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Annual economic report: Armenia 2018

0 Executive Summary

In comparison with other countries of the CIS, Armenia can be considered an open, though small economy. The policy of privatization of the past, as challenging as it had been, was conducted by and large successfully. Armenia's ranking in international listings shows a mixed record, with however an upward tendency overall¹. Armenia is a promising destination for business, even more so that the new government is committed to set up an equal, fair and transparent playing field for international companies and to curb past trends towards monopolization. Yet, the potential in bilateral trade and investment is still not fully realized. Notable downsides are the limited size of the domestic market and the country's challenging geopolitical situation. Due to its dependence in terms of security, energy supply and transports, Armenia is particularly exposed to swings of the international and regional contexts. A sizeable reshuffle of the public administration with largely unexperienced employees, a weak judiciary and the insecurities of the legal framework constitute a potential brake for a smooth process of economic development and constitute a source of uncertainty.

1 Economic problems and issues

With its young and well-educated workforce, competitive service sector, comparatively low wages, ambitious business culture, well-connected diaspora, favorable living conditions and a tradition of curiosity and innovation, **Armenia aspires** to join as soon as possible the category of **successful emerging markets**, nevertheless with mixed results so far.

Given the **small domestic market** and challenging geopolitical context, every Armenian government since the country's independence in 1991 has tried to implement a liberal market agenda. Nowadays, very few sectors are still controlled by the State and Armenian authorities very pragmatically have requested international technical support to consolidate the process. Shortcomings in governance, weakness and lack of autonomy of the legal system and an individualistic societal culture still have a negative incidence on economic performance. SME access to the financial market is only slowly improving. On a more positive note, new mechanisms of funding have been introduced. The ability to retain the young generation is one of Armenia's major challenges.

Armenia's geopolitical isolation – its longest land borders with neighboring countries Turkey and Azerbaijan are closed – could be partly offset by identifying and more decisively pursuing cross-border opportunities in the region. Attempts are being made with Armenia's southern neighbor Iran. In December 2017 the Free Economic Zone of Meghri (FEZ of Meghri) located on the border with Iran has officially launched its activities. However, most recent developments, including sanctions on Iran, are posing new obstacles in pursuing this strategy.

Remittances: In 2018 individual non-commercial remittances sent to Armenia through banks amounted to USD 1,785.6 mln (1.6% or USD 29.1mln more than in 2017). This is the second year in a row since 2013 where an increase of individual noncommercial money transfers to

¹ WEF Global Competitiveness Index 2018: Armenia ranks 70th (from 72rd the year before) out of 140.

Armenia has been recorded. The main role for sustaining domestic consumption is still played by Armenian workers in Russia, even if in 2018 transfers from Russia to Armenia slightly decreased by USD 15mIn (- 1.41%), bringing the total inflow from Russia into Armenia to 58.8% or USD 1'049.9 mln. Their overall value amounts to 14.3% of GDP² and keep Armenia strongly dependent on the value of the Russian ruble. Another strong dependency lies in the price of copper and other metals, which increases the vulnerability to external shocks.

Unemployment remains high at 18.3%³ despite a performing educational system in economically relevant sectors (technology, science, etc.). Data retrieved from employers and national income service cite 560,586.00 payroll positions in January 2019, namely an increase of 9.9% against the previous year.⁴ Nevertheless there is a mismatch in many sectors between the provided education and the needs of the job market. New employment services are being piloted with the EU support: in spite of that, the capacity of the State employment Agency remains low. After the dismantling of the labor inspectorate, the supervision and control of labor standards, rights and working conditions, has become weaker. The new government has the intention to re-establish this institution. Some international organizations fear that if the government were to pass the legislative changes for increasing the **minimum wage** by 25%, this might create additional challenges for the private sector and might discourage some companies to bring the non-registered employees out of the shadow.

GDP: after a dynamic growth of GDP in 2017 amounting to 7.5%, and the strong growth in the first half of 2018, a slowdown of economic activities followed in the second part of the last year. This was due to a combination of tight spending policies by the government, weakening remittances and a poor agricultural harvest. Growth in investments, while remaining solid, also decreased in the course of last year. Armenia's GDP stands at 5.03% in 2018. With 8.3% Armenia recorded the highest GDP growth among Eurasian Economic Union countries in January–June 2018 against the same period of 2017.⁵

Exports saw continued strong growth in 2018, amounting to USD 2,411.9 mln (7.5% or USD 169.1 mln higher than the year before) with markedly increased trade volumes, especially with Russia, Switzerland, Bulgaria, Iraq and Germany. Exports account for 19.43% of GDP.

Strong GDP growth performance⁶ was driven by wholesale and retail trade (↑ +11.3%), manufacturing (↑ +11.3%), real estate (↑ + 7.9%), entertainment (↑ +5.7%) and financial/insurance activities (↑ +5.3%). Other sectors such as agriculture (↓ 13.7%), construction (↓ 6.6%) and mining (↓ 2.9%) continued to play a relevant role for Armenian economy in spite of the negative trend.

The Armenian **banking** sector's net profit for 2018⁷ amounted to USD 128.3 mln against USD 71.7 mln in 2017, showing an impressive growth of 78.7%.

In the **mining sector**, which plays an important role in Armenia's economy and where sizeable investments are made by Western companies (USA, UK, etc.), concerns about environmental impact, notably regarding the Amulsar gold mine, have slowed down activities and sent at best mixed signals to international investors. It is expected that the findings of the 1st EITI report⁸ 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.

The growth recorded in sectors such as **entertainment** and **hospitality** should partly be linked to the Francophonie Summit that Armenia hosted in October 2018, welcoming almost 6'000 participants from all over the world.

² For 2017. Before the ruble weakness at the end of 2014, the value amounted to nearly 18% of GDP.

³ Reported by IMF

⁴ Reported by Armenian Statistica Service - https://www.armstat.am/file/article/sv_02_19a_141.pdf

⁵ Reported by ArmenPress - <https://armenpress.am/eng/news/956452.html>

⁶ Reported by the National Statistics Office of Armenia: https://www.armstat.am/file/article/sv_03_19a_112.pdf

⁷ Reported by ARKA News Agency

⁸ Report published in January 2019 covering 2016-2017 period: 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

Construction is still one of the main contributors to the GDP growth. After the “velvet revolution” a significant growth of demand was recorded in the real estate market, which was triggered by representatives of the Armenian diaspora among others. This resulted in an increase of about 20% in the real estate prices. Another factor that is boosting the construction sector is the decision by the government to provide to residents of Armenia the right to offset the income tax amounts from the mortgage loan interest.

Agriculture possesses a strong potential, which is only partly realized today. It is still the largest sector of the Armenian economy by percentage of employment, engaging nearly 40% of the country’s population. Armenia’s post-soviet agricultural sector still consists mostly of subsistence farming. Rationalization and improvements in most fields (cattle farming, erosion control, winter production / greenhouses, local market connectivity, high-quality viticulture etc.) have only started in recent years. Export promotion and diversification are crucial for Armenia’s agricultural sector. SDC has been implementing projects aimed at developing the agricultural sector starting from 2008. Within the current four years strategy, it is supporting farmers to improve the quality of their production, increase volumes, reduce costs and to have a sustainable access to markets. The areas of activity include regions of Tavush, Lori, Shirak, Gegharkunik, Vayots Dzor and Syunik. Since 2008 Switzerland has invested over CHF 27m. in the livestock and horticulture development in Armenia. About USD 50 m net additional cash income has been generated in the meat and dairy sectors in the target area last 10 years compared to baseline year (2008). 1,196 off-farm and on-farm jobs (43 % for women) were created in “farm support services” (veterinary, artificial insemination, agricultural inputs and services) sector, milk and meat markets. Total investments of farmers in milk and meat production sectors comprised USD 2.6 m. 133 businesses improved efficiency of operations, 112 of which were established due to the projects support.

Lacking **oil and gas resources**, Armenia is dependent on energy imports, notably from Russia. The Government sold its last stake of 20% in the domestic Gazprom affiliate to Russia in view of an external debt reduction. As a consequence of Armenia’s accession to the EAEU and after signature of a supply agreement valid until 2018, Russia gradually lowered the price of natural gas, but the end-user price is still perceived by the public opinion as being “non-preferential”. Armenia is a net electricity exporter thanks to the soviet-built Medzamor nuclear plant, broad hydropower resources and, more recently, electricity production with natural gas from Russia and Iran. Armenia’s government strives to diversify its energy production and reduce dependence, notably through the development of sources of renewable energy.

The new **Tax Code**⁹ was accepted in June 2019 and will enter into force in January 2020. The Government is aiming at achieving 3 main goals: to help boost export-oriented branches of economy, that will secure long-term economic growth; to improve the environment for micro and small businesses, for mitigating social problems and reducing the unemployment; to tackle pressing problems, identified over the past 12 months in various sectors of the economy. Studies have shown that, against comparable countries, the burden of direct taxes in Armenia is bigger. The proposed changes in the Tax Code call for a 2% decrease in income tax and introduction of a flat income tax scale, starting at 23%, which in three years is to fall to 20%. These changes imply also a reduction in tax revenues, particularly in income taxes, estimated at USD 61.8 mln. These losses are to be compensated by indirect taxes, such as excise taxes: it is nevertheless unlikely that those taxes will fully offset the decrease of income tax. Excise taxes might also encourage smuggling. Even more importantly, the tax administration would require some reforms and its capacity in formulating policies should be strengthened. According to the current legislation, dividends of residents are not taxed, while non-residents pay 10% tax. The new package proposes to halve the size of the tax for non-residents. According to those changes, both citizens of Armenia and foreigners will pay 5% tax on dividends. The proposed modifications also affect the gambling industry, where the current tax is proposed to increase by 20%.

⁹ [Reported by ARKA News Agency](#)

The new government formed after the “Velvet Revolution” of April-May 2018, pledged to crack down on widespread **tax fraud**. Since then, tax revenues rose by over 14%, to USD 2.7 bln, in 2018. It is projected to reach about USD 3 bln in 2019. The government has declared that most of the collected extra taxes will be spent on road construction. The effective tax policy of 2018, enabled the government to raise the salaries of schoolteachers and military personnel by 10%, and to finance its recent decision to make healthcare free for all citizens aged under 18.

The **compulsory pension fund system** has been introduced in July 2018 and applies to Armenian citizens who were employed as of 1974. They contribute 2.5% monthly from their gross salary, limited to an upper threshold equal to about USD 25. The same percentage is subsidized by the government to the account of the employee. There are three main pension fund managers in operating in Armenia: "Capital Asset Management" CJSC; "AMUNDI-ACBA ASSET MANAGEMENT" CJSC and "C-QUADRAT Ampega Asset Management Armenia" LTD (which is also the official representative of Swiss investment company Symbiotic). The changes were also incorporated in the Law on Pension fund system, and from January 2020 the upper threshold will be eliminated.

Armenia's **external debt-to-GDP ratio** remains high at 48.5 % but it is projected by IMF to gradually improve over the medium-term. In May 2019 the IMF approved a 36-month stand-by type of loans, worth USD 248.2 mln to Armenia. This gives an opportunity to receive loans at any moment in case of macro shocks, without additional procedures. Armenia has **successfully placed two Eurobonds**, in 2013 (USD 700 mln, 10 years at 6.25%), and in 2015 (USD 500 mln, 10 years at 7.5%).

Armenia's **inflation** scored a moderate 1.9% at the end of the year, a level that is below the lower band of the target range of the Central Bank of Armenia¹⁰.

In 2018, following the tight expenditure policies and robust economic growth, the fiscal deficit narrowed to 1.8% of GDP from 4.8% in 2017. As a result of the fiscal consolidation, Armenia's public debt-to-GDP ratio declined by 3.1 percentage points in 2018 to reach 55.8 % at the end of the year. The 2019 budget assumes a budget deficit of 2.2 % of GDP.

The Central Bank reduced its **key policy rate** by 25 basis points in January 2019 to 5.75%¹¹. After a considerable improvement in 2015-2017, Armenia's external position worsened in 2018 as the current account deficit widened to 9.1 % of GDP in 2018 from 2.4 % in 2017¹². The main cause has been the growing trade deficit that has mainly been driven by strong imports of capital goods. As foreign direct investments (FDI) recorded only a moderate increase by 2.1 % of GDP in 2018, the current account deficit was financed mainly by capital inflows and a slight reduction of the gross international reserves, which declined by 3 % over the year to USD 2.24 bln at the end of 2018.

2 International and regional economic agreements

2.1 Country's policy and priorities

In 2013, Armenia undertook a **pivotal shift** in external policy, by joining the **Eurasian Economic Union** (EAEU) of which it is a full member since January 2015. Previously, Armenia was seen, together with Georgia, as one of the countries vigorously pursuing their association process with the European Union. Despite this re-orientation, Armenia remains committed to closer ties with the west and especially the European Union¹³. In terms of trade policy, this

¹⁰ <https://www.cba.am/en/SitePages/statrealsector.aspx>

¹¹ https://www.cba.am/EN/News/Pages/news_20-06-12.aspx#sthash.VEBK7VVF.dpbs

¹² <https://www.cba.am/en/SitePages/statexternalsector.aspx>

¹³ A Comprehensive and Enhanced Partnership Agreement (CEPA) was signed in late 2017 and ratified by the Armenian Parliament unanimously in April 2018. CEPA will enter into force after the ratification by the EU member states is completed.

step is nevertheless 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).

The reasons that led Armenia to join the EAEU have been the subject of many speculations. In any case, it should be noted that according to some sources Armenia's exports to other EAEU countries have increased by 70% since its accession.

Armenia is a member of the World Trade Organisation (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.

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 resume¹⁴.

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. The Embassy has no information on intended or collateral discrimination against Swiss economic interests in Armenia. As a rule, Armenia is interested in diversifying its external economic relations to the biggest extent possible and welcomes the interest of Swiss investors and other trade partners.

In November 2018 a delegation from the Federal Department of Finance of Switzerland teamed up in Yerevan with a delegation of the Armenian Ministry of Finance and the State Revenue Committee with a view to amending the Agreement on the Avoidance of Double Taxation with Respect to Taxes on Income and Capital. Currently both teams are working on the internal procedures, which are required to ask for the government authorization to sign the amendment protocol. The ratification process is expected to start not earlier than in 2020 and the new amendment will be applied from 2021.

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

Armenia joined the World Trade Organisation (WTO) in 2003. It pursues a policy of free trade.

3.1.1 Trade in goods

When it comes to exports, the main foreign trade partners for Armenia in 2018 were Russia (27.6% of exports), Switzerland (about 13.9%), Bulgaria (8.9%), Iraq (6.2%) and Germany

¹⁴ EAEU has signed FTA with Ukraine, Moldova, Uzbekistan, Egypt, Tajikistan, Vietnam, China, Iran and Serbia. From 2016 Russia has suspended the FTA with Ukraine. 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.

(5.6%). In 2018 Armenia's top exported goods were ores and minerals¹⁵, processed food, precious stones, precious/non-precious metals and textiles.

2018 imports originated mainly from Russia (28.1%), China (7.7%), Georgia (7.5%), Iran (5.4%) and Germany (5.2%). The main imported goods were ores and minerals, machinery, processed food, chemicals (incl. pharmaceuticals) and textiles.

Russia remains Armenia's main trade partner by far (above 20% of the total). Iran's (9th in 2017) share in 2018 for exports has increased by 1 point; a more significant change is reported for the imports to Armenia from Iran, where Iran is Armenia's number 4 partner with USD 266.5 mln turnover. Taken as a whole, in 2018 as well EU claims a bigger share than Russia, with around 26% of Armenia's foreign trade. An interesting case remains Turkey, which has decreed a unilateral trade embargo against Armenia since 1994. Despite this fact, in 2018 Turkey is Armenia's 8th most important trading partner in imports. At the same time, Turkish goods for USD 161.9 mln were exported to Armenia via third countries.

With the exception of tourism, no systematic data's collection on international trade in services is being conducted. This omission is distorting the increasing importance of Armenia's budding information technology sector. The Central Bank of Armenia is currently considering an international transactions reporting system that would allow for collecting of data on all cross-border payments and receipts going through the banking system.

Indeed tourism is developing very dynamically. In 2018 the number of international visitors to Armenia increased by 11% bringing 157'003 more visitors compared to 2017. In terms of employment, the tourism sector in 2017 directly supported 44'500 jobs (3.9 % of total employment)

3.2 Bilateral trade

According to the Armenian statistics, bilateral trade with Switzerland has reached a considerable level. From our host country's perspective, the **overall trade volume** with Switzerland amounted to USD 477.1 mln in 2018. Switzerland ranks 2nd among the recipient countries of Armenian exports with USD 336.4mln (against USD 269.4 mln in 2017), and 11th among exporters to Armenia with USD 140.7 mln (against USD 228.3 mln in 2017). The trade turnover according to Swiss statistics for 2018, sees Swiss imports from Armenia amounting to CHF 193.71 mln (against CHF 141.32 mln in 2017) and exports to Armenia valued at CHF 130.27 mln (against CHF 91.36 mln¹⁶ in previous year). This turnover has resulted for the 2nd year in a row in a trade surplus for Armenia, which is mostly due to precious metals exports. Switzerland exports mainly precious metals, machinery, pharmaceuticals, watches and watch parts. Imports from Armenia consist mostly of precious metals, machinery, watch parts and textiles. The reciprocal 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. This assumption is corroborated by investments of the Swiss watch-making sector in Armenia.

Armenia is a potential beneficiary of Swiss 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 underused¹⁷. According to the last updates received from SECO, out of CHF194 mln worth goods produced in Armenia and exported to Switzerland in 2018, only those with a total value of CHF 124,000 were presented to get GSP exemptions at the border, thus resulting in 0.4% utilization rate. During the 1st half of 2019, out of CHF 124 mln exported goods with Armenian origin only CHF 91,000 benefited from the GSP system. This brings the utilization rate of Swiss GSP to 0.84%.

¹⁵ This category also includes oil and gas in Armenian statistics

¹⁶ Swiss figures see a marked continuation of this tendency for January - May 2019: Exports to CH: CHF 104.69 mln (+67% yoy), Imports: CHF 28.11 mln (-61.0%) according to the Federal Customs Administration.

¹⁷ The EU equivalent (GSP+) is much better used by Armenian exporters. "Armenia benefits from the reformed EU Generalised 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)

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)**¹⁸ takes the shape of an application accessed through the Internet.¹⁹ REX will progressively and fully replace the system of origin certification, where the certificates are issued by governmental authorities and invoice declarations are made under certain conditions by exporters. The global transition period started on 1 January 2017 and will last until 30th June 2020. In Armenia the transition to new REX platform started on 01.01.2018 and was finalized on 30.06.2019.²⁰ To be entitled to make out a statement on origin for consignments containing originated products exceeding 10'300 Swiss Francs, the Armenian exporters will have to get registered by the national customs administration. The economic operator will then become a "registered exporter".

It is also to be mentioned that the information reported by the **National Statistical Service** of Armenia is substantially different from **Swiss statistical data**. Generally the figures reported by Armenian side are higher. If we take the exchange rates of CHF and USD 1:1, in 2018 the difference is more than 40% (according to the Armenian statistics the total trade turnover between Switzerland and Armenia was around USD 477.1mln against USD 323.98mln reported by the Swiss custom services). As for the official clarifications received from the National Statistical Service of Armenia there are different reasons for this, which are presented in the file below.



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 under bilateral investment treaties (of which Armenia has concluded about 40). The activities of foreign investors and legal entities with foreign investments can be restricted in some territories and 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, as well as in relation to gambling and games of chance.

Still foreign individuals are not allowed to own land. They can nevertheless obtain long-term leases. Ownership of buildings is allowed. A local company registered in Armenia by a foreign national can acquire land.

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

In the course of the last decade, Armenia has attracted foreign direct investment notably in the sectors of telecommunications and transports, food industry and agriculture, utilities and public services, mining, manufacturing and financial services. **Russia** holds by far the biggest share of direct foreign investments, amounting to almost half of the total of invested foreign capital. Its stock rocketed in 2018 compared to 2017 assuring 43.3% of share. Russia is followed by

¹⁸ <https://www.ezv.admin.ch/ezv/en/home/information-companies/exemptions--reliefs--preferential-tariffs-and-export-contributio/importation-into-switzerland/developing-countries-gsp--generalized-system-of-preferences-.html>

¹⁹ https://ec.europa.eu/taxation_customs/dds2/eos/rex_validation.jsp?Lang=en&Screen=0&Type=&Number=&Expand=false

²⁰ https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/generalised-system-preferences/the_register_exporter_system_en#heading_7

the Netherlands (6.73% share) and Argentina (5.26%), where Argentina hosts important Armenian diaspora wealth.

4.2 Bilateral Investments

Swiss direct investments in Armenia are known in the financial services, manufacturing (watch-making), pharmaceutical research and food industry sectors, with a high share in research & development activities²¹. Switzerland is traditionally a **top-ten investor** in Armenia, presently ranking 13th²², with net stock of around USD 21.8 mln at the end of 2018. This amounts to a share of 0.5% in total foreign investment as of the end of 2018.

The Embassy has conducted a small survey among the Swiss business community members in Armenia, the results of which are presented in the paragraph 6 (only on the report for internal use).

5 Trade, economic and tourism promotion

Several organisations – first and foremost the Swiss-Armenian Chamber of Commerce (www.sacoc.ch) - 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 in Geneva by the Chamber of Commerce, industry and services of Geneva and the Trade representative of the RA to Switzerland. A number of companies from Switzerland, a business delegation from Armenia, as well as the Head of Finance and Administration of the Embassy, Angela Khachatryan, attended it.

A Swiss-Armenian Business Forum was organized by Business Armenia (former Development Foundation of Armenia) in the framework of the Official Visit of former President of the National Council Dominique de Buman to Armenia on February 5-6, 2018.

November 29, 2017: First Swiss-Armenian Business Day organized by the Embassy of Switzerland in Armenia, with the participation of the Minister of Economy Suren Karayan, and a keynote speech delivered by Garegin Melkonyan, First Deputy Minister of Economy.

On June 28, 2017 the inauguration of the Chamber of Commerce Switzerland-Armenia took place in Zurich and was attended by the former Vice-President of the National Council Dominique de Buman and the former Ambassador of Switzerland, Lukas Gasser.

5.2 Armenia's interest in Switzerland

On one hand the number of Armenian **tourists** visiting Switzerland is small and the potential rather limited. On the other hand, Swiss tourists interested in culture and history visiting Armenia are growing: in 2018 there has been an increase of over 17.02% (4428 visitors). As a rule Swiss tourists spend more time and money in the country than the average foreign visitors. With its cultural heritage, rich landscapes and good hospitality culture, Armenia possesses a considerable potential for attracting international tourism. Challenges such as lacking or obsolete infrastructure, difficult international communication access and the general perception as a country in a state of war (despite a nearly spotless domestic security situation) prevent Armenia from fully realizing this potential.

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. A fair share of the Armenian business community would like to see more interest from the Swiss insurance sector, pointing to the low ratio of insurance

²¹ 10-15% of the ~600 jobs generated by Swiss direct investment are located in R&D activity (Embassy estimates).

²² Statistics on Jersey and British Virgin Islands territories were not included into the calculation.

premiums of around 4% of GDP. Insurance premiums per capita stand at just AMD 11'000 / (USD 23.00). In comparison with other services sectors, insurance is still underdeveloped in Armenia and can offer opportunities to Swiss providers.

Economic structure

	2016	2017	2018
Distribution of GDP			
Primary sector	18.5 %	14.7%	13.7%
Manufacturing sector	22.1 %	17.4%	24.3%
Services	51.2 %	51.9%	53.3%
- of which public services	12.9 %	n.a. %	n.a. %

Distribution of employment			
Primary sector	n.a. %	n.a. %	n.a. %
Manufacturing sector	n.a. %	n.a. %	n.a. %
Services	n.a. %	n.a. %	n.a. %
- of which public services	n.a. %	n.a. %	n.a. %

*Source: https://www.armstat.am/file/article/sv_03_18r_112.pdf
http://www.armstat.am/file/article/sv_03_17r_112.pdf
http://www.armstat.am/file/article/6.trud_2016_1.pdf
https://www.armstat.am/file/article/sv_01_19r_112.pdf

Main economic data*

	2016	2017	2018
GDP (USD million)	12'039	11'600	12'411
GDP per capita (USD)	3'640	3'813	4'149
Growth rate (% of GDP)	0.2	7.5	6.1
CPI Inflation (%)	-1.4	0.9	1.9
Unemployment rate (%)	16.8	18.6	18.13
Fiscal balance (% of GDP)	-5.9	-4.8	-1.8
Current account balance (% of GDP)	-2.9	-2.6	-6.16
Total external debt (% of GDP)	88.2	84.5	81.7
Debt-service ratio (% of exports)	7.2	27.0	27.0
Reserves (months of imports)	5.0	4.6	4.9

* Source: _____

2016:

- [IMF Country Data 2015-2017](#)
- [IMF Statistical Appendix](#)

2017:

- [IMF Country Data 2015-2017](#)
- [IMF Statistical Appendix](#)

2018:

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

Trade partners – year 2018

Représentation suisse à: Erevan	
Pays: Arménie	Date de la dernière mise à jour: 18.07.2019

Host country view

Rank ²³	Country	Exports from the host country (USD million)	Share	Change ²⁴	Rank	Country	Imports to the host country (USD mil- lion)	Share	Change ²⁵
→1	Russia	666.5	27.6%	19.6%	→1	Russia	1'394.2	28.1%	9.8%
↑2	Switzerland	336.4	13.9%	28.7%	↑2	China	382.8	7.7%	39.7%
↓3	Bulgaria	259	8.9%	-23.8%	↓3	Georgia	372	7.5%	4.6%
↑4	Irak	150.6	6.2%	28.3%	↑4	Iran	266.5	5.4%	55.2%
→5	Germany	136.1	5.6%	2.2%	↑5	Germany	256	5.2%	49.9%
↑6	Netherlands	132.3	5.5%	49.4%	↓6	UAE	193.8	3.9%	9%
↓7	China	107.2	4.5%	-9.5%	↑7	USA	190.6	3.8%	46.8%
↑8	Iran	94.2	3.9%	12%	→8	Turkey	161.9	3.3%	4.3%
↓9	UAE	73.8	3.1%	-27.8%	→9	Italy	157.1	3.2%	13.3%
↓10	Georgia	68.7	2.8%	-55.1%	↑10	Ukraine	152.4	3.1%	33.2%
↑11	Romania	54.9	2.3%	1450%	↓11	Switzerland	140.7	2.8%	-8.6%
→12	Italy	49.8	2.1%	15.2%	↑12	Netherlands	88.78	1.8%	26.5%
↓13	Belgium	49.2	2.0%	7.5%	↓13	France	86.2	1.7%	61%
↓14	USA	47.7	2.0%	28%	↑14	Belgium	74.4	1.5%	-0.8%
↓15	Canada	33.2	1.4%	121.6%	↑15	Czech Re- public	68.1	1.4%	190%
↑	EU	683.8	7.9%	32.2%	↑	EU	1'233	24.8%	30.5%

Source: National Statistics Office of Armenia: https://www.armstat.am/file/article/sv_12_18r_411.pdf
(in Russian)

Source: National Statistics Office of Armenia - http://armstat.am/file/article/sv_12_17a_411.pdf

²³ The arrows indicate the ranking change compared to the previous year (2017)

²⁴ Change from the previous year in %. Calculated based on officially adjusted figures available on www.armstat.am

²⁵ Change from the previous year in %. Calculated based on officially adjusted figures available on www.armstat.am

Bilateral trade 2018

PROVISORISCHE ERGEBNISSE

Eidgenössische Zollverwaltung EZV, Aussenhandelstatistik, 3003 Bern

TN103: Schweizerischer Aussenhandel nach Ländern und Kapiteln

17.01.2019

Periode: Januar bis Dezember

2018 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 2018		Import in Mio. CHF				Export in Mio. CHF				Saldo in Mio. CHF	
		2017	2018	+/- %	Anteil	2017	2018	+/- %	Anteil	2017	2018
Total		141.32	193.71	37.1	100.0	91.36	130.27	42.6	100.0	-49.96	-63.44
01- 24	Landwirtschaftliche Produkte	0.16	0.23	39.1	0.1	0.60	0.84	41.0	0.6	0.44	0.62
25- 26	Mineralische Stoffe	0.04	0.01	-80.9	0.0			*	*	-0.04	-0.01
27	Energieträger			*	*	0.00	0.00	-35.0	0.0	0.00	0.00
28- 29	Chemische Grundprodukte	0.03	0.02	-43.0	0.0	0.04	0.03	-35.2	0.0	0.01	0.01
30	Pharmazeutische Erzeugnisse	0.01	0.00	-90.0	0.0	10.97	16.18	47.5	12.4	10.96	16.18
31- 32	Düngemittel, Farbstoffe, Pigmente		0.00	*	0.0	0.02	0.12	503.5	0.1	0.02	0.12
33- 34	Schönheitsmittel, Waschmittel	0.00		-100.0	*	0.08	0.11	25.5	0.1	0.08	0.11
35- 38	Stärke, versch. chemische Erzeugnisse	0.00	0.00	**	0.0	0.56	0.62	10.6	0.5	0.56	0.61
39- 40	Kunststoffe, Kautschuk	0.01	0.00	-88.3	0.0	0.15	0.38	153.7	0.3	0.14	0.38
41- 43	Felle, Leder, Lederwaren	0.02	0.06	130.6	0.0	0.02	0.01	-10.0	0.0	-0.01	-0.04
44- 46	Holz, Kork, Flechtwaren	0.04	0.05	36.4	0.0	0.04	0.05	35.4	0.0	0.00	0.00
47- 49	Papier und Papierwaren	0.00	0.00	151.1	0.0	0.69	0.82	17.8	0.6	0.69	0.82
50- 63	Textilien und Bekleidung	0.99	2.07	109.5	1.1	0.50	0.56	11.7	0.4	-0.49	-1.51
64- 67	Schuhe, Schirme usw.	0.00	0.00	-64.8	0.0	0.10	0.06	-42.9	0.0	0.10	0.06
68- 70	Waren aus Steinen, Keramik, Glas	0.01	0.01	34.2	0.0	0.16	0.13	-21.9	0.1	0.15	0.12
71	Edelsteine, Edelmetalle, Bijouterie	136.7 2	162.49	18.9	83.9	47.49	89.82	89.1	68.9	-89.23	-72.67
72- 83	Unedle Metalle und Waren daraus	0.07	0.89	**	0.5	0.42	0.99	133.5	0.8	0.36	0.10
84	Maschinen (nicht elektrisch)	1.79	1.48	-17.7	0.8	22.42	8.82	-60.7	6.8	20.63	7.34
85	Maschinen (elektrisch)	0.01	0.20	**	0.1	0.61	1.07	75.7	0.8	0.59	0.87
86- 89	Fahrzeuge, Flugzeuge usw.	0.00	0.00	-70.6	0.0	0.08	0.11	28.8	0.1	0.08	0.11
90	Opt. / medizin. Instrumente	0.25	0.27	6.1	0.1	1.01	1.09	7.5	0.8	0.76	0.82
91	Uhrmacherwaren	1.14	25.89	**	13.4	5.10	8.09	58.7	6.2	3.96	-17.80
92	Musikinstrumente	0.00		-100.0	*		0.00	*	0.0	0.00	0.00
93	Waffen und Munitionen			*	*	0.00	0.00	170.6	0.0	0.00	0.00
94	Möbel, Bettzeug usw.		0.00	*	0.0	0.01	0.02	73.8	0.0	0.01	0.02
95- 96	Spielzeuge, Sportgeräte usw.	0.00	0.03	**	0.0	0.27	0.36	35.3	0.3	0.26	0.32
97	Kunstgegenstände, Antiquitäten	0.02	0.01	-15.5	0.0	0.00		-100.0	*	-0.01	-0.01

Progress in Trade

	<i>Exports (CHF mln)</i>	<i>Change (%)</i>	<i>Imports (CHF mln)</i>	<i>Change (%)</i>	<i>Balance (CHF mln)</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	4518.3	-49.95
2018	130.27	42.6	193.71	37.1	-63.44

Main investing countries²⁶, year: 2018

Rank ²⁷	Country	Direct investments (AMD mln, net stocks, end-2018)	Share	Variation (stock)	Inflows over past year (AMD mln)
→1 (1)	Russia	932'788.9	43.32%	↑+	159'295.6
↑2 (9)	Netherlands	144'796.8	6.73%	32.7x	95'097.3
↓3 (2)	Argentina	113'149.7	5.26%	-54.5%	1'336.9
↑4 (8)	United Kingdom	95'353.9	4.43%	↑286.1x	42'400.4
↑5 (7)	Germany	93'173	4.33%	39.9%	20'173.3
↓6 (3)	France	85'843.4	3.99%	140.5%	-2'469
↓7 (5)	Lebanon	81'222.1	3.77%	166.4%	4'458.7
↓8 (6)	USA	80'130.1	3.72%	↑12.1x	7'123.2
↑9 (10)	United Arab Emi- rates	29'713	1.38%	89.6%	912.0
↓10 (4)	Cyprus	28'914.4	4.21%	↓32.3x	-47'717.2
→11 (11)	Luxemburg	22'786.3	1.06%	104.8%	-1'063
→12 (12)	Italy ²⁸	11'525.9	0.54%	-16.24%	-2'236.2
→13 (13)	Switzerland	10'546.8	0.49%	22%	338.6
	EU	n.a.	n.a.	n.a.	n.a.
	Total AMD mln	2'153'056	100 %	↑3.5x	328'265.5
	Total USD bln	4'437.1	100 %	↑3.5x	676.5

Source: National Statistics Office of Armenia:

2018 - http://www.armstat.am/file/article/sv_02_18a_420.pdf

2017- http://www.armstat.am/file/article/sv_02_17a_420.pdf / https://www.armstat.am/file/article/sv_02_18r_420.pdf (Russian)

USD average exchange rate for 2018: 1 USD = 485.24 AMD

USD average exchange rate for 2017: 1 USD = 482.71 AMD

²⁶ Tax haven like Jersey have been excluded from this list

²⁷ The arrows and the number in parenthesis indicate the ranking change compared to the previous year (2017).

²⁸ After an update and review of the 2017 ranking list, Italy was included in the list and remains at the 12th position.