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Article

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EconPol Forum

Provided in Cooperation with:

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Suggested Citation: Adema, Joop; Giesing, Yvonne; Panécnko, T. V.; Poutvaara, Panu (2023) : The role of the diaspora for the recovery of Ukraine, EconPol Forum, ISSN 2752-1184, CESifo GmbH, Munich, Vol. 24, Iss. 2, pp. 41-45

This Version is available at:

<https://hdl.handle.net/10419/272166>

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The Role of the Diaspora for the Recovery of Ukraine

Diasporas can play a critical role in the development of their countries of origin, especially in the reconstruction after emergency situations and wars (Shain 2002). A large body of literature discusses the financial contribution of diasporas to their origin countries. Yang and Choi (2007) and Frankel (2011) have found that the remittances from the diaspora help smoothen recipient households' income. Furthermore, remittances can increase investments in education (Ashraf et al. 2015) and foster more capital-intensive entrepreneurship (Yang 2008). In addition to financial remittances, diasporas interact with their family and friends back home and transfer knowledge and social norms to their home country. Fackler et al. (2020) found that emigrants from Eastern Europe increased knowledge transfer to their home countries, which caused a growth in innovation. In addition, Bahar et al. (2022) provide evidence on how the return of refugees to their respective countries of origin boosted exports (from former Yugoslavia to Germany). Barsbai et al. (2017) show that Moldovan emigrants transferred democratic values from Western European destinations back to Moldova.

This article first provides an overview of the size and activities of the Ukrainian diaspora before the war. Next, it outlines the needs of Ukraine for its reconstruction and how these needs can be supported by the diaspora through remittances, return migration, and other activities. Lastly, it concludes with policy implications that outline how governments can leverage the diaspora to build bridges between Ukraine and the West.

THE UKRAINIAN DIASPORA BEFORE 2022

Ukraine has a long history of emigration and therefore a large diaspora. The first wave of Ukrainian emigration began in the last quarter of the 19th century and lasted until the beginning of the First World War. At that time, hundreds of thousands of Ukrainians left their homeland in search of a better life and settled in North and South America, where there was a demand for skilled farmers. The second wave of Ukrainian emigration took place between World War I and World War II. Among them were the Ukrainians who fought against the Soviet regime, as well as prominent Ukrainian writers and scientists. The third wave of the Ukrainian emigration began during World War II, which spanned over the postwar period, and lasted until the 1980s. This wave consisted of separate groups that differed widely in their reasons to emigrate.

KEY MESSAGES

- **Ukraine has a long history of emigration and a large diaspora in high-income countries**
- **This diaspora has supported democratic and economic development before and during the war**
- **Remittances corresponded to 7 percent of Ukraine's GDP in 2021**
- **Return migration will be an essential factor for the reconstruction of Ukraine**
- **Well-integrated Ukrainian emigrants can help to integrate Ukraine into the European Union**

It included forced migration by prisoners of war and those deported to Germany for forced labor who could not return home after the war for various reasons like risk of persecution by Soviet authorities. The third wave also included people with anti-Soviet sentiments, who fled Ukraine during or after the World War II for political reasons. People fleeing the repression of the Soviet Union also emigrated to Europe, Canada, the US, Australia, and South America. The fourth wave of migration started during Gorbachev's "perestroika" (since 1986) and gained momentum due to economic difficulties after the collapse of the Soviet Union. Due to the relatively low level of harmonization of the Ukrainian and destination countries' educational systems, and employment restrictions in destination countries, Ukrainian migrants who arrived at that time were mainly employed in jobs which required low level of qualifications. Therefore, the Ukrainian labor migration in the 1990s and early 2000s is mainly described as "unskilled labor migration". Some scholars (Musiyzdov 2019; Panchenko 2019; Prus 2018) identify a



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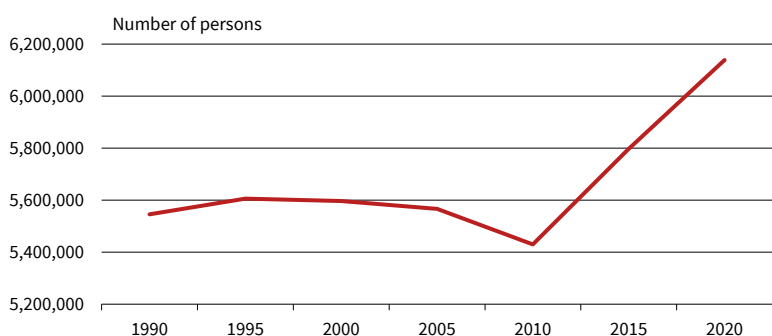
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Figure 1
Ukrainian-Born Population Living Abroad between 1990 and 2020



Note: The data is available at 5-year frequency.
Source: UN (2020).

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fifth wave of migration from Ukraine that began in 2010 – under the influence of many factors such as the global financial and economic crisis, globalization of the world economy, and political events in Ukraine. Since then, higher educated emigrants have arrived in Europe and America. Consequently, the “brain drain” alarm was raised in Ukraine (Albrecht and Panchenko 2022; Reshetchenko 2014).

Until 2022, the countries with the largest Ukrainian diaspora were Russia, Canada, the United States, Brazil, Moldova, and Argentina (MFA 2019). The number of Ukrainian immigrants in the EU countries increased sharply after the annexation of Crimea by Russia and the armed conflict in Donbass in 2014. According to the European Commission, the number of Ukrainian immigrants in 2019 was more than four times the number in 2014. In 2020, over 1.3 million Ukrainians were legally residing in the 27 EU Member States (European Commission 2022). Germany, Italy, and Poland each hosted more than 250,000 Ukrainians and Spain and the Czech Republic each more than 100,000 (UN 2020). These five states together hosted over 80 percent of the Ukrainian citizens living in the EU. Geographical proximity to Ukraine and similarities in language and culture made Poland the most attractive destination for Ukrainian labor migrants.

Figure 1 shows that the number of Ukrainian-born individuals living abroad increased by about 700 thousand between 2010 and 2020 and that in 2020 more

than 6.1 million people born in Ukraine lived outside of Ukraine (UN 2020). Accounting for the descendants of the earlier Ukrainian emigrants, the diaspora consists of more than 20 million people in more than 60 countries globally (UWC 2021), which is about half the size of the population of Ukraine in 2021.

Representatives of the early emigration wave and their descendants supported democratic transformations in the USSR and the struggle for Ukraine’s independence (Oleinikova 2020). Later, the Ukrainian diaspora supported the Orange Revolution of 2004, the Revolution of Dignity in 2013, and the struggle for returning lost Ukrainian territories after 2014. They also actively supported the Euromaidan movement financially and now extend the same for the Ukrainian army. Most importantly, the representatives of the global Ukrainian diaspora are credited for carrying out information campaigns in mass media and other communication platforms about the events unfolding following the war (Reshetchenko 2014).

PLANS TO REBUILD UKRAINE

The ongoing war has caused catastrophic destruction with relentless damage to properties. Ukraine presented its first plan for reconstruction at the Ukraine Recovery Conference in July 2022. The plan is spread over 10 years starting from 2022 and (estimated) costs about USD 750 billion. Of this amount, USD 250-300 billion are expected to be attracted through partnership grants, USD 200-300 billion through loans or equity capital, and USD 250 billion through private investments (Lugano Declaration 2022).

The timeline of the plan is divided into three stages. The first stage started in 2022 and focuses on providing support to SMEs and restoration of the critical infrastructure such as energy infrastructure, communication networks, and housing. The next stage lasts from 2023 to 2025 and involves rebuilding of schools, hospitals, and other civilian infrastructure, as well as housing. The final stage, which is from 2026 to 2032, will concentrate on modernization of the economy and measures for Ukraine’s accession to the European Union. Demand for physical labor and capital will be relatively greater in the first stage, compared to the subsequent stages where the role of intellectual resources will dominate.

REMITTANCES FROM THE DIASPORA

An important source of financial assistance are remittances sent by Ukrainians abroad to their friends and families. Before the Russian invasion, Ukraine was the largest recipient of remittances in Europe and Central Asia, with record-high inflows of more than USD 14 billion in 2021 (National Bank of Ukraine 2022). Figure 2 shows that total remittances have steadily increased in the recent past:



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from almost 6 billion (4.3 percent of GDP) in 2010 to 14 billion (7 percent of GDP) in 2021. In the first few months of war, the National Bank of Ukraine recorded a 10 percent decrease in the volume of private remittances sent to Ukraine (IOM 2022), which could be explained by an increase in informal transfers and redirection of the funds to support family members who left Ukraine. However, in line with Yang and Choi (2007), one can argue that the large negative impact of the Russian invasion on earning opportunities in Ukraine may provide an additional motive to remit to those living in safety. The scope for higher remittances to Ukraine is widening further as Ukrainian refugees are finding employment in high-income destination countries and therefore will be increasingly able to remit in the coming years.

RETURN INTENTIONS OF REFUGEES

After Russia's invasion of Ukraine in February 2022, more than seven million people fled Ukraine to seek protection in other European countries. More than 11 percent of the Ukrainian population (about 5 million) have filed for a temporary protection status in the EU (UNHCR 2022). Most went to countries where their friends and relatives had previously settled.¹ Therefore, there is a clear correlation between the size of the existing Ukrainian diaspora in a certain country and the inflow of new Ukrainian immigrants to the same country.

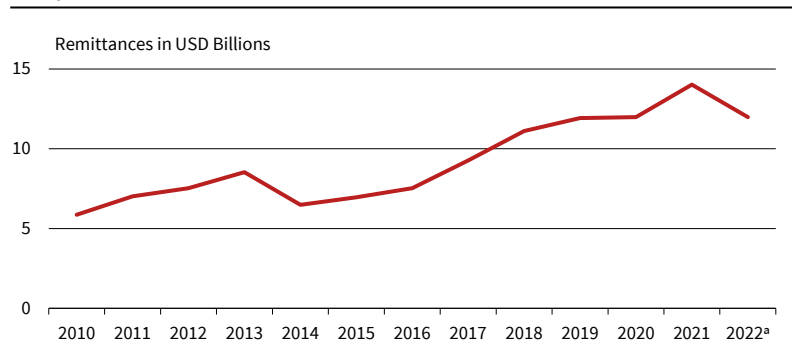
The results from the ifo surveys² in Germany show that the refugees from Ukraine are mostly women with children whose partners stayed in Ukraine. They are usually well-educated, were employed in Ukraine, and had a relatively stable financial situation, as well as their own home to which they can still return to. (Panchenko and Poutvaara 2022). We asked about the respondents' plans for the next two years in both surveys. Questions to understand their intentions to return to Ukraine without specifying the time were also asked, but only in the second survey wave.

Figure 3A shows that the majority of refugees plan to either "stay in Germany" or "return to Ukraine": among the rest, only very few of them intend to move to other countries. The share of those who plan to stay has increased over time and reached 63 percent in October 2022.

¹ According to the Kantar Public pan-European survey, 38 percent of respondents chose their destination country due to the presence of family and friends (Kantar Public 2022). In Germany, the corresponding indicator ranged between 57-60 percent (Panchenko 2022; IAB-BiB/FReDA-BAMF-SOEP 2022).

² The first survey was conducted in June 2022, and the second in October 2022. The invitations to take part in the surveys were posted in various Ukrainian and Russian-speaking Facebook groups of Ukrainians in Germany. 936 people participated in the first survey and 1,461 in the second survey. Since the participants of the study filled out the questionnaire online with the option of not answering, the number of answers received to different questions vary (the figures indicate the number of respondents who answered each question). An important caveat is that the sample is not statistically representative, as respondents have been recruited as a convenience sample using snowball methods.

Figure 2
Yearly Personal Remittances to Ukraine on the Rise between 2014 and 2021

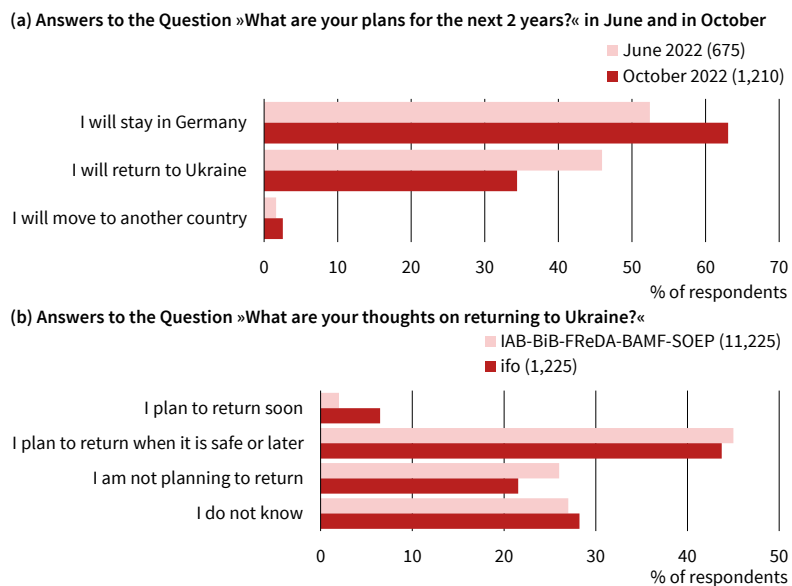


^a For the years 2010–2021, the data is annual and obtained from the yearly database. Annual data for 2022 was unavailable, hence monthly data from the National Bank of Ukraine was summed up manually for representation purposes. The data for 2022 is from January to November. For the year 2022, information on remittances in February until April 2022 was not collected and an estimate was made. Kane et al. (2023) suggest that a significant part of the remittances went unrecorded in 2022 due to increased informal transfers.

Source: National Bank of Ukraine (2022).

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Figure 3
Ukrainian Refugees' Stay and Return Plans: Survey Data



Note: The options for some answers differed: in the ifo survey, the following wording was used: »I plan to return soon«, in IAB-BiB-FReDA-BAMF-SOEP: »I plan to return within a year«; in the ifo survey: »I plan to return when I feel safe«, in IAB-BiB-FReDA-BAMF-SOEP: »I want to wait until the end of the war« and »I want to wait for several years later«.

Source: ifo Survey 2022; IAB-BiB-FReDA-BAMF-SOEP 2022.

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Figure 3B demonstrates the results of an alternative question which was additionally included in the ifo survey in October as well as in the IAB-BiB/FReDA-BAMF-SOEP survey.³ In both the surveys, about half of the respondents expressed their intention to return to Ukraine soon or when it is safe. The total number of respondents from the IAB-BiB/FReDA-BAMF-SOEP who want to wait until the end of the war (34 percent) and who want to wait for several years later (11 percent) is similar to the share of respondents who want to return when they feel safe (45 percent) in the ifo survey. 22 (28) percent of respondents in the ifo survey and 26 (27) percent in the IAB-BiB/FReDA-BAMF-SOEP

³ The IAB-BiB/FReDA-BAMF-SOEP survey consisted of 11,225 Ukrainian refugees in Germany. The survey was conducted between August and October 2022. The results are summarized in Brücker et al. (2022).

survey answered that they do not intend to return to Ukraine (have not yet decided). According to the ifo survey, married women whose partners stayed in Ukraine are more likely to return, as well as people over 60 years.

THE ROLE OF DIASPORA IN THE WAR AND BEYOND

The Ukrainian diaspora's response to the 2022 large-scale Russian invasion has been strong and fierce. They have become a reliable medium who "speaks the language of help and need" (ICMPD 2022) between Ukraine and the rest of the world. In the first weeks of the war, more than 320,000 Ukrainians returned to the country to take up arms and fight against the Russian invasion according to the State Border Guard Service of Ukraine.⁴ Many of those who remain outside are fighting on the information front, using social media to counter Russian misinformation, and organizing political protests against the Russian invasion. The Ukrainian diaspora has also helped with the integration of Ukrainian refugees.

POLICY IMPLICATIONS AND RECOMMENDATIONS

Surveys on return intentions have shown that a large share of Ukrainian refugees intend to return once it is safe. This will be a critical human capital contribution to the reconstruction of Ukraine. However, until their return, it is important to integrate Ukrainian refugees as well as possible into their host countries. It is also crucial to provide opportunities for refugees to send remittances, transmit knowledge, and make investments in Ukraine, as they can serve as a bridge between host countries and Ukraine. The diaspora can also contribute to the success of Ukraine by pushing for high standards in Ukraine, especially in terms of fighting corruption.

Good Integration Is Important – Both in the Case of Return and Non-return

Successful integration into the labor market is important not just for refugees and their host countries, but also to boost the scope for remittances, as well as investments in post-war Ukraine. One central requirement for a successful labor market integration is language. Investing in learning the language of destination countries is vital to be able to work in immigrants' field of expertise (Imai et al. 2019). This often provides better returns and labor market opportunities in the long term than immediately taking up a low-skilled job irrelevant to one's qualification. Policymakers should

therefore provide language courses, trainings, internship opportunities, and direct job search support to avoid highly qualified refugees ending up in dead-end low-skilled jobs. Battisti et al. (2019) show that the employment rate of refugees in Germany can be improved through direct job search support.

Another important requirement to be successful on the labor market is the recognition of professional qualifications obtained in migrants' (origin) countries (Brücker et al. 2021). This is often a time-consuming and expensive process, which might not be worthwhile in situations where it is unclear about how long refugees stay. Host countries should improve recognition offices to provide speedy processes and allow specialists, for example in the medical field, to work as assistants under the supervision of experienced staff in the meantime. By implementing policies such as these, new human capital can be accumulated instead of existing human capital lying idle.

Aksoy et al. (2021) illustrate that the economic and social integration of refugees who arrived in Germany between 2013 and 2016 depended on initial conditions in the county they were exogenously assigned to. Those assigned to high-unemployment locations with unwelcoming attitudes are less likely to be subsequently employed or socially integrated. As Ukrainian refugees are free to choose where to live, they can avoid locations with unpromising labor market prospects. Furthermore, public attitude towards Ukrainian refugees is overwhelmingly positive, promoting their integration in Germany.

Build Global Networks through the Ukrainian Diaspora

Attracting foreign investments in Ukraine has already been a priority among the Ukrainian diaspora in recent years. For example, the Ukrainian World Congress (UWC) announced plans to promote Ukraine-oriented business associations globally to strengthen their economic development. The plan intends on using the global Ukrainian diaspora network to foster international relations for economic development (UWC 2021). Furthermore, the UWC's Economic Prosperity and Investment Committee (EPIC) has been supporting the Ukrainian diaspora, which includes entrepreneurs, investors, and political advocates, for many years. EPIC aims to strengthen the position of diaspora Ukrainians as strategic agents of transformation and change for Ukraine (UWC 2022).

Policymakers can maximize knowledge transfers by actively engaging the diaspora and by encouraging and facilitating the return migration post-war. Return migrants bring back newly gained knowledge and many times create their own start-ups that foster development in the countries of origin. By successfully engaging the diaspora, western countries and Ukraine can build bridges that can ultimately pave Ukraine's way into the European Union.

⁴ This was reported on March 16, 2022 by Ukrainian Pravda, quoting the spokesman of the State Border Service of Ukraine, Andrii Demchenko, see https://edition.cnn.com/europe/live-news/ukraine-russia-putin-news-03-17-22/h_a612ed70f58aa1b85583da9cdf4e9ebf, and <https://www.pravda.com.ua/news/2022/03/17/7332269/> (Ukrainian).

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