
Government Vows 'Radical' Measures To Improve Business Climate

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Prime Minister Tigran Sarkisian promised on Thursday 'radical' government measures to improve Armenia's business environment and, in particular, end privileged treatment of government-connected tycoons and their lucrative companies.

Opening the first cabinet meeting of the new year, Sarkisian said the creation of a level playing field for all local businesses will be one of his government's main objectives in 2009.

'The entrepreneurs are demanding the ensuring of equal, transparent conditions,' he told ministers. 'And they point to big business in the first instance: [they say] that the state is not succeeding in bringing big business into the taxation field and ensuring a level playing field. In that sense, 2009 will be a year of radical changes.'

Sarkisian's coalition cabinet already approved in June a plan of wide-ranging reforms relating to tax collection, enterprise registration, contract enforcement, investor protection and other aspects of doing business in the country. It instructed relevant government agencies to report to the Armenian Ministry of Economy about their implementation of those measures on a monthly basis. The prime minister made no mention of the program on Thursday.

Government connections have long been essential for engaging in lucrative forms of large-scale economic activity in Armenia. Some sectors of its economy have effectively been monopolized by wealthy entrepreneurs and their government patrons. They continue to post suspiciously modest earnings despite government efforts to combat tax evasion that were reinvigorated by Sarkisian shortly after he took office in April 2008. The government crackdown, accompanied by a series of legislative changes, seems to have targeted small and medium-sized enterprises so far.

Sarkisian stated that larger and more lucrative businesses will now be 'the number one target' of Armenian tax authorities. 'To that end we will put in place new rules of the game so that the public can trust and believe in our government,' he said.

He pointed to a recently adopted bill that obligates the country's leading companies to regularly publish detailed financial reports certified by auditors. 'That means big business will be overseen by the public as well,' added the former chairman of the Armenian Central Bank.

The Armenian government's ambitious reform agenda has been called into question by its controversial treatment of a business group owned by Khachatur Sukiasian, a rare millionaire businessman openly supporting the opposition. Several Sukiasian-owned companies were inspected by tax officials and accused of tax evasion shortly after the tycoon voiced support for former President Levon Ter-Petrosian in September 2007. One of those companies, the Bjni mineral water plant, was forced to suspend its operations and put up for sale by the government late last year after refusing to pay 4.2 billion drams (\$13.5 million) in fines.

In a late December interview with RFE/RL, Sarkisian denied any political motives behind the extraordinary measure, saying that it is part of a

broader government crackdown on tax evasion. `Such violations were also found in many other enterprises,' he said without elaborating.
