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# ***Migration and social mobility within and between countries and its economic consequences in the period of globalization***

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## **Abstract**

Ethnic and international conflicts have turned into a real headache for the modern world. The confrontations that have begun between the nations have escalated into serious conflicts that take the lives of thousands of innocent children, women and old people every year. Such conflicts create significant problems not only at the social level, but also at the political and economic level. If a decisive measure to resolve such conflicts has not been taken in a timely manner, the damage may prove irreparable. Our Institute of Global Economic Problems, represented by Natig Shirinzade, Ph.D. and Masters in Economics, Founder and Head of the Institute of Global Economic Problems decided to address this issue in greater detail and highlight the problem of the Nagorno-Karabakh conflict. Being citizens of the Republic of Azerbaijan, we are well acquainted with all the problems caused by interethnic conflicts and the subsequent flow of refugees and temporarily resettled. And therefore, we consider it our duty to cover such topics and bring them to the public court. This is one of the reasons for creating this organization - to provide people with reliable and verified information in order to help them overcome the difficulties of the Epoch of Globalization.

*Keywords: Refugees, labour market, ethnic conflicts, economic impact*

*JEL classification: F50, H56, J15, J17, J61, J62, J64*

## 1.Introduction.

The phenomena and problems associated with globalization today affect all inhabitants of the Earth. Globalization, on the one hand, contributes to their equality, since the accessibility of information increases the awareness of people and improves their living conditions. On the other hand, however, globalization leads to increased inequality, since power and finance are concentrated in the hands of a certain small group of people. Welfare and development are unevenly distributed in the world, often at the expense of the environment and the inhabitants of the poorest countries.

Economist Paul Collier points to the fact that although the standard of living of people from most developing countries is increasing, the situation of people from the poorest countries remains the same. (Paul Collier «Wars,Guns and Votes» 2009)

Their lag will help us explain four important patterns:

×× **Trap of the conflict**, or in other words, a vicious circle of poverty and civil wars - 73% of the population of the poorest billion live in countries in which civil wars have been or are under way. Civil wars cause poverty because they destroy infrastructure and human capital, and on the other hand, economic stagnation breeds conflicts.

×× **Trap of the resources**, that is, paradoxically, very rich in terms of natural resources. The discovery of natural resources in a poor country, as a rule, does not lead to development. This happens for various reasons: new resources can lead to a conflict trap; the lack of a coherent tax system generates a lack of agreement between the people and the state apparatus on the expenditure of these taxes, therefore, as a rule, the power elite of society begin to spend income from natural resources in their own interests, etc.

×× **Absence of a sea border, as well as bad neighbors**. The absence of maritime borders is not a tragedy if neighboring countries have the appropriate infrastructure and they allow using their ports. However, if the country is in conflict with its neighbors and / or the country does not have the infrastructure, exports and revenue from world trade will be very difficult (for example, compare the location of Switzerland and Uganda).

×× **Inept management of small states**: if the state apparatus does not work at all or works only for the purpose of personal enrichment, development is impossible. 75% of the population of the poorest billion live in failed countries. For small countries, the fact that it is very difficult to attract investors is even more difficult for the situation.

Speaking of developing countries, there are examples of other vicious circles. For example, education. One of the main symptoms of poverty is that in poor countries millions of children can not go to school (school costs are too high for a family, instead of a school, children have to work in the field or in another way to help their family, there are simply no schools, etc .). This aggravates the development gap, because children who miss school have no knowledge and skills (including literacy) that would help them break out of the vicious circle of poverty. According to the UN, there are 68 million primary school-age children in the world , who can not go to school for financial, social or other reasons.

Speaking about poverty in developing countries, it is also necessary to note the theme of health. In many developing countries, millions of people die from diseases that are now treatable or preventable. Malaria, HIV / AIDS, tuberculosis, diarrhea, tropical diseases, complications during childbirth are found primarily in the poorest regions of the world. Diseases mean additional costs, weak and sick people either can not, or perform their work with low productivity, many family members can not work, because they have to

take care of sick relatives, etc. This reduces the opportunities for improving their well-being, and also slows the development of the whole country.

Poverty is a multi-dimensional concept it can not be described only by the lack of money. Poverty is measured in terms of money, primarily in order to facilitate monitoring of changes over time and for a general comparison of countries and regions. The internationally recognized border of absolute poverty is 1.90 USD per day per person. Absolute poverty is decreasing, but it still remains a reality for more than one billion people.

Absolute poverty means a state in which a person does not have enough energy for anything other than to extract vital things for himself and his family. Along with hunger and malnutrition, extreme poverty also characterizes the inaccessibility of medical low life expectancy, high infant mortality, lack of drinking water and sanitation, illiteracy, political and social isolation, the threat of exploitation, vulnerability, lack of human dignity, shame, despair and fear.

Economic globalization means that the economies of different countries are increasingly interconnected, thus forming a single whole. The process characterizes the general flow of goods, services, capital and labor across borders, as well as an increase in the number of transnational companies.

On the one hand, economic development was facilitated by the development of technologies, in particular, the development of information channels and transport (low costs and high speed). On the other hand, the process accelerated national policies of countries, cooperation and agreements, which over time reduced trade barriers and restrictions on currency exchange and movement of people and goods across borders.

International relations of sale and purchase have existed for thousands of years, but such a significant growth began only in recent decades.

More and more raw materials, goods and other various products are purchased outside of their country.

In currency markets, every day there is currency trading, their turnover is almost \$ 3 billion per second. Investors and brokers from around the world are engaged in securities transactions on stock markets every day. To increase their profits, banks provide loans to banks and companies from other countries where higher interest rates exist. Such activities lead to the fact that the loan taken in one country for the purchase of a house can be purchased at the expense of long-term savings of people in another country.

Foreign loans, investments, development assistance, and the money earned, which citizens send home, are the main development cash flows. Foreign investment can be divided into two parts. Foreign portfolio investments mean the purchase of shares and other securities in other countries for profit, but not for the purpose of participation. They can be quickly and economically forwarded to other countries, as a rule, they are short-lived and risky, because money can be quickly withdrawn from the country if securities were bought up for speculation. Foreign direct investment means investments that involve certain control over a company in another country. Foreign direct investment, which transnational companies do, is generally long-term and for the target countries means the inflow of capital, technology, knowledge and exchange of experience.

On the one hand, they see a danger, a form of economic imperialism, which must be treated with caution; but on the other hand, it is an important monetary source of development, for which developing countries, for example, offer tax incentives. In 2016, foreign direct investment totaling \$ 1.76 trillion was made

worldwide, most of which was concentrated in industrialized countries, but the role of developing countries is here has also grown rapidly. However, the differences between the countries are still very great. The inflow of foreign direct investment to the least developed countries is decreasing.

*World Investment Report 2016*, UNCTAD: [http://unctad.org/en/PublicationsLibrary/wir2016\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf)

Both private companies and states take a lot of foreign loans to develop their activities. States receive international loans from both the private sector (bonds, bank loans) and from international organizations such as the IMF, the World Bank, regional banks, etc. Compared to the private sector, the amounts received from organizations can be significantly smaller, but for the poorest countries they are very important. Loans are needed to achieve certain goals, for example, to cover investments, but in the end, loans put states in a difficult situation. Think only about today's debt crisis in Europe or in developing countries. So-called spoiled loans can be dangerous for a country's economy if the debt has to be paid, cutting spending on education and health, or accepting the harsh conditions of other assistance programs. Loans are dangerous for economies also because when hit in difficult situations, local banks may suffer, which, in turn, can have a very negative impact on national economies. An important part of economic globalization is the movement of labor from one country to another. Migrants contribute to the flow of money across borders, sending some of their income back home.

Until the end 20 century, developing countries played a role in the world trade of raw materials exporters. Oil, minerals (for example, diamonds, gold), valuable tree species and agricultural products (for example, coffee, tea, cotton, sugar) were sold. Now the situation has changed and the main export item of developing countries is industrial production. It is difficult for developing countries to compete in the world market and diversify their exports. This is particularly true of the poorest countries.

Dependence on the export of raw materials does not contribute to long-term development and can cause a number of problems, for example, large income inequality. In such cases, profits are primarily earned by land owners, who are mostly large mining companies. Tension in the economy often generates and dependence on price fluctuations in the market, the profit from the sale of agricultural products is also affected by the hazards associated with natural disasters. Thus, a decline in prices on the world market or a sudden drought can quickly destroy all the revenues and foreign exchange reserves of the state that are so necessary for the purchase of imports (for example, high technology). The result is the dependence of countries on loans and foreign aid.

At the global level, the rules of the World Trade Organization (WTO) operate, the main purpose of which is to reduce trade barriers. In general, a complex and multilevel set of trade rules was formed, which works in favor of the richest countries. These rules were developed by Western countries, which have already dictated their conditions on the world market for centuries. Also, the basis of the current WTO rules laid the developed countries back in the colonial rich countries like the US, Japan, Canada and the EU countries, support their agriculture with billions of dollars of subsidies. Such support sometimes provokes even the production of surplus products, which makes it possible to sell goods on the world market below its cost price, thus generating a price reduction. This has a very negative impact on farmers in developing countries who do not have the opportunity to hope for the same help from their governments to the era. When concluding bilateral and regional agreements, force is always on the side of more powerful countries. The same is true of the WTO, but developing countries have the opportunity to enter into new and influential alliances. The two most important issues for developing countries are agriculture and market constraints.

Agriculture is a very small part of today's international trade. At the same time, agriculture is a very important sector of the economy of the poorest countries, as in this area most people work and the economy directly depends on this sector.

The situation of developing countries complicates restrictions on market access, customs tariffs and quotas on various goods in other countries and trade areas. Development, first of all, is hampered by the

fact that less restrictions are imposed on the necessary raw materials, and more on semi-finished products and finished products. This allows producers in the West to receive the necessary raw materials, but it hinders the development of the industry of developing countries.

## **2. General causes of interethnic conflicts. Economic, political and social consequences**

Ethnic conflict in transition countries blocks or interrupts the process of economic and political reform. As a consequence, the social protection system in a transition country emerging from ethnic conflict is both in need of reform and needs to deal with the social effects of war at the same time.

**War worsens social problems** in that it fuels the breakdown of economic activity and delays recovery. Moreover, it produces new groups of vulnerable people who are in need of support: internally displaced persons and refugees, demobilized soldiers, disabled people, single- and female-headed households, and orphans.

**War decreases the capacity of the state to respond to these challenges**, which is already under strain in the transition. Administrative capacity tends to be even lower and corruption worse than in other transition countries. Public finances are in a precarious state because of low or inexistent tax collection and high military spending. Political action is constrained by instability.

**Continuing ethnic tensions complicate social safety net reform** and rule out interethnic redistribution because different ethnic groups may refuse to share funds with a former enemy. Ethnic minorities may be left out and discriminated against in the labor market

The constraints and challenges social protection faces in such an environment can be distinguished into those relating to the violent conflict itself and those that stem from its ethnic nature. While the former do not necessarily affect policy design but just exacerbate the needs, ethnic tension constraints can limit the social safety net options severely

- **Conflict-induced challenges** to social protection pertain to the problem of displacement, demobilization and disability, the new role of women, the needs of children and young people, the phasing out of humanitarian emergency aid, the destruction of the data collection infrastructure as well as the absence of reliable data, corruption, and the size of the unofficial economy.
- **Challenges relating to continuing ethnic tensions** render many of the formal safety net interventions difficult to implement and have a disruptive effect on the labor market. In particular, social assistance, pensions, and even social funds are constrained by the political acceptability of interethnic redistribution as well as targeting of and discrimination against minorities
- **A window of opportunity for bold reform:** Those constraints notwithstanding, there is an open window of opportunity for wholesale change of the social protection framework because of the complete breakdown and the delayed recovery of transition economies affected by ethnic conflict. Namely, politicians face the choice of either re-establishing the pre-war socialist policies that, on the face of it, are hardly affordable, or pushing ahead with bold reforms aimed at promoting employment and an efficient social safety net.

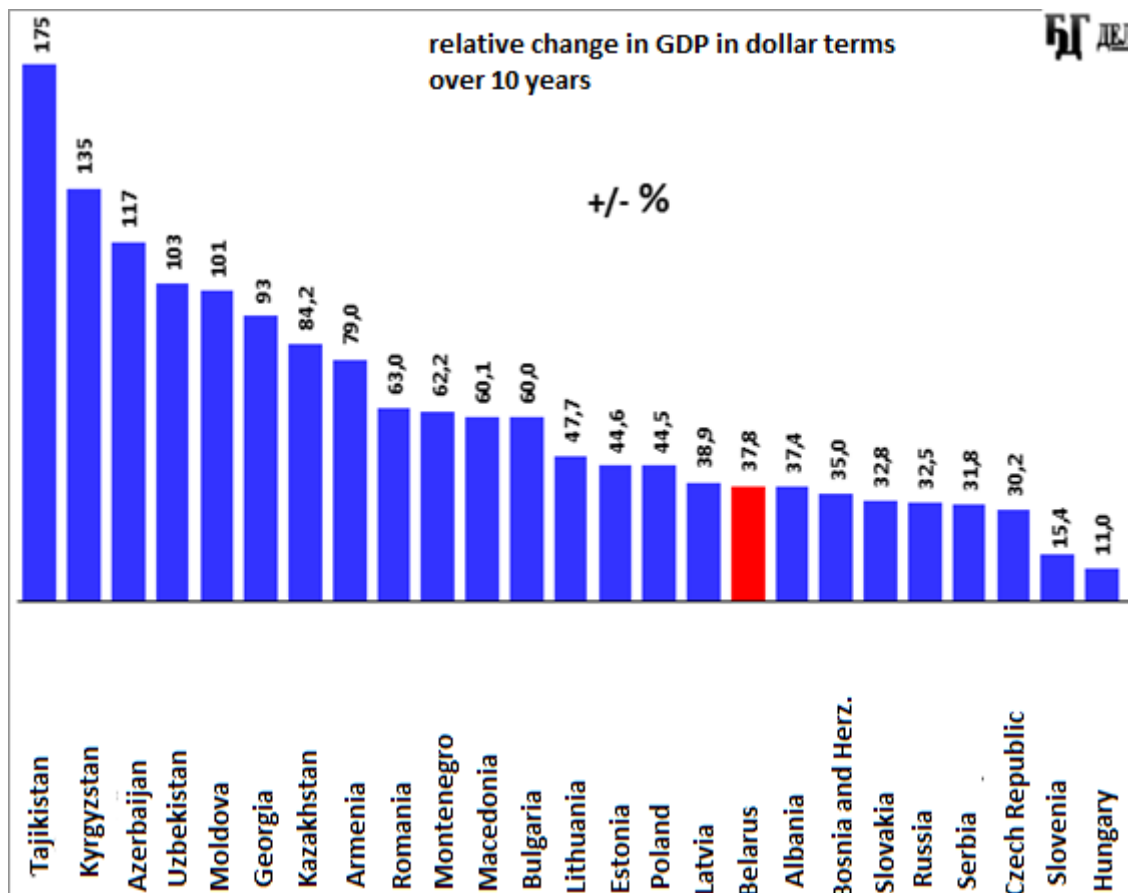
**Labor market:** The key post-war social protection priorities are to create an environment that is attractive to employment creation and to equip people with the right skills and information to facilitate their entry. While war worsens the transition-related unemployment crisis and produces vulnerable groups with particular problems in finding employment, ethnic tensions may lead to labor market segmentation along ethnic lines.

- Demobilized soldiers, displaced people, and women all face a variety of problems limiting their opportunities in the labor market. They may have outdated or inadequate skills, face discrimination, or lack a network that helps them find employment. In the immediate aftermath public works programs can help ease this, while long-term improvements need to be built on labor market deregulation, training programs, and advisory and job information services. Members of ethnic minorities may benefit from anti-discriminatory labor legislation and its enforcement.
- A nascent peace process usually sparks an economic boom fuelled by reconstruction activities and the breakdown of war-induced barriers to economic activity. The post-war boom should be used to create employment instead of engraving people's perceptions of the continued affordability of a socialist-style welfare state. Donor-financed and labor-intensive reconstruction and the use of public work programs can help to integrate former combatants into civilian life quickly to help stabilize the post-war environment.
- Labor legislation and regulation should be carefully balanced. While there is a need for anti-discrimination legislation to stem labor market segmentation, regulation should be hands off. For instance, initially there will be vastly more employment generation in the informal than in the formal sector, and there is a good case to be made not to reign in informal economic development. State intervention might push informal businesses out of business rather than into the formal sector, with adverse effects on employment.
- Young people should benefit from special skills training and know-how transfer focusing on new technologies and job profiles to improve their chances in the labor market and to make them leading agents in the resumption of economic activity; young people are likely to be less risk-averse than older people and may be more prone to start their own businesses.
- However, employment creation is also dependent on factors outside the realm of social protection, namely on those factors that promote economic development and growth.

**Social assistance:** Post-communist countries often emerge from war with the oldstyle complex welfare state system intact but without the necessary funds and huge demand. The main and more long-term aim in a post-ethnic-conflict situation should be to create an entirely new and transparent social safety net system and not to reinstate old socialist-type redistributive policies, especially in the light of continuing ethnic tensions. Regardless of war-induced high demand for the welfare state, these tensions may rule out redistribution mechanisms reaching across ethnic lines.

- Continuing ethnic tensions may, at least initially, render the introduction of countrywide social assistance systems and cross-subsidies impossible to implement. To avoid putting a peace process at risk, pressures to introduce such systems should be avoided and efforts should be limited to harmonization until the political situation allows further movement
- The old system's nontransparent nature can be and has been used as an argument in stirring up ethnic tensions that lead to the outbreak of conflict in the first place. Likewise, the same argument can continue to be used by pro-conflict politicians to paralyze the peace process. Redistributive elements of the safety net should therefore be transparent and build upon noncomplex criteria and on sound poverty and social data analysis.
- Irrespective of ethnic tension constraints, there is a need to adjust entitlements and focus on the needs of the most vulnerable to avoid building up payment arrears because of insufficient funds that could undermine the credibility of the entire system.
- The system needs to be kept simple because of narrow administrative capacities and funds. For example, cash benefits may initially have to rely on categorical targeting.
- With emergency humanitarian aid being phased out over time, public social assistance schemes will have to take over to help the very vulnerable. Public intervention should continue to coordinate and complement third sector activities. Pro bono nongovernmental organizations (NGOs) should be provided with the right incentives such as simple registration processes and tax exemption.

- Social services play an important role in providing support, counseling, and rehabilitation to vulnerable groups such as the disabled, children, (young) former soldiers, or women who are victims of rape, domestic violence, or trafficking. Social workers should receive special training to enable them to offer these services.



Source: <http://bdg.by/news/authors/vvp-stran-sng-i-vostochnoy-evropy-v-dollarovom-ekvivalente-iii-kvartal-2016-goda>

Unemployment in some conflict-affected countries is extremely high. This has poverty implications, because labor market status tends to be strongly associated with poverty in transition countries. In the absence of employment opportunities in the formal sector, many people seek work in the informal sector or migrate. However, internally displaced persons, refugees, and ethnic minorities might not stand a chance of finding employment even in the informal sector, implying that unemployment is more long-term and widespread for these groups, and they have to rely on other coping mechanisms. Furthermore, the size of the informal sector has severe implications for tax collection and the sustainability of the pension system, because contributions and taxes are either not paid at all or not regularly.

**New vulnerable groups:** Conflict produces new and distinct and particularly vulnerable groups: (i) internally displaced people and refugees who are in need of assistance in form of food, shelter, and health care; (ii) single- and female-headed households, which are more widespread in post-conflict countries because of the loss of the male head of the household during the war, are especially vulnerable, and women find it more difficult to find employment and very often receive lower salaries; (iii) war veterans and disabled people provide another challenge for the social safety net, in that they may find it difficult to reintegrate into civilian life and may be disadvantaged in the labor market. However, support for them is often politically driven and therefore rather generous, not least because politicians feel they need to purchase the former combatants' support for a ceasefire or peace agreement.



While the demand for public social service delivery and social protection is dramatically increased by war, the capacity of the state to respond is dramatically narrowed. This is evident in a number of areas.

**Administrative capacity:** The administrative capacity in civil-war-affected countries tends to be even lower than in other transition economies. In war people and knowledge as well as funds are withdrawn from the public administration, and years of conflict and crisis hold back administrative reform that is taking place elsewhere in transition countries (for example, computerization of unemployment records and training of staff).

**Public finances:** While public finances are in a precarious state in nearly all transition countries, and in particular in the CIS. Investment in the war effort diverts funds away from other parts of government activity. At the same time, the economic collapse, steeper and more protracted than elsewhere, reduces the revenue base. Tax collection is bad, as the authorities often lack the means and the will to crack down on tax avoidance, and informal economic activity has no public finance effects by definition. Narrow public finances make the generous welfare state surviving the war from communist times unaffordable.

**Corruption and politicization:** At the same time, war worsens corruption usually associated with transition. Anarchical conditions during war breed politicization of the state administration and a complex system of nontransparent links between the state administration and various private and sometimes illegal agents. These represent vested interests potentially opposed to changing the economic and social structures in the country.

While most of the constraints analyzed so far resemble those any transition country faces-- just worse--the following ethnic-conflict-driven constraints are truly distinctive and have an impact on the design of social safety nets. In some countries two or more different ethnic groups continue to share one jurisdiction after the conflict and ethnic tensions may continue. This situation arises where there is some refugee and internally displaced persons (IDPs) return, where ethnic minorities remain in one jurisdiction or where, following a peace agreement, two former warring ethnic groups are lumped together.

### **3. Nagorno-Karabakh conflict**

Modern globalism proves that the most important and most vulnerable is precisely the regional level of international relations. Territorial proximity dictates certain relations between neighbouring states. In modern conditions, the regional security factor is increasing in solving the problems of vital activity of various countries and peoples. Evidence of this is the transformation of the Caucasus region into the epicentre of large-scale actions and processes of global significance. Here complex knots of regional and global interests of Russia and the USA, Turkey and Iran, many Asian and European countries are intertwined.

The Armenian-Azerbaijani Nagorno-Karabakh conflict is another argument in the desire of the states to protect their territorial integrity and the inviolability of borders, on the one hand, and the attempt of the separatist movements to achieve state independence under the slogan of national self-determination, on the other.

First, let's look at the positions and attitude of the CSCE towards the Karabakh conflict. Initially, Azerbaijan was against the internationalization of the Karabakh conflict. The role of international organizations was seen by Azerbaijan in protecting the territorial integrity of Azerbaijan, sanctions against Armenia and, under certain conditions, in international control over the borders between Armenia and Azerbaijan.

The above arguments allow us to reaffirm once again that Azerbaijan's positions in the regulation of the Nagorno-Karabakh conflict have never contradicted the norms of international law, which in turn allowed creating favourable conditions for cooperation with other states.

Another international organization put forward their positions in the US conflict. The Alliance declared support for the territorial integrity, independence and sovereignty of Azerbaijan, Armenia, Georgia and Moldova and called on the parties to protracted conflicts to avoid steps that could undermine security and stability. The NATO declaration adopted at the end of the summit in Chicago says: "We remain committed to supporting the territorial integrity, independence and sovereignty of Azerbaijan, Armenia, Georgia and Moldova and will continue to support efforts aimed at a peaceful settlement of regional conflicts based on these principles and norms of international law, The UN Charter and the Final Helsinki Document ".

As for the EU's attitude towards the conflicts in the South Caucasus, one of the first actions of the European Union in the South Caucasus was his attempt to influence the resolution of the "frozen conflicts" in Abkhazia, South Ossetia and Nagorno-Karabakh. According to the official position stated by EU Special Representative for the South Caucasus P. Semneby, the EU is certainly interested in stability in this region, the listed conflicts do not have a military solution, therefore their settlement is possible only through negotiations of the conflicting parties, with the obligatory participation of Russia.

Despite the attempts made within the framework of the EU and OSCE to resolve the "frozen conflicts", the situation did not move from the spot. This was largely due to the economic interests of various groups of elites in the conflict regions and beyond, as well as the confrontation between the conservative and democratic forces that formed at the stage of the collapse of the USSR and which had not yet been overcome in the post-Soviet space. In addition, international mediators, including Russia, each proceeding from their own interests, supported one of the conflicting parties and thereby impeded the settlement of the conflict.

In December 1991, the Republic of Azerbaijan was the first among the states formed after the collapse of the USSR, acquired the status of a member of the OIC. The accession to the OIC and the strengthening of cooperation with it were connected with the need to strengthen the Islamic vector of our foreign policy. In addition, there was an urgent need to increase efforts to form public opinion in the Muslim community in support of our country in the Armenian-Azerbaijani conflict. Numerous attempts have been made to change the position of the OIC on the Armenian-Azerbaijani conflict in favour of the Armenian side. In this regard, it should be noted that the Azerbaijani diplomacy managed to form a monolithic view of the Armenian-Azerbaijani conflict within the OIC. Three fundamental resolutions on this issue were adopted at summits, conferences of foreign ministers and other forums of this organization: "On the aggression of the Republic of Armenia against the Republic of Azerbaijan", "On the destruction of historical and cultural monuments in the territories of the Republic of Azerbaijan occupied as a result of the aggression of the Republic of Armenia" and " About rendering of the economic help to the Azerbaijan Republic ». The OIC recognizes Armenia as an aggressor, demands the immediate and unconditional release of the occupied Azerbaijani territories and the restoration of the territorial integrity of our republic. Analyzing the positions of the OIC, we can say with certainty that the organization not only supports the territorial integrity of the AR but actively cooperates in the field of providing support to refugees and creating all favourable conditions for the further development of relations. The Armenian-Azerbaijani Nagorno-Karabakh conflict is the key problem of Transcaucasia, without solution of which there will be no peace and stability in the region, and prospects for economic cooperation will remain hypothetical.

And now we will go directly to the problem of conflict resolution and the attitude of the international community to the problem. The search for common laws and technologies for settling modern conflicts is a qualitatively new level of possession of tools for the political regulation of contemporary international relations. "Conflict settlement" in the narrow meaning of this term means one of the ways to manage a conflict. Its use implies not the termination, not the elimination of conflicts, but the control of their intensity, manifestations of the energy of the conflicting parties, minimization of their costs and losses. In this case, the goal is not to eliminate or prevent the conflict, but to make it fruitful.

As the great powers are involved, the regional conflict acquires at the same time features of a more complex international conflict, increasingly affecting international security. A clear example of this is the conflict in the Middle East, the Azerbaijani-Armenian Nagorno-Karabakh conflict has the same potential.

The most developed and cooperative in this subregion are relations in the military-political sphere between Russia and Armenia. Both states are members of the CSTO, their armed forces constitute the southern military grouping. Russia has a military base on the territory of Armenia. The 102nd military base in Gyumri and Erebuni is deployed 127th motorized rifle division and several other units of the RF Armed Forces. Russia is Armenia's main partner in military-technical cooperation, which has a large scale for the subregion.

Next, we should consider Russia's policy in resolving the conflict. In general, Russia's vital interests in the South Caucasus are primarily related to geopolitics and embrace the economic, military and other spheres, which makes Russian diplomacy more firm in protecting its strategic interests in the South Caucasus. The Caucasus has the most important geostrategic importance for Russia, and the formation and implementation of a political strategy to protect Russia's national interests in this region is an important problem whose solution will contribute to the successful provision of Russia's national security.

Thus, from the above, it is obvious that Russia's participation in the resolution of the Karabakh conflict coincides with the main strategic positions of the Russian Federation's foreign policy towards the Caucasus.

Currently, in Nagorno-Karabakh as a result of ethnic cleansing, there is no Azerbaijani population, and the region is governed by the separatist puppet regime established by Armenia.

As for the policy of settling the conflict on the part of the European Union in the Caucasus, as Pashkovskaya I.G. "Typical for the policy of the European Union in the South Caucasus is its desire not only to actively but directly participate in the solution of the" frozen conflicts "in the region in the interests of the European Union. When implementing the national policy, the Republic of Azerbaijan must solve the following urgent tasks: the resolute struggle against any manifestations of aggressive nationalism, separatism, ethnocracy, ethnologist, ethnic terrorism. The principles and forms of UN cooperation with regional organizations are aimed at enhancing the effectiveness of the functioning of the international mechanism to prevent, manage and resolve international disputes and conflicts. It is these principles and forms that underlie the relationship between the UN and OSCE in the settlement of the Armenian-Azerbaijani conflict.

One of the active mediators involved in the settlement of the US conflict. But sometimes American mediation, according to Russian authors, has a double standard. Americanization of the Caucasus is not a secret anti-Russian plot.

Members of the European Union view the South Caucasus not only as a strategically important region but also as a convenient springboard for access to the riches of the Caspian Sea, Central Asia and Iran. The officially declared goal of the activities of European countries is to ensure stability in the region, control the safety of transport routes.

From the very beginning of the process, there was a common understanding that the Minsk Conference should be held after the removal of all obstacles in its path, the achievement of a lasting ceasefire, the liberation of the occupied territories of Azerbaijan, the identification and withdrawal of foreign military personnel and weapons from Azerbaijan, return of refugees and displaced persons to their places of permanent residence. Armenians, realizing that they are temporarily in these territories, barbarously use natural resources, deposits of minerals. Unlike in Russia, the US policy in the South Caucasus clearly traces a system whose framework is not the restoration of a just peace in the region, but the world in

general, and most importantly, the observance of US geopolitical interests, while in Russia's policy there is no clear strategic system as such - there are separate tactical attacks that briefly serve Russian interests. As conflicts create a serious threat to regional security, their settlement is also at the centre of attention of many regional intergovernmental organizations, including the OSCE, the AU, etc.

The US foreign policy in the Caspian region, as before, was aimed at strengthening its positions with the use of political and economic mechanisms in the Caspian states. Regional conflicts, political instability and weak economic cooperation between the countries here allowed the US to intervene and try to control the development of the situation in the region.

In this article, the stances of international organizations regarding the Armenian-Azerbaijani conflict were considered in stages. The above analysis first allowed us to uncover the following problems: 1) the concept of conflict in international law; 2) the position of the European Council, OSCE, the Minsk Group on the settlement of the conflict; 3) Armenia's position in the Karabakh conflict; 4) successful diplomacy of the Republic of Azerbaijan with respect to the conflict; European organizations in the settlement of the conflict.

**The present situation for Azerbaijanians' refugees: IDPs -- 613129 persons, Refugees -- 1193 persons, Asylum-seekers -- 230, Returnees -- 0, Stateless persons -- 2585.**

**Displacement is long term:** Displacement in Armenia and Azerbaijan has been going on for 27 years;

Not only during armed conflict, but also in case they cannot return for many years, refugees and IDPs usually form the most vulnerable part of society. They are typically without decent accommodation and access to proper education and health care. Furthermore, they are completely uprooted and without any access to those essential coping mechanisms open to closely-knit communities (for example to find employment or share housing and food). At the same time, the responses to displacement that are typically available are inadequate to deal with prolonged displacement problems. Supplying humanitarian aid to those IDPs and refugees living in collective centers and perhaps paying a flat-rate benefit financed out of the state budget to every one is adequate for brief displacement crises. In the case of long-term displacement it locks individuals up in a vicious circle of dependency that is increasingly difficult to break with every month displacement continues.

**Social assistance:** Some countries might want to choose to grant a special benefit for IDPs out of the general budget for political reasons. In this case IDPs place a further claim on a social safety net system that already struggles to remedy poverty induced by the transition. If generous, such assistance can eat up a significant part of the social assistance budget that could otherwise be allocated to fighting transition-induced poverty among the rest of the population. Even where countrywide numbers of displaced people appear manageable, this may not be the case regionally. If IDPs are highly concentrated in overly poor areas, the social safety net there can hit crisis point. For instance, war-induced displacement often fuels urbanization: IDPs and refugees move to the urban centers, because they think they have the greatest options for income generation there. While a one-size-fitsall benefit for IDPs is vulnerable to criticism from an equity point of view, it is also clearly inefficient in the case of prolonged displacement, because some IDPs may find outside opportunities of generating income over time.

**Labor market:** Internally displaced persons tend to be severely disadvantaged in finding employment, because they lack the all-important network of contacts necessary to find a job in the tight post-war labor market. Not surprisingly, unemployment rates usually are higher among IDPs than among the rest of the population. The situation is especially tense in urban centers, because displaced people often move to urban areas. Displacement also often drives labor market segmentation: displaced people often engage in self-employment such as small-scale street trading that is not attractive to other groups of people. This has implications also for wages: IDPs tend to earn less than non-IDP workers.

Azerbaijan struggle with a displacement problem that has been ongoing ever since the armed clashes in Nagorno-Karabakh, and there is little hope for imminent return.

- *Creating conditions conducive to return:* Although the return of refugees and internally displaced persons is almost exclusively dependent on the political will of the parties to the conflict, several of the underlying structural issues lie in the realm of social protection. Anti-discrimination legislation may help counter widespread discrimination in the labor market against ethnic minority returnees, although it is dependent on the power of the rule of law, the functioning and the reliability of the judicial process, and people's awareness of their rights. Likewise, pensioner returnees need entitlement security in the case of multiple pension systems. Social fund-financed reconstruction activities can be designed such that they pay special attention to the rehabilitation of returnee houses
- *Focusing on employment generation for IDPs:* The longer displacement persists, the more important it is to enable IDPs to become more self-reliant and less dependent on a one-size-fits-all and typically low IDP benefit plus occasional humanitarian food aid. Because IDPs often are significantly disadvantaged when it comes to finding employment and because unemployment tends to be positively related with poverty, there may be a point in tackling IDP poverty with measures aimed at generating employment and increasing income from other sources--both for wage and self-employment. Because wage employment is more prevalent in urban areas, attempts should be made to increase the employability of IDPs through training programs or facilitate their job search. In rural areas, where selfemployment in agriculture is most common, IDPs can raise household income through improving access to land and to higher quality land in particular. Furthermore, IDPs in rural areas also might benefit from agricultural training to improve the productivity of land use. Donor-financed reconstruction activities are tools to provide employment opportunities early on, at least in the short-term.

**The formal safety net and labor markets:** The constraints induced by the ethnic nature of conflict make many first-best social protection solutions unworkable, and second-best solutions are the only ones that are available. They have to take account of both the requirement to reach ethnic minorities and countering the absence of cross-subsidies or both.

- *Caution in pushing for interethnic redistribution:* Intense pushing for increased interethnic redistribution and the merging of pension and social assistance schemes can be counterproductive. From a political economy point of view, it may be better to wait for real political will to emerge over time--otherwise there may be a threat to the peace process. In the meantime, ensuring greater harmonization of the different systems to facilitate a possible later merger may be a better strategy. In particular, mechanisms for exchanging information between different funds need to be set up to ensure entitlement security of pensioners who move residence and to avoid pensioners registering for more than one pension.

Ethnic conflict adds to the considerable challenges and constraints transition countries are facing when they reform social safety nets during the post-communist transition. While war makes people poorer and more vulnerable, the state is even less able to fulfill its role in poverty alleviation. Furthermore, interethnic tensions in a post-conflict situation leave many traditional formal social safety net instruments unworkable.

Those constraints notwithstanding, there is an open window of opportunity for wholesale change of the social protection framework because of the complete breakdown and the delayed recovery. Namely, politicians face the choice of either re-establishing the pre-war socialist policies, which, on the face of it, are hardly affordable, or pushing ahead with bold reforms aiming at promoting employment and an efficient social safety net.

Labor markets: Generally a social protection strategy has to rely on improving the individual's self-reliance through enhancing his or her opportunities in the labor market. Unemployment is one of the main social dislocation and both due to war and the transition. However, employment is the key poverty alleviation mechanism where the welfare state is slender or nonexistent, not least for vulnerable groups such as IDPs and war veterans. In Bosnia and Herzegovina in the immediate aftermath of war, public works programs have proved a useful tool both to provide employment and a first source of income for people and to repair and reconstruct public infrastructure. However, employment in public works programs is short term and not sustainable. It can, therefore, only serve as an impetus in the restart of economic activity, while long-term job creation is better served through improving the flexibility of the labor market, supporting private sector-led growth, and investing in employment and training programs that support long-term employment

**Timing:** The post-war situation can be distinguished into two separate periods: the initial emergency and stabilization period and the more long-term reconstruction period. As has become apparent in this paper, each period requires a different set of social protection policies and priorities. The initial post-war period is dominated by attempts to stabilize the situation and lay the ground for economic recovery. Soldiers need to be demobilized and reintegrated, displaced people need to be helped to return, and infrastructure needs to be repaired. Social protection policies form part of emergency measures to deal with the immediate social dislocations; public works programs absorb people from the vast pool of the unemployed or the army and initiate reconstruction, and emergency social assistance funds step in where the first gaps in humanitarian aid coverage emerge. However, most of the social welfare provision in this period is still covered by humanitarian aid.

A more long-term reconstruction period requires, the political situation and stability permitting, more long-term and structural reform measures. Apart from engaging in large-scale reconstruction of infrastructure and buildings, reformers may want to lay foundations for new sustainable social safety nets and build flexible labor markets and reliable institutions. However, these reforms are dependent on the nature of the political process in a post-ethnic-conflict society, which tends to be subject to constant disruptions. This is why in some post-conflict countries in the region we see long delays in tackling the structural problems of building a new and sustainable social welfare system.

#### **4. Refugees and IDPs after Conflict**

- Programs to return refugees and internally displaced persons (IDPs) to their homes after conflict, implemented by national authorities with international support, frequently leave far too many without viable futures. The measures are often inadequate for three reasons: a widely shared but flawed assumption that the need to create a future for returnees is satisfied by restoring them to their prior lives; a lack of long-term engagement by implementing authorities; and a focus on rural reintegration when many refugees and IDPs are returning to urban areas.
- In each case, the places that refugees and IDPs were forced to flee have been greatly reshaped. They often lack security and economic opportunities; governance is weak and services are inadequate. Returnees have made choices about their futures in large part on the basis of these factors.
- While reclaiming land or receiving compensation for losses is important, the challenge for many returnees is to settle where they can maintain sustainable livelihoods; find peaceful living conditions; have access to health care, education, and employment opportunities; and enjoy full rights of citizenship. This may mean a move from rural to urban areas and a change in the source of income generation that has to be accounted for in the design of reintegration programs.

- Returning refugees and IDPs should be assisted for a sufficient amount of time to determine which location and livelihood will suit them best. For international organizations, this may involve greater creativity and flexibility in supporting returnees in urban settings.
- To accommodate inflows of returnees and their general mobility, national and local governments should develop urban planning strategies to manage the growth of their cities, coupled with regional development plans in rural areas that may involve investment in commercial agriculture. Linking rural and urban areas by strengthening government institutions can also provide returnees with more livelihood options and promote development.

Forced displacement is a tragedy for those who experience it. Whether it happens from natural disaster, environmental degradation, political fiat, or conflict, losing one's home also means losing identity, family history, livelihood, and community. This report considers the challenges facing war-affected people who have lived for decades as refugees or internally displaced persons (IDPs) and seek reintegration into a national fabric that has changed vastly during their absence. The end of conflict makes it possible for refugees and IDPs to contemplate returning to their geographic origins or settling elsewhere, but to go where and to live by what means is far from established. Because of their displacement, refugees and IDPs can lose their basic right of citizenship and the protections that come with it. If hundreds of thousands—or millions—of people find themselves without durable security, stability, and economic self-sufficiency, it affects the long-term recovery and security of the nation overall. National authorities, with international support, have been implementing programs to repatriate refugees and return IDPs to their homes, but they leave far too many without viable futures.

**First**, there is a widely shared but flawed assumption among national and international authorities that creating a future for returning refugees and IDPs is satisfied by restoring them to their past—that is, to their places of origin and former livelihoods—even when conditions are not conducive for returning to these places. This assumption should be seriously questioned. People who have been displaced may not necessarily want to return to their homes, and international and national efforts need not be devoted overwhelmingly to making this possible. Refugees and IDPs, along with national authorities and international organizations, are devoting important resources to trying to transform former war zones into productive and peaceful environments where returnees can thrive. Desirable as this concept may appear, its flaws become quickly apparent when displacement is of long duration and physical, political, and economic landscapes have significantly changed, nationally and locally.

**Second**, overseeing and supporting returnees in their homes and investing in semirural or urban venues of integration require long-term engagement. Governments and international agencies treat large-scale displacements as humanitarian emergencies, for which international relief is mobilized. This is a short-term exercise: The purpose of humanitarian assistance is to help people survive and receive basic services until the emergency is over. It is now clear to all concerned that the problems of displacement due to conflict do not end even when a peace agreement is signed, and humanitarian assistance is not enough to support the durable reintegration of massive numbers of rootless individuals and families.

When repatriations have returned refugees to their homes in rural areas, the UN High Commissioner for Refugees (UNHCR) gives food and tools (e.g., farm implements, seeds, basic household equipment) to the returnees; it may also rebuild infrastructure, secure sources of water, prepare agricultural land (e.g., plowing, removing rocks, setting up irrigation), and install income generation projects. Repatriates remain “of concern” until UNHCR considers them able to lead stable and secure lives. Other donor projects target broader segments of war-affected groups. For such investments in humanitarian relief and early recovery to produce lasting effects, however, governments, with international assistance, must restore lost documentation, create schools and health clinics, restore communications, establish conflict adjudication mechanisms, and importantly, link former areas of conflict with national structures of governance.

UNHCR and other humanitarian agencies generally depart before such work can begin, leaving it to national governments with few resources and other major priorities. Within UNHCR and among several non-governmental organizations (NGOs), it has always been difficult to determine how much preparation is needed for returnees to be able to rebuild livelihoods, what degree of governance and rule of law has to be in place, and what essential tasks must be completed before the returnees arrive.

**Third**, that the learning curve for repatriation and IDP solutions has been adapted primarily in and for rural settings is a limitation. When returnees are originally from urban areas, as is the case for many Iraqis and Bosnians, the aid responses must be different. Property restoration involves homes and apartments, people of urban origin are used to urban services, and professionals and artisans often have lost licenses to practice their professions or trades. Unfortunately, there is little international experience in this area. The more frequent occurrence is that refugees and IDPs have been effectively urbanized during their exile and are no longer well suited for rural lives. Returning to a rural area thus proves unsustainable, and returnees leave again to find a place in the already crowded cities, where they rarely receive attention outside of what is available to other urban poor. Their particular reintegration needs, derived from consequences of their forced displacement and losses, are neither recognized nor addressed, leaving them vulnerable to abuse, subject to violence, and feeling that they have suffered injustice.

## **5. Conclusion**

**Intense conflicts and human displacement have had massive and persistent economic costs.** Conflicts in countries have caused deep recessions, driven up inflation, worsened fiscal and financial positions, and damaged institutions. In addition, the harmful effects of the turmoil have spilled over into neighboring countries. To varying degrees, these countries face large numbers of refugees, weak confidence and security, and declining social cohesion that undermines the quality of institutions and their ability to undertake much-needed economic reforms.

**How can economic policies mitigate the economic costs of conflicts and large refugee flows?** Recent experience suggests that effective policy focuses on protecting economic institutions, prioritizing budget space to serve basic public needs, and using monetary and exchange rate policies to shore up confidence. But such policies are often difficult to implement, requiring unconventional measures. Once conflicts subside, successful rebuilding requires well-functioning institutions and robust yet flexible macroeconomic frameworks to absorb capital inflows and maintain debt sustainability. Countries hosting refugees must make difficult decisions about access to labor markets and social programs, as well as measures for their own nationals who often struggle with poverty and unemployment. To help prevent future violence, countries across the region should accelerate inclusive growth reforms aimed at reducing inequality.

**Conflict duration and intensity are important determinants of economic impact.** Accounting for the duration of each conflict reveals that the adverse effects increase with the length of exposure to violence. The effects on GDP and inflation for more intense conflicts are many times stronger than for the average of all conflict types.

**Conflict impacts spill over to neighbors.** Countries bordering a high-intensity conflict zone recorded an average annual GDP decline of 1.4 percentage points. Moreover, conflicts are associated with accelerated inflation in neighboring countries.

**Conflicts and large-scale refugee crises affect economies through multiple channels.** In line with the neoclassical growth model, conflicts, as well as the human displacement they entail, hurt actual and potential growth. This is due to their impact on an economy's endowment of physical and human capital,



as well as its total factor productivity, that is, an economy's capacity to produce output for given amounts of labor and capital. Many factors affect total factor productivity. Naturally, the strongest impact of the four channels is in areas directly exposed to elevated conflict. But they also affect neighboring states and, especially through the channels of confidence and social cohesion, even countries far removed from the epicenters of violence.

**Conflicts also reduce human capital by spreading poverty.** Poverty in populations in conflict countries, even if situated outside regions directly affected by violence, tends to rise as job opportunities decline. Education and health services also deteriorate. The strength of this effect increases with the duration of each conflict.

**Conflicts damage physical capital and infrastructure, harming production and trade.** Destruction of production plants, public infrastructure, and commercial buildings is the most visible channel through which conflicts hamper economic activity (Collier 1999). (Paul Collier «Flight capital as a portfolio choice»1999). In spells of intense conflict, the economic losses can be staggering. Destruction of this magnitude has a significant impact on production capacity and trade.

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