

# **Role of Diaspora in the Economic Development of the Serbian Economy - Historical Perspective, Emigration Trends, Previous and Current Initiatives on Boosting Economic Engagement of Diaspora in Serbia**

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## **The role of Diaspora in Economic Development – Ideas behind Stimulating Diaspora Economic Engagement?**

Diaspora has been recognized in the economic literature as a factor that could be relevant for boosting economic development of the country of origin. Many authors analysed different channels (capital, knowledge, personal contacts) through which diaspora economic potentials could be used for the benefit of the host country obtaining relatively different findings (Panibratov and Rysakova, 2021; Kalantzi and Lapshyna, 2020; Carment and Calleja, 2017; Ardovino, 2009). In countries with large diaspora (Ireland, Israel, etc.) the role of diaspora has been confirmed positive with regards to economic and social development (Boyle and Kitchin, 2014; Sharaby, 2002). However, there are many examples of countries that failed in implementing diaspora economic engagement policies for many different reasons (Ragazzi, 2014). As a country with relatively large emigration, Serbia aimed at using diaspora to leverage economic growth. Unfortunately, experience of applying different economic policies over the last three decades resulted with certain economic benefits, but the overall potential is still considered underexploited. The aim of this paper is to provide breakdown on emigration trends and reasons behind relatively strong emigration pressures over the previous decades, highlight some of the most important policies implemented to strengthen economic collaboration with diaspora and derive some concluding remarks relevant for the future.

The rationale behind dealing with diaspora in developing and transition countries is relatively clear from the economic theory aspects (Priebe and Rudolf, 2015; Kuznetsov, 2013). Firstly, these countries are, by rule, the ones that lack investments required for achieving economic growth and development. Secondly, in parallel to attracting investments, transition countries often share history of being relatively closed in terms of economic trade and cooperation with developed economies. For that reason, intention to open economy and improve its competitiveness could be additionally stimulated through transfers of knowledge and technologies, as well as through entering the global market. Finally, strengthening local economy under strong global economic competition is possibly only through adopting certain economic patterns and behaviors that are characteristic for the market economies. Economic diaspora is often considered as one of the mechanisms being supportive in terms of tackling the aforementioned issues. It could represent generous source of investments, since investors from diaspora are sometimes even more prone to invest in the home country for emotional reasons. Diaspora businessmen from developed economies are familiar with economic patterns typical for market economies. They could help bridging the gap between the host country and the country of origin, also supporting knowledge transfers and entering international market. However, developing effective diaspora engagement policies is sometimes limited for many reasons. Policy makers in the home country perceive diaspora as a shortcut for reaching economic growth neglecting the fact that capital from diaspora could be only complementary to the necessary systemic reforms in the local economy (Gevorkyan, 2022).

## Serbian Diaspora - Historical Perspective and Emigration Trends

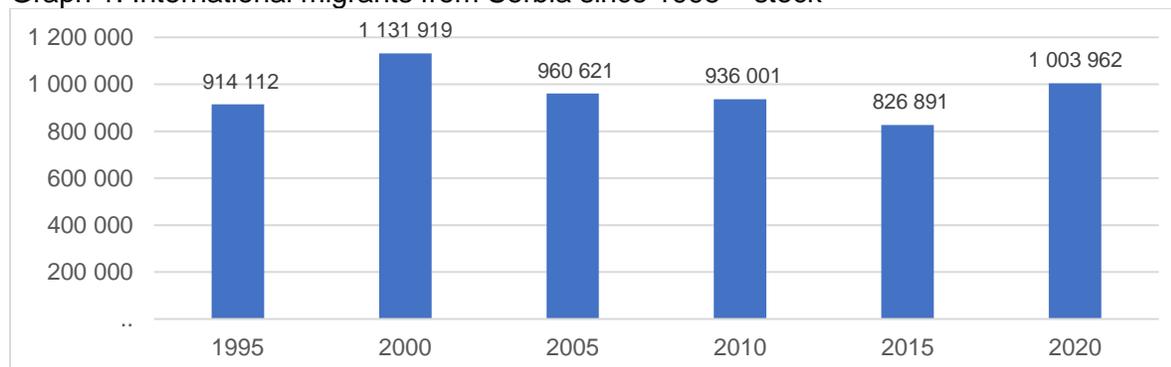
Serbia is a country with relatively large emigration based on the share of diaspora members against the total population number in the state. With an estimated population of around 7 million in Serbia and roughly estimated 4.5-5 million Serbian nationals living outside of the country for at least 12 months<sup>1</sup> (including 2<sup>nd</sup>, 3<sup>rd</sup> generation of immigrants and other, Serbia is among top 10 emigration countries worldwide per share of diaspora to the number of citizens in Serbia.

Table 1. Destination countries for emigrants from Serbia - stock

Country	Total	Male	Female
Germany	199,691	98,849	100,842
Austria	177,609	86,099	91,510
France	96,899	46,199	50,700
Italy	86,911	43,214	43,697
Switzerland	66,207	32,231	33,976

Source: <https://www.un.org/development/desa/pd/content/international-migrant-stock>

Graph 1. International migrants from Serbia since 1995 – stock



Source: UNDESA (2020)

Over the last 150 years Serbia experienced several emigration waves which, by size and nature, resulted from several mutually intertwined internal socio-economic factors as well as changing foreign policy priorities. By the First World War, two types of emigration occurred. The first resulting from poor economic conditions in the country and strong demand for labour in the Western world, the USA in particular, which strongly supported labour force inflow. The other form of emigration referred to temporary emigration of the high-income families which aimed at providing youth with adequate education, mainly in the Western Europe university centres. Emigration processes slowed down after the First World War and revived again in the light of the Second World War. Over the period 1941-1945 and following establishment of the communist regime, thousands of Serbian citizens emigrated for political reasons. Until the mid-1960s emigration was not allowed. Situation dramatically changed in the late 1960s when SFRY political establishment decided to stimulate emigration, primarily the low-educated population or education that could not easily find a job in a “zero-unemployment” economic system. This measure helped reaching unemployment policy targets on the one side and had additional benefits on the other side, resulting in generous inflow of remittances. Remittances were particularly important for the economic stability that was jeopardized by rising trade deficits, but also improved socio-economic

<sup>1</sup> [https://www.minrzs.gov.rs/sites/default/files/2021-02/ENG\\_%20Strategija%20ekonomske%20migracije%202021-2027-30\\_10%20%28002%29.pdf](https://www.minrzs.gov.rs/sites/default/files/2021-02/ENG_%20Strategija%20ekonomske%20migracije%202021-2027-30_10%20%28002%29.pdf)

situation of the rural population residing in less developed parts of the country. Such a foreign policy has been also positively received by the Western Europe economies that lacked labour force. At the end of 1980s, and during the 1990s in particular, process of emigration of highly educated labour force, urban population escaping from the internal political tensions, civil war, and economic sanctions started. After political changes in 2000, emigration pressures reduced for several years. However, since transition did not result in expected economic outcomes, emigration accelerated again. Although there are no official data, recent estimates indicate around 30,000 the citizens leave Serbia on the annual basis, some of them with an intention to stay living abroad.

## **Previous Initiatives on Boosting Economic Engagement of Diaspora in Serbia – What Did Go Wrong and Why?**

Analysis of the previous initiatives aimed at enhancing presence of diaspora in the local economic context starts since the 1990s when policy makers in Serbia, after dissolution of the SFRY and breakdown of the communism, started considering diaspora as important factor of economic development. Unlike the period of communism, when diaspora has been observed through lenses of potential enemy that could destabilize political system and spur nationalism, SFRY dissolution had positive impact on changing the mindset against diaspora. However, initial steps being motivated by attraction of capital has been compromised very soon. Collapse of the local state-owned banks resulting from immoral behavior of the corrupted political elites had dramatic consequences since the capital collected from both local citizens and diaspora deposited in the form of savings was inappropriately spent. In the absence of systemic engagement policies, diaspora investments occurred ad-hoc depending on the enthusiasm of interested individuals.

The main issues regarding the implementation of the diaspora engagement policies over the last three decades refers to inconsistent approach of the local policy makers and the lack of coordination between both institutions in Serbia as a country of origin and institutions in Serbia and diaspora organisations abroad. Serbian Governments are continuously changing institutional framework with regards to cooperation with diaspora. In 2001, it was established Ministry of International Economic Cooperation that ceased to exist in 2007. Ministry for Diaspora was established in 2004 ceasing to exist until 2012. Since 2008, under the agreement between Ministry of Economy and Regional Development and Ministry of Foreign Affairs, Serbia set up an economic diplomacy network through which 29 economic diplomacy officers were sent out to selected foreign embassies being in charge of supporting international economic collaboration including promotion of export and foreign investment. Later, supervision under economic diplomats was taken over by the Ministry of Trade and Telecommunication. Economic diplomacy network concept has been abandoned in 2014. Ministry of Foreign Affairs that was active over the whole observed period had its own network of economic attaches. Meanwhile, economic collaboration with diaspora has been implemented independently and mainly on ad-hoc basis by the Regional Development Agency, Chamber of Commerce and Industry, and the state authorities regional and local level. Frequent institutional and policy changes resulted in the inability of building institutional memory, developing human capacities, coordinating different institutional approaches and creating long-term partnerships with diaspora organisations.

## **Current institutional framework and policies**

Existing institutional framework encompasses institutions that support development of cultural and identity ties between diaspora and the Republic of Serbia, as well as dealing with

administrative issues (citizenship, right to vote, etc.), such as The Office for Cooperation with the Diaspora and Serbs in the Region and Assembly of the Diaspora and Serbs in the region. The second group of institutions includes organisations being in charge of economic development issues including diaspora economic engagement - Serbian Development Agency and Regional development agencies, Chamber of Commerce and Industry of Serbia, municipalities, etc. Institutional framework for the work of both groups includes Law on Diaspora and Serbs in the Region (2009) and Economic Migration Strategy of the Republic of Serbia for the period 2021-2027 (2020), coupled with laws and strategies in the field of supporting economic development and international economic collaboration.

Despite of undoubtful intention to support diaspora economic engagement, the main benefit for the local economy are still generous remittances, amounting to around 7.2% of the GDP, helping Serbia to maintain macroeconomic stability including stability of the local currency. However, recent migration crisis and presence of the international organisations (ICMPD, GIZ, UNDP, EU Delegation in Serbia) provided credible support to the local policy makers in developing effective external migration policies including diaspora related issues. Following their support, it could be noticed initiatives set-up by the local civil society organisations which provide important administrative support to diaspora businesses (eg. Returning Point<sup>2</sup>). In addition, the work of business incubators (eg. NiCAT cluster<sup>3</sup>), especially those from the ICT sector, resulted with strengthening ties with successful diaspora led start-ups and individuals employed with reputable international companies in the ICT field (eg. Tesla Nation<sup>4</sup>).

## **Recommendations and Future Directions**

What could be done stimulate greater diaspora engagement in the future? The best policy for stimulating diaspora investments and knowledge transfers should be developed under direct collaboration with businesses both from diaspora and Serbia. Existing collaboration patterns show that businesses find the way to invest in case there are tempting business opportunities. The role of the institutions and business organisations from Serbia should be therefore important in identifying administrative barriers for investors and presenting business opportunities.

In line with changes in global business environment, Serbia should focus on their comparative advantages and strategic orientation in rising sectors – ICT, agri-food industry, metal machinery and equipment, and related areas. Academic diaspora is one of the good examples of underexploited source of knowledge transfer, having great potential not only for business development, but also for research and innovations, and state administration capacities. Important prerequisite for successful diaspora engagement represent persistent policy and more intensive collaboration of the main stakeholders that need to agree and communicate on foreign policy objectives and the economic development priorities of the country.

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<sup>2</sup> <https://tackapovratka.rs/en/>

<sup>3</sup> <https://www.ni-cat.org/>

<sup>4</sup> <https://teslanation.org/>

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