
Is There A Local Crisis Threat?

A1+ - 30/10/2008

What lessons must Armenia learn from the global economic crisis and how can Armenia ease the impact? This and other issues were discussed during a meeting today with a number of economists and public and political figures at the Armenian Center for National and International Studies.

In his intervention, Yerevan State University lecturer and leading economist Dr. Tatoul Manasserialian examined the impact which today's global economic crisis is having on the economy of Armenia and the lessons being learned from this situation. According to him, this crisis was anticipated for a long time and was completely predictable but, because of the economic globalization, it encompassed an expanse that was broader than expected. "And even though Armenia does not have a stock exchange--which is the heart of economy--and is therefore 'isolated' from the global economy, this does not at all immune the country from numerous setbacks." Manasserialian noted. "The most essential setback is the fact that the imports will surpass the exports four times and this means we are not a country that affects the prices, but rather one that abides to the price fluctuations. And this is because we import in accordance with the prices that are set by the global market." As for the lessons to be learned from this crisis, Manasserialian pointed that Armenia's economy now must grow with an inartificial impulse; the financial sector needs to be linked with the real sector; individual steps have to be taken which will promote economic growth; the Armenian currency, the dram, should gain natural value; the economic and political elite must be detached; dependency on few allied countries ought to be eliminated; the investment field needs to be regulated; and imports have to be reduced on the account of increasing competition.

The next speaker, Slavonic University lecturer and "Political Economy" Research Institute director Andranik Tevanian, spoke about the foreign and domestic challenges facing Armenia's economy. "The current crisis, which primarily was caused by the 'cheap-money' policy of the United States, was the first large global economic emergency of the post-industrial societies with virtual economies. And this calamity had its unavoidable bearing on Armenia's economy as well," Tevanian maintained. "The first collapse in Armenia probably was recorded in the real estate market, which was greatly dependent on the mortgage credits. The second was the reduction in the private monetary transfers, mainly from Russia and elsewhere, which hurts 600-700 thousand Armenian residents. And thirdly, the consumer market will face an immediate predicament." In Tevanian's view, Armenia also could have gained dividends from this crisis because its economy was not integrated and, if the prices of consumer goods fell, Armenia could have imported cheap products. "But, sadly, we can hardly make use of this situation. The problem is inside the country and the economic structure in different domains is either a monopoly, or an anti-competition system is in effect, plus the ruling administration and the business circle are intertwined," Tevanian stated.

In his turn, Real Estate Information Center director, Associate Professor Erik Mesropian reflected on the ongoing global economic turmoil's immediate bearing on Armenia's realty market. He underscored the importance of the changes taking place in this domain since it constitutes approximately one-third of the country's national income. "The mortgage crisis reminded us of the problems connected with the realty market, which provides a considerable portion of Armenia's GDP and is also the main source of employment," Mesropian argued. "However, Armenia is the supplier of the great majority of construction materials and the sharp increase--which is not dependent on the

global processes, at all--in their prices deals a heavy blow to this sector. And therefore not only the consequences of the world economic crisis, but also those of the 'Armenian crisis' have affected this domain adversely," Mesropian maintained. According to him, as a result of Armenia's current political situation created after the presidential elections and because of the country's new tax policy, the real estate market of Armenia now has registered a reduction in demand.

The roundtable discussants also included analyst Movses Aristakesian of the "Center for Economic Rights" NGO; director Gagik Makarian of the Union of Manufacturers and Businessmen of Armenia; chairman Edward Antinian of the "Democracy, Prosperity, Security" NGO; Armine Udumian from the State Commission for the Protection of Economic Competition; journalist and economist Hrair Manukian; and several others.
