

HOW CAN UZBEKISTAN ENGAGE ITS DIASPORA FOR NATIONAL DEVELOPMENT?

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Abstract

Remittances alone cannot drive economic development. Policies, strategies, and institutions are essential to channel diaspora resources toward national development. Uzbekistan is one of the top remittance-receiving countries with a growing number of diasporas. Currently, the country lacks formal diaspora engagement policies. The main goal of the third study is to propose policy recommendations for engaging the Uzbek diaspora. Our results show that the country has its uniqueness in terms of diaspora. Diaspora policies should start with establishing a dedicated institution, granting legal status, and providing financial mechanisms for investment and incentives for the diaspora.

Keywords: Remittances, Migration, Diaspora, Diaspora Engagement Policies, Uzbekistan

Introduction

High labor migration has made Uzbekistan one of the top remittance-recipient countries in the world. Remittances sent by Uzbek nationals working abroad account for almost 18% of the country's GDP (World Bank KNOMAD, 2024) (Figure 1). Inflow remittances boost the economy and foreign exchange reserves and are an important source of income for many families.

The economic impact of these diplomatic engagements cannot be overlooked. Health diplomacy during the pandemic has not only facilitated the flow of critical medical supplies but has also served as a tool for economic influence and geopolitical positioning. Understanding the economic implications of health diplomacy, particularly in the context of Chinese influence, is crucial for assessing the long-term impacts on regional stability and international relations.

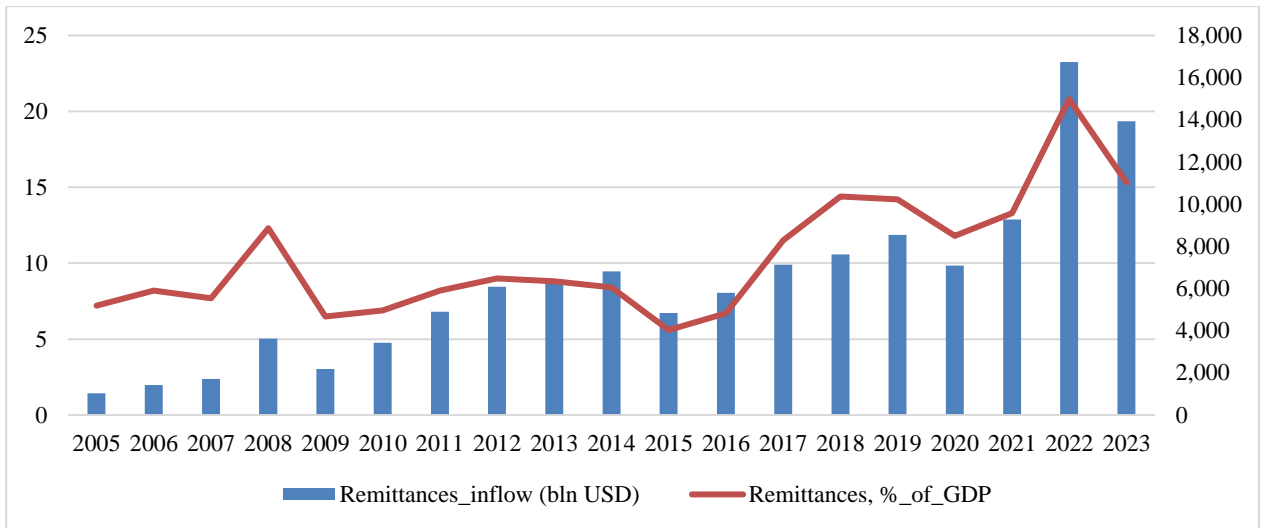


Figure 1. The volume and share of remittances on the GDP of Uzbekistan

The growing volume of remittances is one of the key drivers of poverty reduction in the country. Remittances to Uzbekistan represent 7% of household income in the lower 40% of the income distribution strata and up to 12% in the upper 60%. In comparison, the overall share of external remittances from labor migrants accounts for 15% of household income [4].

Remittances are vital for supporting remote regions. They reduce poverty by increasing household income and purchasing power [9,10] and Savings [24]. However, remittances alone cannot drive economic development. They often lead to higher spending, inflation, price increases in the property market, disparities between remittance recipients and non-recipients, and a culture of over-dependency and reliance on funds from abroad [39] and financial dollarization [25]. If remittances are not channeled into investments, the brain drain effect can undermine the benefits of this income source [14].

Migration is an old phenomenon and a prerequisite for remittances and the formation of diasporas [7]. While financial remittances are the most visible economic benefit, there are also social remittances, such as transferring technologies, knowledge, and innovations from destination countries to the home country [9,30,16]. Recognizing the critical importance of remittances, the government of Uzbekistan has begun to explore other contributions that migrants and diaspora members can offer.

Currently, the country lacks formal diaspora engagement policies. The main goal of the third study is to propose policy recommendations for engaging the Uzbek diaspora. Our results show that the country has its uniqueness in terms of diaspora. Diaspora policies should start with establishing a dedicated institution, granting legal status, and providing financial mechanisms for investment and incentives for the diaspora.

Actionable insights offered in this study help policymakers and financial institutions develop strategies to optimize the benefits of remittances and diaspora contributions. The rest of the paper is organized as follows: Section 2 provides a review of the relevant literature and introduces the definitions of components of diaspora engagement policies. Section 3 proposes policy recommendations for Uzbekistan. Section 4 presents a conclusion. through Chinese health

diplomacy, on global health governance.

Literature review

The term diaspora refers to individuals, communities, and populations living outside of their country of origin. This term includes permanent and temporary migrants, their children, and subsequent generations [47]. Diaspora engagement policies are defined as a national strategy aimed at reaching out to the diaspora and utilizing their resources for the economic development of their countries of origin [5].

These policies range from protecting migrants to strengthening the sense of national identity among their decedents and promoting remittances and investments through their linkages [46]. The development and implementation of diaspora engagement policies demonstrate how governments, policymakers, and citizens think beyond national borders to create non-territorial forms of organization [24]. These policies consist of strategies that help migrants secure their status in foreign states and contribute to the welfare of their homeland [6].

Diaspora engagement policies have both international and internal elements. They are an integral part of the development strategies in many countries, contributing to technological progress and industrial transformation [34]. Policymakers recognize the diversity within the diaspora in terms of ethnicity, community of origin, gender, migration status, skill profiles, and generations to develop specific strategies for each group [37,47]. These policies should mutually benefit diaspora members and their ancestral homelands [7, 43]. Understanding the diaspora engagement policies of other countries and learning from their experiences is crucial for developing effective strategies.

While early police studies focused on the financial potential of the diaspora, particularly in the form of remittances [3,10,15,18,27], recent research has shifted towards social remittances, such as knowledge, skills, innovation, business ideas [11,13,17]. A review of the interdisciplinary literature reveals various objectives for these policies. In Lithuania and Jamaica, such policies focus on supporting the population abroad and encouraging return migration. Chile, Australia, and New Zealand are working on creating diaspora business networks that can support their homeland. Ireland, India, and Scotland have more pluralistic approaches, encompassing overseas support, remittances, charity, and business connections [1].

When it comes to the components of diaspora policies, [46], categorizes four specific elements, each playing a crucial role in the diaspora engagement landscape. These include facilitating remittance transfers and investments, promoting SMEs in origin countries, and encouraging the transfer of technologies, knowledge, and skills. [1] further identifies ten different aspects of these policies, while [17] divides them into two groups: one focusing on state interests and the other fulfilling the state obligations. (UNCDF, 2021) identifies twenty-three mechanisms for diaspora finance. (Park, 2021) highlights three main elements of diaspora policies: legal, informational, and psychological, each of which carries significant weight in the diaspora engagement discourse.

After reviewing the literature, we adopt the taxonomy developed by [26] for our analyses. This taxonomy identifies four key aspects of diaspora engagement policies: legal, institutional, financial, and informational/cultural. Each aspect contains several components. Legal approaches involve

changes in regulation and legislation. Institutional strategies describe the organizations that should be established. Financial mechanisms focus on enabling diaspora financing. Informational and cultural aspects encompass events, projects, and programs that foster engagement with the diaspora. In the next section, we use this taxonomy to propose policy recommendations for Uzbekistan.

Policy Proposals for Uzbekistan

The exact number of the Uzbek diaspora is not available or officially documented. Uzbekistan largely ignored them for a long time, cutting all ties. The authoritarian nature of the political regime in the country limited diaspora engagement. Political elites feared the diaspora's influence on domestic politics and its potential transformation into opposition against the government [45]. Emigrants were often treated as deserters or traitors. This changed after 2017, and today, they are seen as valuable assets and altruistic heroes [44].

1. Legal

Several pieces of legislation in Uzbekistan regulate relations with the diaspora. However, they are either culturally oriented or focused on external labor and return migration. In 2018, a resolution was adopted to improve further state policy in interaction with compatriots living abroad, which included two documents: The Concept of Cooperation with Compatriots Working and Living Abroad and Program for the Further Development of Cooperation with Compatriots Living Abroad. [45]. In 2020, Measures to Introduce a System of Safe, Orderly, and Legal Labor Migration were introduced to provide conditions for labor migrants [42].

However, these documents do not define the “Uzbek diaspora” and instead use the term “compatriot.” “Compatriots” are defined in two ways: people who were born or previously lived in Uzbekistan are citizens living abroad, and foreign nationals or stateless people who identify themselves as Uzbeks or Karakalpaks and wish to maintain ties with their historical homeland [35,42]. These documents do not address returnees, foreign-born diaspora members, and diaspora entrepreneurs [12,21], raising questions about the effectiveness of diaspora policies [45]. Therefore, the definition of Uzbek diaspora and its categories should be set in legislation.

The government has tried to involve highly qualified specialists of Uzbek origin in the country's development through the public foundation “Vatandoshlar.” However, these initiatives remain largely unfulfilled due to the absence of a legal status for the diaspora [42]. As of 2024, more than ninety countries, or about half of the world's nations, tolerate some form of dual citizenship, with some allowing dual citizenship under specific conditions [20]. The traditional concept of citizenship as a single allegiance will likely weaken as dual and multiple identities grow. This shift marks the recognition of diasporas as independent entities willing to participate in the modern world order [39]. Uzbekistan should consider allowing dual citizenship for its diaspora or developing a special card scheme for overseas Uzbeks.

On the other hand, ties to the homeland can no longer be symbolic or purely political—they need to be beneficial, first for the country of origin and second for the diaspora members themselves (Bauböck, 2010)

2. Institutions

The organizational framework in Uzbekistan is structured as follows: the President determines state policy in cooperation with compatriots. The Committee for Inter-Ethnic and Friendly Relations with Foreign Countries under the Cabinet of Ministers is responsible for the timely implementation and coordination of this policy [45]. However, the committee's broad orientation, which includes foreign organizations and international associations, hinders targeted communication with diaspora representatives and prevents it from functioning as an influential diaspora policy institution [42].

The Ministry of Foreign Affairs of Uzbekistan plays a vital role in diaspora-related matters. It is responsible for developing and implementing projects related to diaspora engagement, consular services, and maintaining diplomatic relations with other countries (MFA, 2024).

The Agency for External Labor Migration, established in 2002 under the Ministry of Employment and Labor Relations, manages labor migration processes and assists in protecting the rights of Uzbek migrant workers abroad. It has regional branches and centers for pre-departure adaptation [36].

A state-affiliated public foundation *Vatandoshlar* was launched in 2021. Its goal is to provide information and legal assistance to compatriots living abroad, as well as, material and social support to compatriots in difficult situations. It is also responsible for involving compatriots in entrepreneurship in Uzbekistan, and for knowledge and expertise sharing [33].

However, these institutions have not yet established productive cooperation between government agencies, diaspora members, and diaspora organizations. This is partly due to the absence of a long-term strategy and policy continuity in this field [42]. In 2024, more than sixty countries, including Turkey, Germany, Georgia, Armenia, and Azerbaijan, have diaspora affairs institutions [35]. Uzbekistan should establish a Diaspora Ministry to develop and implement consistent and systemic diaspora policies, strategies, and projects. The ministry should coordinate cooperation between government agencies, overseas diaspora organizations, and individual actors. Regular communication, consultation, and feedback mechanisms should be established to ensure that policies effectively address the needs of the Uzbek diaspora and earn their trust.

To build a relationship with the diaspora, the government should know where it resides, whether it is homogeneous or heterogeneous in terms of ethnicity, religion, or region. Does the government maintain a consulate in the countries of destination? How can the government help meet the expectations of the diaspora? Which policies and practices can translate the diaspora's contribution into economic development? [44] Answers to these questions would clarify the diaspora's size, place of residence, field of work, education, and income. Therefore, Uzbekistan needs to establish a Diaspora Research Institution to conduct research on diaspora. This institution should develop a database with detailed profiles of the Uzbek diaspora and overseas diaspora organizations. It should also analyze and evaluate policies, projects, and programs.

3. Financial

Diaspora banking stimulates entrepreneurship and facilitates investment opportunities. In Uzbekistan, diaspora banking is currently limited to remittance-receiving services. Developing

financial mechanisms for diaspora banking products, such as repatriable saving accounts, pension schemes, and diaspora bonds, is an important step toward turning remittances into investments. These products should offer tax incentives or preferential treatment for diaspora members. At the same time, Investment Promotion Agencies should be established, and investment forums should be organized to provide information and support for diaspora investors.

Special loan products should be developed for migrant workers. Financial institutions should consider remittance history when assessing the credit scores of potential borrowers. For mortgage and car loans, financial institutions could provide financing for 100% of a property's value, as migrant workers often struggle to accumulate a down payment. These loans could be offered in local or foreign currencies, eliminating the need for currency exchange. Financial institutions should also provide pre-departure education seminars covering topics such as opening mobile bank accounts, deposits, loans, and digital remittance services.

Diaspora bonds are a realistic strategy for governments to raise funds for a wide range of projects. Given the number of high-skilled emigrants in developed countries like the United States, Germany, and Canada, Uzbekistan could tap into this potential. However, to successfully issue diaspora bonds, the government must build trust in public institutions and investor confidence [32]. Maintaining stability in the financial sector and securing recognized credit ratings are essential. The government must maintain close ties with diaspora communities and conduct consistent networking and marketing efforts when issuing bonds [40].

India and China's experiences highlight the importance of philanthropic funds in encouraging the diaspora to contribute to social development projects in their home countries. Establishing a Diaspora Philanthropy Platform or foundation could facilitate diaspora contributions, foster partnerships with local non-government organizations, and support social projects.

4. Cultural

The experiences of India and South Korea suggest introducing a Day of diaspora and a Diaspora award. Diaspora Day should be celebrated as a state-level holiday, with diaspora members invited to participate in an annual event. During the celebration, citizens and the most active members of the diaspora should be awarded for outstanding service. The Diaspora Award would encourage individuals and diaspora organizations to contribute to multilateral cooperation activities. On Diaspora Day, a forum or conference should be organized for diaspora members to network, share experiences, discuss their needs and interests, and showcase opportunities in Uzbekistan.

Developing a platform for exchanging ideas and transferring skills and knowledge is essential to engaging the diaspora. Such platforms allow countries to harness the skills, knowledge, and experience of the diaspora, advocate for policy changes, gain international support, and improve the image of the country. Returning Expert Programs are essential in turning "brain drain" into "brain gain." These programs should facilitate inviting professionals from the diaspora to contribute to research projects and collaborate with local universities and research institutions. While not all diaspora members may want to engage with their homelands, many will, and their contributions

can be significant [21].

Conclusion

Diaspora affairs involve a complex combination of economic and political aspects, reflecting the heterogeneous nature of diaspora communities. This study attempts to address key questions within this context. We aim to determine which policies should be adopted to harness the full potential of the diaspora and ensure optimal outcomes. Specifically, the study addresses four main components of diaspora policies: legal, institutional, financial, and cultural.

Despite the continuous increase in remittances to Uzbekistan, no study has analyzed the policies and instruments that harness other diaspora resources. In this study, we aim to close this research gap. We use findings and interpretations from a literature review to propose diaspora policies for Uzbekistan.

Currently, Uzbekistan has no dedicated policies for its diaspora. The country is in the early stages of forming diaspora policies. Current policies focus more on migrant workers and protecting citizens. The Government of Uzbekistan should recognize the potential of the diaspora beyond remittances and develop long-term plans and policies for engaging with them. These policies should clearly define the diaspora, establish government institutions to manage diaspora affairs, and provide incentives for diaspora members. Recognition of dual citizenship or granting a specific status to the diaspora are also important steps in engagement. However, Uzbekistan must tailor its diaspora engagement policies to its specific context and consider the unique characteristics and needs of its diaspora communities. This can be achieved through continuous dialogue, consultations, and cooperation with the diaspora and by establishing specific institutions and platforms that facilitate effective diaspora engagement and support.

This study draws insights potentially valuable for policymakers considering the design or management of diaspora engagement policies. Regardless of the number and destination of the diaspora population, the experiences of the countries in this study highlight the importance of migration. Migrants are a source of investment capital, entrepreneurship, technology, knowledge, and business networks. They often possess greater capabilities and are more entrepreneurial than non-migrants. Even migrants who have “failed” in destination countries may have acquired skills and networks there that enable them to be competitive upon returning to their country of origin.

This paper provides important recommendations for policymakers in Uzbekistan and other parts of the developing world seeking to develop effective strategies to leverage the positive impacts of the diaspora. While this study presents a modest effort to analyze diaspora policies, it may have missed some valuable research from other sources. Additionally, the literature review approach is qualitative, which may limit the generalization of the results and advocate for caution in interpretation. Through our analysis, we have advanced a systematic literature review and comparative analysis that can be easily replicated in the future for continuous updates.

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