
Global Financial Crisis 'Could Hurt Armenia'

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The deepening global financial crisis poses no immediate threat to Armenia's banking sector but could potentially hold back its economic growth, Prime Minister Tigran Sarkisian said on Thursday.

Sarkisian argued that Armenian banks and other finance institutions have sufficient liquidity to weather the storm sending shockwaves through the world markets. 'In that sense, the reliability of our financial sector is extremely high and gives us no reason to worry,' he told a news conference.

Sarkisian cautioned at the same time that the crisis could ultimately hurt the Armenian economy if it continues to deepen in the European Union and especially Russia, Armenia's main trading partners. A recession in Russia 'could immediately affect us' by slashing multimillion-dollar remittances sent home by hundreds of thousands of Armenians working there, said the former longtime governor of the Armenian Central Bank.

'If economic growth in Russia slows, the incomes of our compatriots will decrease and so will their private remittances sent to Armenia,' he warned. 'That could have a negative impact on our financial sector and the level of consumption in general because 80 percent of the remittances are channeled into consumption.'

The remittances, which reached a new high of \$1.32 billion last year and continued to rise rapidly in the first half of this year, have been a major factor behind Armenia's robust economic growth. The growth rate looks set to main in double digits for the seventh consecutive year.

According to Sarkisian, the Armenian government believes the best way to reduce the country's dependence on the cash transfers is to 'drastically increase' lending to small and medium-sized businesses. 'We have a relevant understanding with the World Bank and need to attract additional resources to neutralize possible negative effects,' he said without going into details.

Sarkisian met senior officials from the World Bank and the International Monetary Fund during a five-day visit to Washington that ended on Tuesday. As well as attending annual meetings of the two lending institutions, the Armenian premier met U.S. President Dick Cheney and Secretary of State Condoleezza Rice. He confirmed that Armenia's recent rapprochement with Turkey and the unresolved Nagorno-Karabakh conflict were high on the agenda of the talks.

Sarkisian said he told Cheney and Rice that Yerevan is disappointed with Turkish President Abdullah Gul's and Azerbaijani Foreign Minister Elmar Mammadyarov's speeches last month at the UN General Assembly. 'I said that the Turkish president's and Azerbaijani foreign minister's speeches at UN General Assembly were like a cold shower for us because they contradicted the spirit of the meetings and agreements that we had before,' he said. 'In particular, we find dangerous the phrase 'occupied territories' that was used by the Turkish president.'

The prime minister said Rice assured him that the United States is opposed to changing the format of the Karabakh peace process spearheaded by the so-called Minsk Group of the Organization for Security and Cooperation in Europe. He cited Rice as also saying that Washington hopes to achieve

`serious progress in this negotiation process' after Wednesday's presidential election in Azerbaijan.

Opening a weekly meeting of his cabinet earlier in the day, Sarkisian said he won `the full backing of the U.S. administration' for his ambitious economic agenda that calls, among other things, for a sweeping reform of Armenia's tax and customs bodies.
