
Armenia : Experts Say Government's Economic Crisis-Prevention Plan Lacks Specifics

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EurasiaNet - 21/11/2008

The Armenian government has unveiled a plan to mitigate the effects of the global economic slowdown. Experts in Yerevan say a lack of specifics makes the plan difficult to evaluate.

Prime Minister Tigran Sargsyan outlined the government's intentions during a speech in parliament on November 12. Two of the central elements in Sargsyan's strategy to maintain growth are a public works initiative and a stimulus package for small- and medium-sized businesses. Sargsyan also indicated that Yerevan would pursue loans from international financial institutions, including the World Bank and the Asian Development Bank.

On November 20, the government undertook its first concrete crisis-prevention measure, allocating \$50 million for a fund designed to support small-scale entrepreneurs and keep employment levels steady. In the sphere of infrastructure projects, Yerevan's attention is focusing on the construction of a rail link connecting Armenia and Iran.

So far, the global credit crunch has not punished Armenia too severely. The GDP growth rate for the January-October period this year stood at 9.2 percent.

But there are several causes for concern on the horizon. First, officials are closely monitoring prices for Armenian export commodities, such as copper. The price of copper hit a three-year low, \$3,375 per ton, before recovering slightly on November 21. A continued decline could seriously dent Armenia's export earnings.

Far more worrying is an anticipated dip in remittances sent home by labor migrants and relatives abroad. Russia has attracted labor migrants from all over the former Soviet Union. [For background see the Eurasia Insight archive]. But with Russia now experiencing profound economic difficulties, many jobs normally filled by labor migrants, especially in the construction sector, are rapidly drying up. [For background see the Eurasia Insight archive]. Remittances in recent years have totaled about \$2 billion annually, providing a vital source of income for many Armenians.

Expert reaction to Sargsyan's November 12 speech differed. But all economic analysts contacted said the government needed to provide more details.

Some applauded the government for trying to anticipate trouble. "It is very good that the government has presented its general policy and the measures listed are, in general, correct. It remains to be seen how these measures will be implemented," Heggine Manasian, a Yerevan economist, told EurasiaNet.

Others expressed skepticism about the government's intentions. Bagrat Asatrian, a former chairman of the Central Bank and now a professor at the Yerevan State University, said it was impossible to evaluate the plan presented by the prime minister, as it lacked a clear outline of practical measures. "The 2009 budget presented by Sargsyan at the same session of the National Assembly contains no funds for the so-called anti-crisis measures listed by him," Asatrian noted.

Sargsyan has said that the government would amend the budget to include funding for specific stabilization measures, once the scope of the challenge facing Armenia becomes clearer. Meanwhile, Finance Minister Tigran Davtian has said the government would fund crisis-prevention measures with money in a state stabilization fund, along with international loans.

But Asatrian said that even if the government succeeds in amending the budget, policy questions would remain.

"The prime minister said the government could provide subsidies, or take a stake in the companies that 'meet the criteria of the government.' But what are these criteria? And, what is more important, will the government be able to counter the current practice of protectionism and monopoly in the Armenian economy?" Asatrian asked. "I am afraid that these subsidies would go to those who are 'friends of the administration' rather than companies that are beneficial for the Armenian economy and really need support."

In addition to outlining a crisis-prevention strategy, Sargsyan expressed a desire to implement measures to improve corporate governance. To that end, he proposed that large companies, defined as having annual sales in excess of 500 million drams (\$1.5 million), be required to carry out external audits. Manasian, a member of the Central Bank's independent Experts Panel, praised the proposal, but noted that previous efforts to promote corporate transparency had fallen flat. "Maybe under crisis conditions the government will be more successful in imposing new regulations," she said.

Editor's Note: Haroutiun Khachatrian is a Yerevan-based writer specializing in economic and political affairs.
