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Representation of Switzerland in: Yerevan	
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## Annual economic report: Armenia 2020

### 0 Executive Summary

À la suite des restrictions imposées par le COVID-19, qui par moments a vu l'Arménie avec des taux d'infection par habitant parmi les plus élevés au monde, et l'impact combiné de la pandémie avec le conflit international armé du Haut-Karabakh (27 septembre – 9 novembre 2020), en 2020 l'activité économique en Arménie s'est considérablement **contractée** (- 7.6 du PNB), ce qui s'explique principalement par la chute de la consommation des ménages, une augmentation de la pauvreté, la diminution des investissements et des exportations, ainsi qu'une dégradation des finances de l'Etat. Ce développement négatif contraste avec une année 2019 qui avait été marquée par la croissance, confirmant le trend positif depuis 2017.

Pour soulager la population et l'économie des effets du COVID-19, en 2020 le gouvernement a lancé une vingtaine de programmes en raison d'environ 150 milliards de dram arméniens, à titre de prêts et d'indemnités. La communauté internationale n'a pas été en reste en ajustant, voire augmentant son aide. Aussi la **DDC** a-t-elle adapté certains de ses programmes (soutien aux petits investissements publics aux municipalités ; limitation de l'impact économique sur les chaînes de valeur du bétail dans les zones rurales ; renforcement de la résilience de certaines communes en Arménie) y compris par des crédits supplémentaires.

Malgré les défis, la **stabilité macroéconomique** en Arménie pu être maintenue.

Selon les données de notre pays hôte, en 2020 le volume global des **échanges bilatéraux** s'est élevé à 485,6 MM\$. La Suisse se classerait ainsi au 2e rang des principaux pays destinataires des exportations arméniennes et au 11e rang en ce qui concerne les exportations vers l'Arménie. Pour la 4e année consécutive, les échanges commerciaux se soldent par un excédent commercial en faveur de l'Arménie.

Les **investissements** privés suisses en Arménie sont principalement orientés vers les services financiers, l'industrie manufacturière (horlogerie), la recherche pharmaceutique et l'industrie alimentaire. La Suisse fait traditionnellement partie des top-15 des investisseurs en Arménie. Les flux d'IDE de la Suisse vers l'Arménie en 2020 n'en a pas moins diminué de 66%, s'élevant à 1,2 millions FRS. Cela porte les investissements cumulés de la Suisse en Arménie à 23.4 millions de dollars.

### 1 Economic problems and issues

#### 1.1. General context

Avec son secteur des services compétitif, notamment dans le domaine particulièrement dynamique de l'IT, une culture d'entreprise ambitieuse, une diaspora bien connectée, des conditions de vie favorables et une tradition de curiosité et d'innovation, la place économique arménienne dispose **d'atouts indéniables**. À tout cela s'ajoutent les efforts et la détermination du gouvernement à combattre la corruption et à créer des conditions favorables aux investissements et aux affaires, y compris par une réforme fiscale visant à promouvoir l'industrie d'exportation et les PME. Aujourd'hui, très peu de secteurs sont encore contrôlés par l'État.

**L'industrie manufacturière, l'agriculture et le commerce de gros et de détail**, ainsi que la réparation de véhicules et de motocycles, représentaient en 2020 les principaux piliers de l'économie, contribuant au PIB de l'Arménie avec un pourcentage à deux chiffres. Suivaient de près (avec des pourcentages se situant entre 6-7%) les secteurs de la construction, les banques/assurances et l'immobilier.

Alors que l'Arménie est dépendante des importations d'**énergie**, notamment de la Russie en ce qui concerne le gaz, le pays est riche d'autres matières premières (or, cuivre, zinc) et les mines, malgré des problèmes au sujet de leur impact environnemental et de l'impact du récent conflit (cf. point 1.2.), constituent une des principales sources de revenu du pays.

L'économie arménienne dépend aussi des **remittances** de sa diaspora, qui en 2020 ont diminué principalement en conséquence de la pandémie. Ce même trend négatif a été constaté dans la consommation des ménages, les investissements et les exportations. Une forte contraction des importations a compensé la baisse des recettes d'exportation, tandis que la **stabilité macroéconomique** a été soutenue par l'accès au financement extérieur, notamment dans le cadre du programme renforcé du FMI.<sup>1</sup>

Classifiée par la Banque Mondiale comme un **upper middle income country**, l'Arménie n'en est pas moins confrontée à l'étroitesse du marché intérieur et au contexte géopolitique difficile. L'Arménie essaie de compenser son isolement relatif - ses plus longues frontières terrestres avec les pays voisins, la Turquie et l'Azerbaïdjan, sont fermées –en essayant d'exploiter d'autres opportunités transfrontalières dans la région, notamment avec l'Iran. Dans une autre veine, la mise en place, à l'issue de la signature d'une déclaration trilatérale du 11.01.2021 (Arménie, Azerbaïdjan, Russie) d'un groupe de travail consacré notamment au développement du réseau régional des transports, est susceptible d'ouvrir de nouvelles perspectives dans ce domaine.

## 1.2. Developments in the main sectors and economic indicators

**GDP:** In 2020 the Armenian economy has been severely affected by the COVID-19 pandemic and the recent conflict. GDP dropped by 7.6 % in 2020 reflecting the decline in services and trade. Annual inflation accelerated to 5.8 % in March 2021 amid recent global food inflation and the depreciation of the Armenian dram. GDP performance<sup>2</sup> was driven by manufacturing (↑+12.4%), agriculture (↑+11.2%), construction (↑+7%), financial/insurance activities (↑+6.7%), health protection (↑+5.5%) and mining (↑+3.8%). Other sectors such as wholesale trade, maintenance of vehicles and motorcycles (↓+10.8%), real estate (↓+7.4%) and entertainment (↓+4.9%) continued to play a relevant role for the Armenian economy in spite of the overall negative trend.

Due to the decrease in some food prices and moderate exchange rate appreciation, Armenia's **inflation** scored a 3.7% at the end of 2020, which is 1.2% higher compared to 2019.

Armenia's **general government gross debt-to-GDP ratio** became even higher at 62.8 %. Total external debt-to-GDP ratio has reached 103.5%. In May 2019 the IMF approved a 36-month stand-by type of loans, worth \$ 248.2 MM to Armenia. Such a facility gives the opportunity to receive loans at any moment in case of macro shocks, such as those provoked by **COVID-19**, without complex procedures. Prior to the outburst of COVID-19 the debt-to-GDP ratio had been declining, reflecting over performance in tax revenue collection, strong GDP growth, and under execution of planned capital expenditure. Now, according to the IMF assessments, the government debt will increase substantially due to finance spending related to the pandemic.

**Remittances:** In 2020 the gross amount of the individual non-commercial remittances sent to Armenia through banks amounted to \$ 1'850 MM (-5, 6% or \$ 108 MM less than in 2019). 44,5% (↓) of the money transfers were from Russia and 25% (↑) from the USA. The share of the remittances from Russia in 2020 (\$ 825 MM) decreased significantly (-20% or \$ 209 MM less than in 2019), whereas the transfers from the USA increased unprecedentedly (+ 67% or \$ 184 MM more than in 2019).

**Unemployment:** Unemployment remains high at 18.1%<sup>3</sup>. Surprisingly, data retrieved from employers and national income service cite on average 623,973 payroll positions as of the end of 2020, which amounts to an increase of 4.3 % against the previous year.<sup>4</sup>

When it comes to **exports**, the main Armenian trade partners in 2020 were Russia, Switzerland, China, Iraq and Bulgaria (5.9%, ↓ - 1.9%). **Imports** originated mainly from Russia, China, Iran and Germany.<sup>5</sup>

Armenia's **external trade turnover** in 2020 amounted to a total of \$ 7'103.9 MM. As of 2020, Russia remains Armenia's main trade partner by far (over 30% of the total) with China (13.6%) and Switzerland

<sup>1</sup> <https://en.armradio.am/2021/06/29/ebfd-forecasts-4-growth-in-armenias-economy-for-2021/>

<sup>2</sup> Reported by the National Statistics Office of Armenia: [https://www.armstat.am/file/article/sv\\_03\\_21a\\_112.pdf](https://www.armstat.am/file/article/sv_03_21a_112.pdf)

<sup>3</sup> Reported by Armenian Statistical Service - [https://www.armstat.am/file/article/sv\\_03\\_21a\\_141.pdf](https://www.armstat.am/file/article/sv_03_21a_141.pdf)

<sup>4</sup> Reported by Armenian Statistical Service - [https://www.armstat.am/file/article/sv\\_01\\_21a\\_142.pdf](https://www.armstat.am/file/article/sv_01_21a_142.pdf)

<sup>5</sup> For more details see 3.1.1.

(6.8%) at the 2<sup>nd</sup> and 3<sup>rd</sup> ranks respectively. Iran, in spite of US sanctions, maintained the 4<sup>th</sup> position with a share of 5.6%. The European Union as a whole reaches 18%.

The Armenian **banking sector** remains well capitalized despite the rise in Non-Performing Loans to 7.3% % in January 2021.

In the **mining sector**, which plays an important role in Armenia's economy (4<sup>th</sup> largest tax payer in the country) and where sizeable investments have been made by Western companies (USA, UK, etc.), concerns about environmental impact, notably regarding the Amulsar gold mine, continued to block some activities. In another vein, it is expected that the findings of the 1<sup>st</sup> EITI report<sup>6</sup> that was published after Armenia's adherence to this initiative, will contribute to the improvement of the management, transparency and accountability of Armenia's mining sector.

**Construction** is still one of the main contributors to the GDP. After the "velvet revolution" a significant growth of demand took place in the real estate market, which was triggered by the Armenian diaspora. A short term upward change in the prices of the real estate market was recorded during the war time, when the demand for temporary housing was an issue for the refugees escaping from the recent conflict zone.

In 2020 **tourism** has been strongly affected by Covid-19, as well as by the conflict. The number of international visitors dropped by 80%<sup>7</sup> (↓ - 1.5 MM people against 2019). In terms of employment, the tourism sector, as of the end of 2020, directly employed 23'766 people (3.7 % of total employment). With the introduction of favorable travel regulations related to COVID-19, in the 2Q of 2021 a positive trend on tourists' flow to Armenia, most notably from Russia, has been nevertheless recorded<sup>8</sup>.

**Agriculture** remains one of the main sectors of the Armenian economy. It employed more than 35% country's working force in 2019. Major challenges are low efficiency, low competitiveness of products and lack of diversification. The coronavirus crisis stressed the importance of agriculture in terms of food security, as well as job creation.

**Swiss Development cooperation** is a traditional supporter of agriculture in terms of rural economic development. Within the current 2017-2021 Cooperation Strategy, it is helping farmers to improve the quality of their production, increase volumes, reduce costs and have a sustainable access to markets. The areas of SDC intervention include regions of Tavush, Lori, Shirak, Gegharkunik, Vayots Dzor and Syunik, targeting more than 50% of all livestock communities of the country. Since 2008 Switzerland has invested over CHF 30 MM in the livestock and horticulture development in Armenia. As a result of Swiss funded activities, net income earned by livestock farmers from sale of milk and meat has increased by 62% between 2014 and 2017. More than 2000 off-farm and on-farm jobs (24 % for women) were created in "farm support services" (veterinary, artificial insemination, agricultural inputs and services) sectors, milk and meat markets. During 2014-2019 total investments of farmers in milk and meat production sectors reached about \$ 1'140'000.

The **fiscal deficit** widened to around 5,5% of GDP in 2020, reflecting the impact of government support to vulnerable firms and households and higher health spending, with government debt ending 2020 at about 63,5 % of GDP. The **current account deficit** narrowed to 3.1 % of GDP in 2020 and gross reserves, albeit somewhat reduced, remain adequate.

## 2 International and regional economic agreements

### 2.1 Country's policy and priorities

In 2013, Armenia undertook a pivotal shift by joining the **Eurasian Economic Union (EAEU)** of which it is a full member since January 2015. Previously, Armenia was seen as one of the countries more vigorously pursuing their association process with the European Union. This step was a major shift, since the EAEU's customs union is not compatible with the affiliation to the EU's Deep and Comprehensive Free Trade Agreement (DCFTA). Despite this re-orientation, Armenia remains committed to closer

<sup>6</sup> Report published in January 2019 covering 2016-2017 period: [https://eiti.org/sites/default/files/documents/english\\_2016-2017\\_armenia\\_eiti\\_report.pdf](https://eiti.org/sites/default/files/documents/english_2016-2017_armenia_eiti_report.pdf) and summary report [https://eiti.org/sites/default/files/documents/summary\\_2016-2017\\_armenia\\_eiti\\_report.pdf](https://eiti.org/sites/default/files/documents/summary_2016-2017_armenia_eiti_report.pdf)

<sup>7</sup> Reported by Armenian Statistical Service - [https://www.armstat.am/file/article/sv\\_01\\_21a\\_421.pdf](https://www.armstat.am/file/article/sv_01_21a_421.pdf)

<sup>8</sup> As of 18<sup>th</sup> of May, 2021, foreigners can enter Armenia with PCR negative test or should pass one at the airport upon arrival.

ties with the West and especially the European Union. On 1 March 2021 the **UE Armenia Comprehensive and Enhanced Partnership Agreement** entered into force<sup>9</sup>.

In terms of trade policy, CEPA retains content from the previous Association Agreement, as seen across a range of sectoral areas of cooperation, including political dialogue, energy and security. Armenia still has an advantage in EU market access due to its continued access to the Generalized System of Preferences (GSP+), allowing Armenia to export goods under some 6,400 tariff lines to the EU with zero or reduced tariffs. Yet the higher trade tariffs of the EAEU pose an inherent challenge to Armenian exports beyond the limited EAEU and Armenian trade remains overly dominated by trade with Russia.<sup>10</sup>

By becoming an EAEU member, Armenia has joined the mid-term perspective of the bloc's free trade agreement with the European Free Trade Association (**EFTA**), through which it could also become a **free trade partner of Switzerland**, should in the future the negotiations between EFTA and the EAEU resume<sup>11</sup>.

Armenia is a member of the World Trade Organization (WTO) since 2003. It has concluded bilateral free trade agreements with Georgia and Iran, and is now aligned with the EAEU's common set of free trade instruments.

## 2.2 Outlook for Switzerland (potential for discrimination)

The following bilateral agreements ruling economic and trade exchanges are in force between Switzerland and Armenia:

- Agreement on Trade and Economic Cooperation of 19 November 1998
- Agreement on the Promotion and Reciprocal Protection of Investments of 19 November 1998
- Agreement on the Avoidance of Double Taxation with Respect to Taxes on Income and Capital of 12 June 2006

These agreements provide a solid legal framework for the development of bilateral trade and economic relations.

As a rule, Armenia is committed to diversifying its external economic relations to the highest extent possible and welcomes the interest of Swiss investors and other trade partners.

The Embassy has no information on intended or collateral discrimination against Swiss economic interests in Armenia.

The amendment protocol on the Agreement on the Avoidance of Double Taxation with Respect to Taxes on Income and Capital has been accepted by the Swiss Federal Council on 29 April 2020. The signature of the new text is planned to take place in 2021 by the Swiss Ambassador to Yerevan and relevant Armenian authorities.

Armenia is not a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information and Intended First Information Exchange Date (MCAA).

## 3 Foreign trade

### 3.1 Development and general outlook

Whereas Armenia is striking a better balance between its trade partners and by trying to maximize the advantages of having tighter relations with the EU than any other member of the EAEU and that of enjoying special relations with Iran, Russia remains by far its main trade partner, both in terms of exports and imports.

#### 3.1.1 Trade in goods

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<sup>9</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_21\\_782](https://ec.europa.eu/commission/presscorner/detail/en/ip_21_782)

<sup>10</sup> Regional Studies Center, Armenia's precarious balance (...), Yerevan, 1. June 2020

<sup>11</sup> EAEU has signed FTA with Ukraine, Moldova, Uzbekistan, Egypt, Tajikistan, Vietnam, China, Iran and Serbia. From 2016 FTA between Russia and Ukraine is suspended. The union has commenced talks for official trade cooperation with ASEAN which will help to increase trade with East Asia. The Eurasian Economic Union mainly uses its arms industry, raw materials, gas and oil reserves, and railways as its key assets for trade with foreign countries. Russia and Turkey are interested in formation of a free economic zone between the union and Turkey.

When it comes to **exports**, the main Armenian trade partners in 2020 were Russia (26.6% of exports, ↓ - 1.4%), Switzerland (18.4%, ↑+ 1.1%), China (11.4%, ↑+ 4.1%), Iraq (6.4%, ↓ - 0.3%) and Bulgaria (5.9%, ↓ - 1.9%). As in the previous year, Armenia's top exported goods were ores/slag/ash, minerals<sup>9</sup>, processed food, precious stones, previous/non-precious metals, textiles, tobacco and beverages.

In 2020 **imports** originated mainly from Russia (32.4%, ↑+ 5.5%), China (14.8%, ↑+ 1.3%), Iran (6.9%, ↑+ 1%) and Germany (5.2%, ↓ - 1.7%). The most imported goods were minerals, machinery, vehicles and chemicals.

Armenia's external trade turnover in 2020 amounted to a total of \$ 7'103.9 MM. As of 2020, Russia remains Armenia's main trade partner by far (over 30% of the total) with China (13.6%) and Switzerland (6.8%) at the 2<sup>nd</sup> and 3<sup>rd</sup> ranks respectively. Iran, in spite of US sanctions, maintained the 4<sup>th</sup> position with a share of 5.6%. The European Union as a whole reached 18%.

A worth mentioning case remains **Turkey**, towards which Armenian government has imposed a temporary trade embargo during the recent armed conflict. Turkey, in its turn, maintains the trade embargo against Armenia since 1994. In spite of that, in 2019 Turkey was Armenia's 5<sup>th</sup> most important trading partner. Turkish goods for \$ 149.8 MM were imported to Armenia via third countries.<sup>12</sup>

As it was underlined in 2019's report, with the exception of tourism, no systematic data on international trade in services is being collected. This omission is distorting the increasing importance of Armenia's budding information technology sector.

### 3.2 Bilateral trade

From our host country's perspective, the overall trade volume amounted to \$ 485.6 MM in 2020. Switzerland **ranks 2<sup>nd</sup> among** the recipient countries of Armenian exports with \$ 467.3 MM (against \$ 457.9 MM in 2019), and 11<sup>th</sup> among exporters to Armenia with \$ 18.3 MM (against \$ 62.6 MM in 2019). The trade turnover according to Swiss statistics for 2020, sees Swiss imports from Armenia amounting to CHF 165.77 MM (against CHF 252.57 MM in 2019) and exports to Armenia valued at CHF 18.69 MM (against CHF 51.8 MM in 2019). This turnover has resulted for the 4<sup>th</sup> year in a row in a **trade surplus for Armenia**, which is mostly due to precious metals exports. However, in 2020, non-gold exports from Armenia to Switzerland increased against exports of precious metals. Imports from Armenia consist also of watch parts and textiles. Switzerland exports mainly precious metals, machinery, pharmaceuticals, watches and watch parts. The correspondent trade in watch parts and watches has been a documented trend over several years and points to an active cooperation of both countries' private sectors along the very same value chain.

Armenia is a beneficiary of customs' duties exemption or easing through Switzerland's **Generalized System of Preferences** (GSP). However, this instrument, which could significantly benefit Armenian exporters, is little known and remains underused<sup>13</sup>.

During the 1<sup>st</sup> semester of 2020 Armenia exported goods for a total of CHF 93 MM to Switzerland according to SECO records. Out of that, a volume of CHF 15'5 MM of exports would have been eligible to benefit from GSP scheme. However, only CHF 58'000 were in fact imported under that scheme, implying a utilization rate of 0.38%. The rest was exported mostly under MFN terms.

Switzerland, together with the European Union and Norway, introduced as of January 2017 a system of self-certification of origin by exporters. The **Registered Exporter system** (REX)<sup>14</sup> consists of an application accessed through the Internet.<sup>15</sup> REX will progressively and fully replace the current system of origin certification. In Armenia the transition to new REX platform started on 01.01.2018 and was finalized on 30.06.2019.<sup>16</sup> To be entitled to make out a statement on origin for consignments containing

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<sup>12</sup> The Armenian Statistical service has made some changes to the structure of its reports and trade information with Turkey is no longer displayed separately.

<sup>13</sup> The EU equivalent (GSP+) is much better used by Armenian exporters. "Armenia benefits from the reformed EU Generalized Scheme of Preferences (GSP+). 91% of total EU imports from Armenia entered the EU with zero duties in 2018, which is lower than in 2017. According to the information from Eurostat this is because part of Armenia's exports to the EU were registered as "confidential" by a Member State." ([https://eeas.europa.eu/sites/eeas/files/partnership\\_implementation\\_report\\_armenia.pdf](https://eeas.europa.eu/sites/eeas/files/partnership_implementation_report_armenia.pdf))

<sup>14</sup> <https://www.ezv.admin.ch/ezv/en/home/information-companies/exemptions--reliefs--preferential-tariffs-and-export-contribution/importation-into-switzerland/developing-countries-gsp--generalized-system-of-preferences-.html>

<sup>15</sup> [https://ec.europa.eu/taxation\\_customs/dds2/eos/rex\\_validation.jsp?Lang=en&Screen=0&Type=&Number=&Expand=false](https://ec.europa.eu/taxation_customs/dds2/eos/rex_validation.jsp?Lang=en&Screen=0&Type=&Number=&Expand=false)

<sup>16</sup> [https://ec.europa.eu/taxation\\_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/generalised-system-preferences/the-registered-exporter-system\\_en#heading\\_7](https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/generalised-system-preferences/the-registered-exporter-system_en#heading_7)

originated products exceeding CHF 10'300, the Armenian exporters will have to register under the national customs administration.

In conclusion, and like in previous reporting years, it shall be noted that the information reported by the **National Statistical Service** of Armenia differs substantially from **Swiss statistical data**. As a general rule the Armenian figures are higher. If we take the exchange rates of SFR and \$ 1:1, in 2020 the difference is more than 269% (according to Armenian statistics the total trade bilateral turnover was around \$ 485.6 MM against \$ 184.46 MM reported by the Swiss custom services). The clarification received from the National Statistical Service of Armenia is provided in the attached file:



Reasons of differences\_CH\_AM.

## 4 Direct investments

### 4.1 Development and general outlook

Armenia's policy on foreign direct investment is considered as being **one of the most open and liberal among the CIS countries**. Foreign direct investment is actively encouraged and enjoys the same rights as locally originated investment. Policy is governed by the Law on Foreign Investment, as well as bilateral investment treaties (of which Armenia has concluded about 40). Those investments can be restricted in some territories/areas based on national security considerations. In practice, there is only one strict limitation that is for television broadcasting, where at least 50% of shareholdings must be controlled by Armenian nationals. Less strict limitations apply to some financial institutions and to gambling.

Notwithstanding the national law, which prevents foreign individuals to **own land**, the latter can obtain long-term leases and ownership of buildings is allowed. Besides, a local company registered in Armenia by a foreign national can acquire land.

Several **grants or incentives** are available to investors, both foreign and domestic, particularly in the fields of agriculture and IT start-ups. Imports of machinery are eligible for postponing of VAT payments.

Due to the pandemic, **during 2020**, the amount of foreign direct investments (FDI) to Armenia diminished sharply, as Russia, Germany and Argentina being the biggest investing countries have not made any sizeable investment last year. Other countries as well have decreased substantially the investments in the Armenian economy. The biggest part of FDI for 2020 is represented by Italy.

Nevertheless **Russia** still holds by far the biggest share of FDIs, amounting to almost half of the total of invested foreign capital, followed by Canada (12.78%), Cyprus (5.43%) and Argentina (5.35%).

### 4.2 Bilateral Investments

Swiss private investments in Armenia are mainly directed to the financial services, manufacturing (watchmaking), pharmaceutical research and food industry. Even if it is not possible to provide a precise figure, in the light of inputs from the pharmaceutical sector, Research & development activities should account for a good share of the total investments (estimate: 10/15%). In 2019 direct investments flown to Armenia from Switzerland targeted two main sectors: wholesale trade and research. Switzerland is traditionally a **top-15 investor** in Armenia. FDI flows from Switzerland to Armenia in 2020 decreased by 66% amounting to \$ 1.5 MM; nevertheless, Switzerland has improved its position and **ranks 13<sup>th</sup>** among the main investors in Armenia<sup>17</sup>. This brings Switzerland cumulative investments to Armenia to \$ 23.4 MM.

According to the records of the State register of companies, as of 09.04.2021 there are **48 companies**, which are registered in Armenia with Swiss participation.

There are two major investment projects currently in the pipeline with capital from Switzerland, which are the construction of a business complex in the center of the capital and the establishment of an industrial zone in Kotayk region.

As per tradition, the Embassy has conducted a survey among the Swiss business community in Armenia, with a special focus on the impact of the **pandemic** and the results of which are presented in the Appendix 7 (only in the report for internal use). The Embassy has also included information collected from multinational investors in the country, which is also presented in the Appendix 7.

<sup>17</sup> Statistics on Jersey and British Virgin Islands territories were not included into the calculation.

## 5 Trade, economic and tourism promotion

Several organizations – first and foremost the **Swiss-Armenian Chamber of Commerce** ([www.sacoc.ch](http://www.sacoc.ch)) inaugurated in June 2017- are active in the promotion of trade and economic relations between Armenia and Switzerland. Most of these private initiatives are attributable to a relatively small, but very enterprising Armenian diaspora in Switzerland.

### 5.1 Foreign economic promotion instruments

Trade events include a session of B2B meetings and a conference for discovering the opportunities in Armenia organized on April 12, 2018 by the Chamber of Commerce, industry and services of Geneva and the Trade representative of the RA to Switzerland; a Swiss-Armenian Business Forum organized by Business Armenia in the framework of the Official Visit to Armenia by former President of the National Council Dominique de Buman on February 5-6, 2018; the First Swiss-Armenian Business Day organized by the Embassy of Switzerland in Armenia in November 29, 2017.

In 2019 the Swiss Embassy in Yerevan has introduced a **new economic promotion instrument** consisting of thematic business luncheons for the Swiss business community in Armenia. The format of the meeting is similar to a round table discussion, where a special guest from the Armenian ministry related to the topic, attends the event to interact with business people. The first meeting has been focusing on Opportunities and Challenges of Digital Economy in Armenia. The second event of March 2020, and devoted to *Export Promotion*, has been cancelled last minute because of COVID-19. This format will be resumed ASAP.

A **webinar on “Doing business in Armenia”** that was organized by the Joint Chamber of Commerce Switzerland with the participation of the Swiss Ambassador in Yerevan took place in April 2021.

The Embassy is also supporting a **new initiative of the Chamber of Commerce Switzerland-Armenia** to create a video catalogue of Armenian companies, aiming at promoting them worldwide, including Switzerland, through the chambers of commerce. A dedicated meeting will take place under the roof of the Embassy in July 2020.

### 5.2 Armenia’s interest in Switzerland

Whereas the number of Armenian **tourists** visiting Switzerland is small and the potential of a strong increase is rather limited, Swiss tourists interested in the Armenian culture and rich historical legacy are growing: in 2019 there had been an increase of over 16.29% (5'561 visitors; + 779 >2018), whereas for the known reasons the number of Swiss visitors to Armenia in the 1<sup>st</sup> half of 2020 was only 273. Within the process of the new Swiss cooperation strategy in the region, a dedicated support to development of rural tourism in Armenia is being discussed.

### 5.3 Switzerland as a financial center

Switzerland, notably its banking and finance sectors as well as its robust economy, enjoys an excellent reputation in Armenia. Having said that, some of the relevant Armenian business community would like to see more interest from the Swiss insurance sector, pointing to the low ratio of insurance premiums (around 4% of GDP). Insurance premiums per capita stand at just AMD 11'000 / (\$ 23.00). In comparison with other service sectors, insurance is still underdeveloped and could offer good opportunities to Swiss providers.

## Economic structure

	2018	2019	2020
<b>Distribution of GDP<sup>18</sup></b>			
Primary sector	16.70%	14.80%	15.1%
Manufacturing sector	11.30%	11.70%	12.4%
Services	63.40%	64.10%	72.5%
- of which public services	12.0%	12.30%	13.8%

<b>Distribution of employment</b>			
Primary sector	2.87%	2.99%	2.95%
Manufacturing sector	11.40%	11.75%	11.95%
Services	90.48%	89.88%	85.1%
- of which public services	36.55%	34.65%	30.74%

\*Source: [https://www.armstat.am/file/article/sv\\_03\\_18r\\_112.pdf](https://www.armstat.am/file/article/sv_03_18r_112.pdf)  
[https://www.armstat.am/file/article/sv\\_01\\_19r\\_112.pdf](https://www.armstat.am/file/article/sv_01_19r_112.pdf)  
[https://www.armstat.am/file/article/sv\\_12\\_19a\\_142.pdf](https://www.armstat.am/file/article/sv_12_19a_142.pdf)  
[https://www.armstat.am/file/article/sv\\_03\\_21a\\_112.pdf](https://www.armstat.am/file/article/sv_03_21a_112.pdf)

<sup>18</sup> The presented figures have been amended according to the adjustments in the statistical data published by Armenian Statistical Service.



## Main economic data\*

	2018	2019 <sup>19</sup>	2020
<b>GDP</b> (\$ million)	12'457	13'652	12,637
<b>GDP per capita</b> (\$)	4'196	4'615	4'255
<b>Growth rate</b> (% of GDP)	5.2	7.6	-7.6
<b>CPI Inflation</b> (%)	2.4	1.4	3.7
<b>Unemployment rate</b> (%)	20.5	18.9	18.1
<b>Fiscal balance</b> (% of GDP)	-1.8	-1.0	-6.9
<b>Current account balance</b> (% of GDP)	-9.4	-7.2	-4.6
<b>Total external debt</b> (% of GDP)	85.9	88.49	103.5
<b>Debt-service ratio</b> (% of exports)	7.9	14.7	15.2 E
<b>Reserves</b> (months of imports)	3.7	6.4	4.7 E

\* Source:

### 2018:

- [IMF Country Data 2018-2020](#)
- [IMF country report: Armenia](#)
- [Armenia country profile trading economics](#)
- [Report by World Bank](#)

### 2019

- [IMF assessment paper, edition May 2020](#)

### 2020

- [IMF Regional Economic Outlook - Report, April 2021](#)
- [IMF Regional Economic Outlook – Statistical appendix, April 2021](#)
- [Committee of Statistics of Armenia](#)
- [IMF THIRD REVIEW UNDER THE STAND-BY ARRANGEMENT, December 2020](#)

<sup>19</sup> The figures for 2019 were adapted to adjustments of the IMF country review as of December 2020 – <https://www.imf.org/-/media/Files/Publications/CR/2020/English/1ARMEA2020003.ashx>

## Trade partners – year 2020

Représentation suisse à: Erevan	
Pays: Arménie	Date de la dernière mise à jour: 19.05.2021

### Host country view

Rank	Country	Exports	Share	Change	Rank	Country	Imports (by trading country)	Share	Change
		from the host country (\$ million)					to the host country (\$ million)		
→1	Russia	675.99	26.57%	-8%	→1	Russia	1'638.01	35.93%	0.12%
→2	Switzerland	467.30	18.37%	2%	↑2	China	436.64	9.58%	-5.75%
↑3	China	290.03	11.40%	50%	↑3	Georgia	322.57	7.07%	-33.26%
↑4	Iraq	163.40	6.42%	-8%	↑4	Iran	316.15	6.93%	-2.87%
↓5	Bulgaria	150.84	5.93%	-27%	↑5	Germany	237.22	5.20%	-0.83%
→6	Netherlands	97.33	3.83%	-37%	↑6	Italy	166.67	3.66%	-8.17%
↑7	UAE	95.63	3.76%	67%	↑7	Ukraine	126.99	2.79%	-14.43%
↓8	Iran	84.85	3.33%	1%	↓8	UAE	98.24	2.15%	-57.18%
↑9	USA	67.85	2.67%	26%	↓9	USA	78.34	1.72%	-78.03%
↑10	Georgia	57.49	2.26%	-17%	↑10	France	66.78	1.46%	2.58%
↓11	Germany	56.60	2.22%	-19%	→11	Netherlands	66.09	1.45%	-49.90%
↑12	Italy	41.01	1.61%	-31%	↑12	Belarus	59.55	1.31%	17.92%
↑13	Belgium	36.53	1.44%	-18%	↓13	Belgium	86.60	1.57%	16.3%
↑14	Ukraine	26.39	1.04%	7%	↑14	Poland	47.72	1.05%	3.9X
↑15	Belarus	21.27	0.84%	19%	↑15	Czech Rep.	41.39	0.91%	-28.0%
					↓18	Switzerland	29.82	0.65%	-52.37%
↓	EU	428.98	16.86%	-26%	↓	EU	925.78	20.30%	-19.24%

Source: National Statistics Office of Armenia:

2020: [https://www.armstat.am/file/article/sv\\_12\\_20a\\_411.pdf](https://www.armstat.am/file/article/sv_12_20a_411.pdf)

# Bilateral trade 2020

## PROVISORISCHE ERGEBNISSE

Eidgenössische Zollverwaltung EZV, Aussenhandelstatistik, 3003 Bern

TN103: Schweizerischer Aussenhandel nach Ländern und Kapiteln

19.01.2021

Periode: Januar bis Dezember 2020

Land: 185 Armenien

\* = Veränderungsrate / Anteile nicht berechenbar

\*\* = Veränderungsrate > 999,9 %

Total 2: Ergebnisse inklusive Gold in Barren und anderen Edelmetallen, Münzen, Edel- und Schmucksteinen sowie Kunstgegenständen und Antiquitäten.

Total 2		Import in Mio. CHF				Export in Mio. CHF				Saldo in Mio. CHF	
		2019	2020	+/- %	Anteil	2019	2020	+/- %	Anteil	2019	2020
Total		252.57	165.77	-34.4	100.0	51.80	18.69	-63.9	100.0	-200.77	-147.09
01 - 24	Landwirtschaftliche Produkte	0.15	0.37	153.2	0.2	0.52	0.21	-59.0	1.1	0.37	-0.16
25 - 26	Mineralische Stoffe	0.02	0.03	86.1	0.0	0.00		-100.0	*	-0.02	-0.03
27	Energieträger			*	*	0.00	0.01	222.5	0.0	0.00	0.01
28 - 29	Chemische Grundprodukte	0.01	0.01	160.4	0.0	0.01	0.04	450.7	0.2	0.00	0.02
30	Pharmazeutische Erzeugnisse	0.00		-100.0	*	11.94	6.94	-41.8	37.1	11.94	6.94
31 - 32	Düngemittel, Farbstoffe, Pigmente		0.00	*	0.0	0.31	0.51	64.9	2.7	0.31	0.51
33 - 34	Schönheitsmittel, Waschmittel	0.00	0.00	115.8	0.0	0.14	0.15	13.5	0.8	0.14	0.15
35 - 38	Stärke, versch. chemische Erzeugnisse	0.00	0.00	570.4	0.0	0.51	0.43	-16.6	2.3	0.51	0.43
39 - 40	Kunststoffe, Kautschuk	0.00	0.00	-72.5	0.0	0.25	0.17	-30.7	0.9	0.25	0.17
41 - 43	Felle, Leder, Lederwaren	0.01	0.00	-74.2	0.0	0.05	0.02	-47.4	0.1	0.04	0.02
44 - 46	Holz, Kork, Flechtwaren	0.06	0.01	-77.2	0.0	0.08	0.01	-90.9	0.0	0.02	-0.01
47 - 49	Papier und Papierwaren	0.04	0.01	-77.9	0.0	0.93	0.06	-93.6	0.3	0.89	0.05
50 - 63	Textilien und Bekleidung	5.29	4.49	-15.1	2.7	0.32	0.20	-35.6	1.1	-4.97	-4.29
64 - 67	Schuhe, Schirme usw.	0.00	0.00	-84.5	0.0	0.13	0.06	-53.1	0.3	0.13	0.06
68 - 70	Waren aus Steinen, Keramik, Glas	0.01	0.01	-17.5	0.0	0.10	0.09	-7.7	0.5	0.09	0.08
71	Edelsteine, Edelmetalle, Bijouterie	216.08	126.64	-41.4	76.4	24.23	4.44	-81.7	23.8	-191.85	-122.20
72 - 83	Unedle Metalle und Waren daraus	0.53	0.22	-57.9	0.1	0.72	0.48	-33.2	2.6	0.19	0.26
84	Maschinen ( nicht elektrisch)	0.04	0.01	-67.1	0.0	3.24	1.51	-53.4	8.1	3.20	1.49
85	Maschinen (elektrisch)	0.01	0.15	**	0.1	0.26	0.76	192.6	4.1	0.25	0.61

86 - 89	Fahrzeuge, Flugzeuge usw.	0.01	0.31	**	0.2	0.04	0.03	-21.0	0.2	0.03	-0.28
90	Opt. / medizin. Instrumente	0.05	0.07	50.9	0.0	2.27	0.93	-58.9	5.0	2.23	0.87
91	Uhrmacherwaren	30.14	33.34	10.6	20.1	5.63	1.54	-72.6	8.3	-24.51	-31.79
92	Musikinstrumente		0.00	*	0.0		0.00	*	0.0		0.00
93	Waffen und Munitionen			*	*	0.00	0.01	206.4	0.0	0.00	0.01
94	Möbel, Bettzeug usw.	0.03		-100.0	*	0.07	0.03	-64.5	0.1	0.04	0.03
95 - 96	Spielzeuge, Sportgeräte usw.	0.01	0.01	155.8	0.0	0.07	0.05	-33.2	0.3	0.07	0.03
97	Kunstgegenstände, Antiquitäten	0.11	0.06	-41.0	0.0	0.00		-100.0	*	-0.11	-0.06

## Progress in Trade

	<i>Exports (CHF MM)</i>	<i>Change (%)</i>	<i>Imports (CHF MM)</i>	<i>Change (%)</i>	<i>Balance (CHF MM)</i>
1995	0.8		0.1		0.7
2000	4.7	83	1.3	179	3.4
2002	13.9	59	1.4	-70	12.5
2003	8.3	-40	1.6	12	6.7
2004	7.2	-13	1.1	-29	6.1
2005	11.7	63	1.3	18	10.4
2006	15.0	27	2.0	57	13.0
2007	23.0	54	16.6	698	6.4
2008	33.3	45	2.6	-84	30.7
2009	39.5	18	1.7	-32	37.8
2010	35.2	-11	3.3	262	28.7
2011	25.8	-26	6.0	81	19.8
2012	78.6	204.5	8.5	39.4	70.1
2013	78.2	-0.5	7.5	-11.4	70.7
2014	114.9	46.9	4.4	-41.0	110.5
2015	33.0	-71.2	5.9	-24.9	27.4
2016	32.8	-0.7	3.0	-48.9	29.7
2017	91.3	178.6	141.3	46x	-49.95
2018	130.27	42.6	193.71	37.1	-63.44
2019	51.80	-60.2	252.57	30.4	-200.77
<b>2020</b>	<b>18.69</b>	<b>-177</b>	<b>165.77</b>	<b>-34</b>	<b>-147.08</b>

## Main investing countries<sup>20</sup>, year: 2020

Rank <sup>21</sup>	Country	Direct Investments (AMD mln, net Stocks, 2020)	Share (%)	Variation of inflows in absolute fig- ures	Inflows over the past year (AMD mln)
→ 1 (1)	Russia	818'060.50	40.37	-59'492.2	-46'899.30
↑ 2 (12)	Canada	258'883.90	12.78	4'384.5	4'384.50
↑ 3 (9)	Cyprus	110'092.20	5.43	-10'141.7	-4'040.30
↓ 4 (2)	Argentina	108'402.70	5.35	-16'465.7	-7'516.00
↑ 5 (7)	France	91'203.30	4.5	3'197.2	2'001.10
↓ 6 (5)	UK	89'772.90	4.43	1'943.2	638.50
↓ 7 (4)	Netherlands	82'052.70	4.05	-22'913.4	-21'432.10
↓ 8 (3)	Germany	78'341.70	3.87	-8'602.1	278.00
↓ 9 (8)	USA	74'512.40	3.68	-1'285.7	-1'575.20
→ 10 (10)	Italy	31'165.40	1.54	-3'856.9	9'097.10
↓ 11 (6)	Luxemburg	29'509.90	1.46	8'363.7	7'072.10
↓ 12 (11)	UAE	18'222.90	0.9	-846.7	-85.40
↓ 13 (12)	<b>Switzerland</b>	<b>11'436.00</b>	<b>0.56</b>	<b>-567.0</b>	<b>759.10</b>
	EU	n.a.	n.a.		n.a.
	<b>Total AMD mln</b>	<b>2'026'431.40</b>	<b>100 %</b>	<b>-64'015.0</b>	<b>-7'109.50</b>
	<b>Total USD<sup>22</sup> mln</b>	<b>4,141.42</b>	<b>100 %</b>	<b>-130.8</b>	<b>-14.53</b>

Source: National Statistics Office of Armenia:

2020 - [https://www.armstat.am/file/article/sv\\_02\\_21a\\_420.pdf](https://www.armstat.am/file/article/sv_02_21a_420.pdf)

2019 - [https://www.armstat.am/file/article/sv\\_02\\_20a\\_420.pdf](https://www.armstat.am/file/article/sv_02_20a_420.pdf)

\$ average exchange rate for 2020: 1 \$ = 489.31 AMD

\$ average exchange rate for 2019: 1 \$ = 480.24 AMD

<sup>20</sup> Tax haven like Jersey and British Virgin Islands have been excluded from this list to make the ranks more clear.

<sup>21</sup> The arrows and the number in parenthesis indicate the ranking change compared to the previous year (2019).

<sup>22</sup> The annual average exchange rate for USD of the Central Bank of Armenia was taken for the purposes of calculation.