
World Bank Urges Second Generation Reforms In Armenia.

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In order to sustain its robust economic growth, Armenia needs to embark on "second generation reforms" that would result in better governance, fair competition and more developed financial services, a senior economist from the World Bank said on Tuesday.

Presenting a World Bank study that refers to the Armenian economy as the "Caucasian Tiger," Saumya Mitra lavished praise on the country's "strong" reform record and macroeconomic performance of the past decade. He said Armenia has qualified for the title after several consecutive years of double-digit growth which, according to official figures, has considerably reduced poverty.

"What is impressive about the Armenian tiger is that the growth is not based on oil or any one resource. It has been a fairly balanced growth," Mitra told reporters in Yerevan.

But citing the study's findings, Mitra cautioned that continued growth requires deeper structural and institutional reforms.

"Successful economies require conditions where any entrepreneur can enter a market and leave a market," he said. "Here there are some formal and informal barriers -- some put up by oligarchs, some put up by political and economic interests -- that prevent level and fair competition."

"The [state] competition commission is weak and not able to enforce adequate competition rules," he added.

That some areas of economic activity in Armenia are effectively monopolized by wealthy businessmen close to the government is a widely recognized fact. That is particularly true for lucrative imports of fuel, wheat, sugar and other commodities.

Mitra made no mention of the commodity imports, pointed instead to an equally serious lack of competition in civil aviation. He said the Armenian government has failed to liberalize it and is keeping prices of air transport artificially high in order to benefit the Armavia national airline. "Not many people realize that aviation services are actually quite expensive in Armenia, both for passengers and cargo freight," he said. "This is the result of special privileges for Armavia ... for which the consumers of Armenia pay but the shareholders of Armenia benefit."

The World Bank study blames the de facto aviation monopoly for the fact that freight shipped by air to and from the landlocked country, blockaded by two of its neighbors, fell by more than two thirds between 1997 and 2003. Armavia is owned by Mikhail Baghdasarov, an ethnic Armenian citizen of Russia who is thought to be close to Defense Minister Serzh Sarkisian.

Among other obstacles to Armenia's sustainable development identified by the study are the high cost and poor quality of telecommunication as well as underdeveloped financial services such as bank lending and insurance. World Bank economists also pointed to serious problems with rule of law and widespread corruption in the Armenian tax and customs agencies.
