

# Nerses Yeritsian : Global Economic Crisis Opens Development Opportunities For Armenia

Noyan Tapan - 9/12/2008

The global economic crisis opens some opportunities for Armenia's economic development not only because the country is not integrated deeply into the global economy but also because Armenia has accumulated a serious resource of macroeconomic policy in the past ten years. The RA minister of economy Nerses Yeritsian said this during the round table on the subject "The Global Financial Crisis. The Strategy of Behaviour in the Crisis Situation" at the "without-tie" meeting-forum of ICT leaders in Dilijan on December 6-7.

In his words, Armenia can increase the budget deficit threefold or by several billion dollars without considerable inflationary pressures as the current ratio of Armenia's foreign state debt to GDP is one of the lowest in the world and makes 15%. To recap, by the IMF methodology, a 45% ratio of foreign debt to GDP is considered dangerous, and, according to the minister, many countries have no opportunities to increase their debts.

Addressing the questions and proposals of the meeting participants, N. Yeritsian said that some structural changes have been launched to speed up the implementation of the concept of developing the Armenian IT sector.

According to him, one of the short-term solutions for development of economic zones with special status is to ensure the use of the Law on Free Economic Zones at the technopark founded in Gyumri and to operate enterprises there. Some steps in this sphere are envisaged by decisions of the Armenian-Russian intergovernmental commission on economic cooperation: in particular, it is envisaged signing agreements with such Russian state companies as Rosnanotechnologies and Rosventure, under which the programs of Sitronix company (Russia) with the Research Institute of Mathematical Machines after Mergelian and Mars company will be financed, and in 2009 it will become possible to create free economic zones on the basis of these subjects.

The minister also announced that the proposal to establish a representative office of Armenia in Silicon Valley (the proposal was made at the 2nd ArmTech high-technology congress in Yerevan in early October) is being implemented.

As regards state assistance to technological small and medium companies, he said that this problem may be solved by using such mechanisms as state participation in the capital of companies, provision of state guarantees and crediting. N. Yeritsian reminded that in particular, during the investment of state share of 45 million drams (about 300 thousand USD) in Instigate company by Grant Thornton Amyot consulting and audit company, the nonfinancial assets of Instigate were also assessed, and this experience of money attraction may be used by other companies as well. The minister informed those present that the concepts of attracting venture financing are also being developed in cooperation with USAID Competitive Armenian Private Sector (CAPS) Project. The state is ready to finance up to 20% of venture projects, and such proposals were made by Lincy Foundation and other financial structures.

As for diversification of the Internet access in Armenia, the minister said that after ArmTech congress, the president and prime minister of Armenia have raised the issue of building an Internet link through the

territory of Turkey for connecting Armenia with the outside world at all their meetings with officials of the European Union and EU countries.

It was mentioned that the functions of the Armenian Development Agency (ADA) are being reviewed with the aim of developing Armenia's technological sector, the work of the Enterprise Incubator Foundation has been put on a more solid basis, with resources of the World Bank being used. The minister noted that the state will invest money for promoting the products of the sector's companies so businessmen should have long-term initiatives. He attached importance to the business community's capacities to formulate and present their problems also in terms of establishing simplified procedures of technological equipment's export, underlining that in case of adopting such a practice, the issue may be solved in a short period based on only one decision of the Armenian government.

M. Yeritsian also underlined the necessity to start discussions of tax legislation-related reforms, adding that the RA ministry of economy has made an analysis of these reforms.

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