
Russia Business Developing Positions In Armenia Economy

ITAR-TASS News Agency, Russia - 24/9/2007

Russian businesses are strengthening their positions and influence in the Armenian economy.

Now the whole market of the republic's fixed and mobile communication is controlled by Russian businesses. Vympelcom (trade mark Bee Line) is the owner of the Armenian telephone company ArmenTel (the whole fixed and a part of mobile communication). On September 14, Mobile TeleSystems (MTS) announced the purchase of 80 percent of stocks of the leading operator of the Armenian cellular communication Vivacell.

The Russian business positions in the Armenian power engineering industry are very strong. In 2005, the Interenergo company that is a daughter of the UES (Unified Energy Systems) of Russia electric power utility, bought the right to manage Electrical Networks of Armenia for a period of 99 years.

On September 2, the leader of the industry and one of the largest taxpayers of Armenia - the ArmRosgazprom JV for gas transportation marked its 10th anniversary. Russia's natural gas monopoly Gazprom holds 57.79 percent of stocks of this monopoly seller of gas on the Armenian domestic market, 34.7 percent of the JV stake belongs to the Armenian government (the Energy Ministry) and 7.71 percent to the ITERA Group. ArmRosgazprom is taking part in the laying of a gas pipeline from Iran to Armenia and is going to export electric power to neighbouring counties.

The fuel and energy sector remains the most promising sphere of bilateral cooperation. Armenia gets 80 percent of needed energy resources from Russia. The Armenian NPP is the main cooperation facility. The nuclear power plant was shut down after a devastating earthquake in Armenia in 1989 and in 1996 it was de-mothballed with the participation of Russian specialists. The power unit of the Armenian NPP that uses Russian nuclear fuel generates up to 40 percent of electricity consumed in the republic. From April 2003 the NPP was transferred to the financial-industrial management of the INTER RAO UES closed joint stock company. The Sevan-Razdan hydropower plant cascade was transferred to the property of RAO UES as part of settlement of the Armenian debt to Russia for the supplied nuclear fuel.

In December 2003, INTER RAO UES started to manage Armenia's largest Razdan thermal power plant that accounts for about 30 percent of all power generating capacities of the republic. In January 2004, the plant was finally handed over to Russia as part of the debt settlement. The Razdan Energy Company was created that took over the property rights of this facility.

On Friday, it was announced here that Russia's major investment company Troika Dialogue is buying Armimpexbank. Russia's Vneshtorgbank had earlier become the owner of Armsberbank and renamed it into VTB Armenia bank. The Russian insurance company Ingosstrakh owns 75 percent of stocks of Armenia's major insurance company Efes (INGO-Armenia).

Military-technical cooperation is an important aspect of Russian-Armenian relations. Within its framework Armenia purchases equipment and weapons at internal Russian prices. Armenian military undergo training at Russian military academies free of charge or on privileged terms.

In the meantime, Armenian Prime Minister Serzh Sarkisyan is beginning an official visit to Moscow to discuss a broad spectrum of issues of Russian-Armenian cooperation in the political and economic spheres.

He will meet Russian Prime Minister Viktor Zubkov, hold talks on various aspects of bilateral relations and give a press conference at Itar-Tass.

It is the first visit to Russia paid by the current Armenian cabinet head who was appointed for the post in April. Sarkisyan retained the post of the head of the Armenian part of the intergovernmental commission on economic cooperation between Russia and Armenia.

The two countries' cooperation is developing on the bilateral and multilateral basis. Armenia, the same as Russia, is for the strengthening of the Commonwealth of Independent States (CIS) and a member of the Collective Security Treaty Organisation (CSTO).

Russia and Armenia have become reliable economic partners that found reflection in their treaty "on long-term economic cooperation for the period up to 2000," signed in September 2001 by Russian President Vladimir Putin and Armenian President Robert Kocharyan.

Russia today is the main trade partner of Armenia. Russia's Exports to the country are mainly nuclear fuel and equipment supplies for the Armenian nuclear power plant, energy resources, machinery and equipment. Food products, raw materials, unprocessed aluminium, as well as liquors and semi-precious stones and metals prevail in the structure of Russian imports from Armenia. About 70 Russian regions are maintaining bilateral economic relations with Armenia.

The volume of trade turnover between Russia and Armenia has doubled and may exceed 0.5 billion US dollars by the end of the year, Russian Acting Transport Minister Igor Levitin who heads the Russian part of the intergovernmental cooperation commission said in Armenia last week. He stated that Russian investments in the Armenian economy have also increased. In the first half of the year they amounted to 74 million dollars.

The lack of direct transport service between the two countries is the main obstacle to the development of Russian-Armenian economic cooperation. The Abkhazian section of the railway between Russia and Armenia is closed, therefore the main part of cargoes from Russia to Armenia is transported via the Black Sea through the Georgian Poti port and then by railway. Measures are currently being taken to increase the load on the Kavkaz-Poti ferry service.
