
Abel Aghanbegian : Unlike, Russia Armenia Has No 'Safety Cushion' To Resist Financial Crisis

Noyan Tapan - 23/10/2008

The international financial crisis has mutually exclusive impacts on Armenia's economy: on the one hand in case of a correct economic policy, the sharp fall in oil prices must result in a decline of gasoline prices, while on the other hand the changes in foreign currency prices must contribute to structural changes in the export.

Economist, Academician of Russia's Academy of Sciences Abel Aghanbegian expressed this opinion at the October 23 round table on the subject "The Economies of Armenia and Russia Today and Tomorrow" organized by A. Aghanbegian Higher School of Corporate Management functioning under the patronage of the RA National Academy of Sciences.

He said that at the same time Armenia will encounter some difficulties in terms of investment and charity funds attraction. Another difficulty is related to the growth in prices of imported goods due to increased inflation in exporting countries. Besides, a decline has occurred in the number of those who came to Russia and other countries affected by the financial crisis to work temporarily there, as well as in their incomes. For example, in this connection "there is a real disaster in Moscow because almost half the construction work in that city is done by Tajiks, Ukrainians and representatives of other nationalities, and they have been dismissed from their jobs". For this reason there will be a decline in the considerable amount of remittances sent to Armenia from abroad that will result in a growth of domestic inflation which in its turn will depreciate savings to be followed by the slowing growth in the interest rates of bank deposits.

A. Aghanbegian pointed out the decline in the number of tourists to Armenia as another negative effect of the international financial crisis. According to him, in 2007, 510 thousand tourists visited Armenia and spent 450 million dollars here.

Nevertheless, in his words, the impact of the crisis on Armenia will not "so terrible as on Russia, even though Armenia has no "safety cushion" that Russia has".

It was mentioned that the consequences of the international financial crisis are more serious in Russia than in many other countries, but Russia has a greater reserve of firmness due to its 7-8% average annual economic growth in recent years. Its economic growth will only slow down and make 4-5% in 2009 as compared with the previous year - against 0-3% growth in other countries. Besides, Russia is currently in third place in the world by its reserves that amount to 800 billion dollars. Prior to crisis, Russia's gold reserves made 600 billion dollars, the Stabilization Fund's resources from the sales costs of oil at high prices made 170 billion dollars, and the budget surplus amounted to 80 billion dollars. The indicated resources are used first of all for offsetting the insufficient liquidity of the Russian banks forming the system, which allows to prevent bankruptcy of such banks and to overcome the crisis, whereas there were such cases in the U.S.

A. Aghanbegian noted that for efficiently managed companies that produce goods in demand, the financial crisis represents a period of new opportunities to occupy markets and acquire assets (companies and securities) at a cheap price.

In his words, many experts forecast that the stage of overcoming the current international financial crisis will be much longer and more painful, as compared, for example, with the 1998 financial crisis.
