followed by Kazakhstan with 79.6. Armenia ranks 4th among the studied countries with 74.5 points.

As a result of the study, it became clear that Armenia is the leader among the other studied countries (the global peace index) in only one of the factors affecting migrants. The worst indicators were recorded for real estate rental prices, minimum food costs, value-added tax and exchange rates. In terms of other studied factors, Armenia ranks only in an intermediate position. If we conditionally evaluate each country according to the point system for the horizon it occupies²⁰, the following result will be obtained (see diagram 8).

It can be noticed that Armenia ranks only 6th among the studied countries, having scored 40 points. Thus, Armenia is not so competitive in terms of the studied factors. However, according to the data of the Russian Federal Statistical Service, Armenia is one of the main destinations for Russian migrants. It can be assumed that other factors affecting migrants, which are beyond the government's

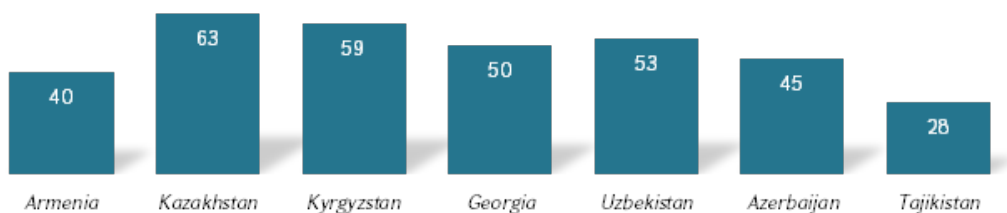


FIGURE 8

Scores of the countries under study according to their positions

¹⁹ The World Bank, DataBank, World Development Indicators, Exchange Rate, 2021.

²⁰ The World Bank, Doing Business, Ranking 2021

²¹ If a country ranks 1st out of seven countries for any factor, then that country is given 7 points, 2nd rank 6 points, 3rd rank 5 points, and so on up to 7th rank 1 point.

influence, caused such a result. Such factors can be the nationality of migrants, cultural and religious similarities, personal preferences, etc. Such factors have produced a short-term positive result, but in the long-term, they cannot ensure a constant flow of migrants. And the existing migrants will most likely leave Armenia after some time. In order to have a long-term result, it is necessary for Armenia to become the center of the economic interests of migrants, and for this, it is necessary for it to be economically profitable to carry out activities in Armenia. The factors we studied mostly related to the economic interests of the migrants themselves.

Improving the position of Armenia in terms of the factors we study will increase the attractiveness of coming to the country. For that, we suggest the following steps:

- to prevent a sharp increase in rental prices in the real estate market it is proposed to provide an exemption from

the profit tax on the income from the rental of real estate. In particular, reduce the tax rate on real estate rental income, but up to a certain limit. That limit can be up to \$1,000 in real estate rental fees,

- gradual devaluation of dram. Of course, it is understandable that in the conditions of the current global inflation, this may lead to an increase in prices in Armenia, but at the same time, it may contribute to a number of companies working in the field of information technology coming to Armenia,
- along with the devaluation of the national currency, in order to curb inflationary pressures, it is proposed to reduce the added currency tax. This, of course, will lead to a reduction in the tax revenues of the state budget, but it can be compensated by the taxes given to newly established companies in Armenia.

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Ալիկ ԹՈՐՈՍՅԱՆ
Ասպիրանտ, ՀՊՏՀ

ՀԱՅԱՍՏԱՆ ԵՎ ԱՇԽԱՐՀ

**ՄՐՑԱԿՑՈՒԹՅՈՒՆ ՌՈՒՍԱՍՏԱՆՑԻ ՄԻԳՐԱՆՏՆԵՐԻ ՀԱՄԱՐՄՐՑԱԿՑՈՒԹՅՈՒՆ.
 ԱՐԴՅՈ՞Ք ՀԱՅԱՍՏԱՆԸ ՄՐՑՈՒՆԱԿ Է**

Ռուս-ուկրաինական պատերազմը հանգեցրեց հումանիտար և տնտեսական բազմաթիվ բացասական հետևանքների: Եթե ներկայումս հումանիտար աղետ է միայն Ուկրաինայում, ապա տնտեսական հետևանքներն անդրադարձել են աշխարհի գրեթե բոլոր երկրների վրա: Ռուսաստանի տնտեսությունն արևմտյան պատժամիջոցների ազդեցությամբ կրում է մեծաթիվ ծանր հարվածներ, որոնց ամենավառ դրսևորումներից մեկն էլ Ռուսաստանից միգրացիայի անսխաղեպ աճն է: Միգրանտներին ընդունող երկրների համար սա դարձել է մրցակցության հիմք: Հայաստանը ռուսաստանցի միգրանտներին ընդունող հիմնական երկրներից է, հետևաբար նաև նրանց համար մրցակցող էական մասնակիցներից մեկը:

Հիմնաբառեր. *միգրանտներ, մրցակցություն, պայտերազմ, պայտժամիջոցներ, տեղեկատվական տեխնոլոգիաներ*

Алик ТОРОСЯН
Аспирант, АГЭУ

АРМЕНИЯ И МИР

**КОНКУРЕНЦИЯ ДЛЯ РОССИЙСКИХ МИГРАНТОВ. ЯВЛЯЕТСЯ ЛИ АРМЕНИЯ
 КОНКУРЕНТОСПОСОБНОЙ?**

Российско-украинская война принесла с собой множество негативных гуманитарных и экономических последствий. Если гуманитарные последствия сейчас происходят только в Украине, то экономические последствия коснулись практически всех стран мира. Экономика России сильно пострадала от западных санкций, и одно из наиболее очевидных их последствий — беспрецедентный рост миграции из России. Это стало источником конкуренции для принимающих мигрантов стран. Армения является одной из основных стран приема российских мигрантов, а значит, и одним из основных участников конкуренции за мигрантов.

Ключевые слова: *мигранты, конкуренция, война, санкции, информационные технологии*