
Armenia Wants to Use Rubles To Deal With Russia

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Armenia is interested in paying off its debts to Russia in rubles, not in dollars, the nation's Prime Minister Tigran Sargsyan said.

"It leads to the diversification of our external assets and currency transactions for our businesses which reduce our dependence on external changes", the head of the Armenian government said in an interview with the Armenian television.

The Russian authorities repeatedly declared their intention to make ruble the regional reserve currency. At the beginning of February Russian Prime Minister Vladimir Putin said that it was quite realistic to use the ruble as the reserve currency within the neighbouring states. Such a step will be very useful both for the Russian economy, and for CIS countries.

In a February 11 interview with the Russian news agencies, Prime Minister Tigran Sargsyan said that there is "a real chance" for such a move "if by ruble zone it is meant countries that use the ruble in their trade with Russia." The prime minister added that "if one means a union similar to the euro zone, so it is too early to speak about this."

Today the situation in Armenia appears to be the following:

Armenians rushed to buy bread, butter and other staples Tuesday and stores shut down in panic after the government announced it would let the national currency fall and was seeking a bailout from the IMF.

Banking authorities said the national currency -- the dram - could sink up to 24 percent with the decision. The devaluation was sure to hurt ordinary Armenians, with prices for imported goods expected to rise sharply, the AP reports.

The Armenian Central Bank decided to limit currency interventions and return to free float policy "due to the financial and economic crisis, worsening terms of trade and slowing capital inflows," bank chairman Artur Dzhavadian told reporters Tuesday.

Armen Gevorkian, a 33-year-old engineer, was stocking up on food in downtown Yerevan, where staples typically include bread, butter, sugar, salt and vegetable oil.

"I'm buying food with all the drams I have because the dollar is going to rise and then the situation will be very difficult," he said.

Prices at some grocery stores shot up 20 to 30 percent on Tuesday. One of Yerevan's largest grocery chains, Star, closed all of its stores shortly after the Central Bank's announcement.
