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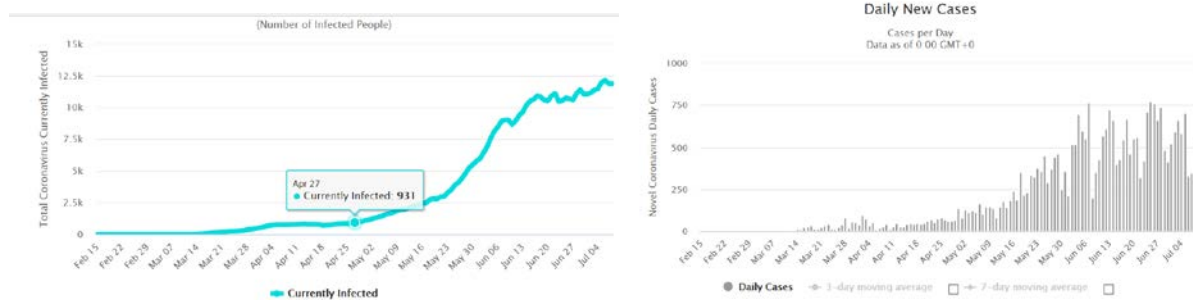
Representation of Switzerland in: Yerevan	
Country : Armenia	Last updated: 17.07.2020

Annual economic report: Armenia 2019

0 Executive Summary

Sous l'effet des restrictions imposées par le COVID-19, l'activité économique en Arménie s'est considérablement contractée au printemps 2020. Ce développement négatif inattendu contraste avec une année 2019 plutôt bonne pour l'économie arménienne, caractérisée notamment par : une augmentation du 7.6% du PIB ; la création de nouveaux emplois et la réduction du chômage (qui reste néanmoins élevé) ; une inflation maintenue sous contrôle de manière admirable ; l'augmentation des exportations, des *remittances*, de la consommation intérieure, des profits bancaires et du tourisme ; la réforme fiscale menée à bien. Et même s'il y a aussi des aspects moins réjouissants (importante dette de l'Etat, incertitudes liées au prix du gaz, etc..) le bilan dans son ensemble était positif.

Parmi les secteurs qui souffrent le plus de cette nouvelle situation on citera ceux du tourisme, de la construction et du commerce en général. Aussi la perte d'emplois due au COVID-19 se chiffre-t-elle à quelque 70'000 postes. En effet, dans la tentative de freiner la diffusion du virus, le gouvernement avait rapidement mis en place un lock-down presque total. Toutefois, à cause notamment d'un faible respect des normes, le nombre de contagions n'a pas arrêté d'augmenter. Conscient de l'impact économique désastreux des mesures de lock-down, le gouvernement a décidé début-mai de l'alléger progressivement, alors même que le virus était en expansion. À la mi-juillet 2020, selon l'OMS l'Arménie figure parmi les pays au monde les plus touchés, en termes relatifs, par le COVID-19.



(nombre de contagés / progression de nouveaux cas)

Alors que pour soulager la population et l'économie le gouvernement a lancé une vingtaine de programmes pour un total de 150 milliards de dram arméniens, à titre de prêts et d'indemnités, les perspectives d'une reprise dépendront en grande partie de l'évolution de la pandémie ; dès lors les prévisions optimistes des principales organisations internationales concernées doivent être lues dans ce contexte incertain.

1 Economic problems and issues

General context

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 the category of **successful emerging markets**.

Given the **small domestic market** and challenging geopolitical context, every Armenian government since the country's independence in 1991 has been pushing for a liberal market agenda, with an acceleration as a result of the velvet revolution of spring 2018. Nowadays, very few sectors are still controlled by the State and the authorities very pragmatically have requested international technical support to consolidate the process. Nevertheless, shortcomings in governance, weaknesses of the legal system and an individualistic societal culture still have a negative incidence on economic performance. 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 – can be partly offset by 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. Also a third "high voltage" power transmission line linking Armenia to Iran is under construction in south-east Armenia and is expected to be completed in 2021. However, most recent developments, including sanctions on Iran and impact of COVID-19, are posing new obstacles in pursuing this strategy of diversification.

Developments sector by sector and economic indicators

Remittances: In 2019 individual non-commercial remittances sent to Armenia through banks amounted to \$ 1'959 MM (+ 9.7% or \$ 174 MM more than in 2018). 45% of the money transfers were from Russia and 14% from the USA. Since the share from Russia in 2019 (\$ 1.56 Bn) increased only marginally (+ \$ 6 MM), the robust growth in 2018 can mainly be explained by remittances from the USA (+ \$ 57 MM). Having said that, Armenia remains strongly dependent on the value of the Russian ruble.

Unemployment: the unemployment decreased by 1.6% but remains high at 18.9%¹. Data retrieved from employers and national income service cite 598'237 payroll positions as of the end of 2019, which amounts to an increase of 7.5% against the previous year.² Nevertheless the mismatch in many sectors between skills and needs of the job market still exists.

In 2019 **the real GDP growth** was exceptionally strong at 7.6%, driven by private consumption on the back of rising household incomes and strong household credit. GDP performance³ was driven by manufacturing (↑+11.7%), wholesale and retail trade (→11.5%), entertainment (↑+6.5%), financial/insurance activities (↑+5.9%) and health protection (↑+4.7%). Other sectors such as agriculture (↓12%), real estate (↓7.5%), construction (↓ 6.2%) and mining (↓ 2.8%) continued to play a relevant role for the Armenian economy in spite of the negative trend.

Exports saw continued strong growth in 2019, amounting to \$ 2'640 MM (9.5% / \$ 228 MM higher than the year before) with markedly increased trade volumes, especially with Russia, Switzerland, Bulgaria, China, Iraq and the Netherlands. Exports accounted for 19.3% of the GDP.

The Armenian **banking** sector's net profit for 2019⁴ amounted to \$ 164.1 MM, against \$ 117.4 MM in 2018, showing a significant growth of 39.7%.

¹ Reported by Armenian Statistical Service - https://www.armstat.am/file/article/sv_03_20a_112.pdf

² Reported by Armenian Statistical Service - https://www.armstat.am/file/article/sv_03_20a_142.pdf

³ Reported by the National Statistics Office of Armenia: https://www.armstat.am/file/article/sv_03_20a_112.pdf

⁴ Reported by Armbanks news agency: <http://www.ambanks.am/en/2020/02/04/126735/>

In the **mining sector**, which plays an important role in Armenia's economy 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 1st EITI report⁵ 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 the sectors of **entertainment** and **hospitality** is partly linked to the World Congress on Information Technology, hosted in October 2019 and guests coming from almost 70 countries from all over the world. It is certain that in 2020, due to COVID-19, these sectors will witness a backlash.

Construction is still one of the main contributors to the GDP. 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 10% in the real estate prices in 2019. Another factor boosting the construction sector is the government's decision to grant to residents the right to offset the income tax amounts from the mortgage loan interests.

Agriculture remains one of the main sectors of the Armenian economy. It employs more than 35% of the country's population and accounts for 16.7% of the GDP (about - 2% against 2018, which already witnessed a decrease by 1.6% compared to 2017). Major challenges are low efficiency, competitiveness of products and lack of diversification of production. Increased demand for Armenian agricultural products for export, has provided local farmers with an incentive to improve the efficiency of their operations and increase production. 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.

Armenia is dependent on **energy imports**, notably from Russia. While, as a consequence of Armenia's accession to the Eurasian Economic Union and after signature of a supply agreement valid until 2018, Russia gradually lowered prices of natural gas, it is currently panning to raise them again. Whereas Armenia (and Belarus) are asking the EAEU to set uniform tariffs (NDR: equivalent to those applied to Russian consumers), according to a single market operating on non-discriminatory principles, Russia claims that EAEU does *not* constitute a single market, built upon a single budget and same tax system: accordingly gas prices should be aligned to market conditions. An increase of gas prices would have a severe impact on households and industries in Armenia.

The new **Tax Code** entered into force in January 2020 is expected to boost export-oriented branches of economy, improve the environment for micro and small businesses and reduce unemployment. While, at this stage, it is premature to assess the impact of the reform, in the long run the expected reduction in tax revenues, particularly of income taxes, estimated at \$ 61.8 MM, will hardly be compensated by the increase of indirect taxes. However, war against corruption and tax fraud by the government is paying off: projections for tax revenues in 2019 were achieved by increasing by 11.4%, to reach \$ 3.05 Bn.

⁵ 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

Due to decrease in some food prices and moderate exchange rate appreciation, Armenia's **inflation** scored a moderate 1.4% at the end of the year, which is 1% lower compared to 2018.

Armenia's **general government gross debt-to-GDP ratio** remains high at 47,95 %. Total external debt-to-GDP ratio has reached 83.5%. 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. The estimated fiscal deficit is 5% of GDP in 2020. Due to lower tax revenue in 2020, the government is expected to seek financing from the IMF, other multilateral and bilateral donors, as well as domestic sources. After the pandemic, gross financing needs are estimated to revert to the norm.

In 2019, the **fiscal deficit** narrowed to 1% of GDP from 1.8% in 2018. Revenue significantly over performed, due to growth in tax-paying sectors and strengthened compliance, while spending fell short of budget as capital execution remained below plans. The lower fiscal deficit helped reduce central government debt to around 53.6% percent of GDP (against 55.8 % in 2018), corresponding to the authorities' medium-term objective.

Despite strong domestic demand, the **current account deficit** narrowed to 8.2 % of GDP in 2019 reflecting strong service exports (especially tourism), although the composition of trade changed considerably.

Estimation for 2020: According to IMF projections, public debt will remain sustainable, but the high share of foreign currency debt will continue to be an important source of vulnerability. Alternative scenarios and stress tests suggest that an adverse growth shock would have the largest impact on debt dynamics and government financing needs.

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, 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 Union⁶. In terms of trade policy, this 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).

*CEPA retains content from the previous Association Agreement, as seen across a range of sectoral areas of cooperation, including political dialogue, energy, and even security, and (...) 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 markets, exacerbated by the fact that Armenian trade remains overly dominated by trade with Russia, with meager trade conducted with the other members to date.*⁷

⁶ 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. <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2017024&DocLanguage=en> Only Belgium, Greece, Italy, Austria and Portugal haven't completed this process yet.

⁷ Regional Studies Center, Armenia's precarious balance (...), Yerevan, 1. June 2020

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 resume⁸.

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. The Embassy has no information on intended or collateral discrimination against Swiss economic interests in Armenia. 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 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. Signature of the new text shall follow in due course 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 remained by far its main trade partner, both in terms of exports and imports.

3.1.1 Trade in goods

When it comes to **exports**, the main Armenian trade partners in 2019 were Russia (27.8% of exports), Switzerland (about 17.3%, + 3.4%), Bulgaria (7.9%), China (7.3 %), Iraq (6.7%) and the Netherlands (5.8%). As in the previous year, Armenia's, top exported goods were ores and minerals⁹, processed food, precious stones, precious/non-precious metals and textiles.

⁸ 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.

⁹ This category also includes oil and gas in Armenian statistics.

In 2019 **imports** originated mainly from Russia (29.7%), Georgia (8.8%), China (8.4%), USA (6.5%) and Iran (5.9%). The most imported goods were machinery, ores and minerals, underground and water transportation means, chemicals (incl. pharmaceuticals), processed food, non-precious metals and textiles.

As of 2019, Russia remains Armenia's main trade partner by far (about 27.1% of the total) with China (11%) and Switzerland (6.3%) at the 2nd and the 3rd ranks respectively. Iran, in spite of US sanctions, maintained the 4th position with a share of 5%, after Germany (5.5%). Taken as a whole, in 2019 Russia claims even a bigger share with around 27.1% of Armenia's foreign trade. A worth mentioning case remains Turkey, which has decreed a unilateral trade embargo against Armenia since 1994. In spite of that, in 2019 Turkey was Armenia's 5th most important trading partner. Turkish goods for \$ 149.8 MM were imported to Armenia via third countries.

As it was underlined in 2018's report, with the exception of tourism, no systematic data's on international trade in services is being collected. This omission is distorting the increasing importance of Armenia's budding information technology sector.

In 2019 **tourism** has been developing even further and the number of international visitors increased by around 13% (+ 242'595 against 2018). In terms of employment, the tourism sector in 2017 directly employed 44'500 people (3.9 % of total employment). However, tourism is one of the very sectors most affected by COVID-19: the first wave of contagions in Iran totally compromised the, usually massive, Now Rouz' pilgrimage of Iranian tourists to Armenia, whereas the current restrictions at the border ¹⁰ are giving the *coup de grâce* of a disastrous tourist season for Armenia.

3.2 Bilateral trade

According to Armenian statistics, bilateral trade with Switzerland has reached a very relevant amount. From our host country's perspective, the **overall trade volume** amounted to \$ 511.6 MM in 2019. Switzerland ranks 2nd among the recipient countries of Armenian exports with \$ 457,9 MM (against \$ 337.5 MM in 2018), and 15th among exporters to Armenia with \$ 62,6 MM (against \$ 140.7 MM in 2018). The trade turnover, according to Swiss statistics for 2019, sees Swiss imports from Armenia amounting to CHF 252.57 MM (against CHF 193.71 MM in 2018) and exports to Armenia valued at CHF 51.8 MM (against CHF 130.27 MM in 2018). This turnover has resulted for the 3rd year in a row in a trade surplus for Armenia, which is mostly due to precious metals exports. Also 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 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 underused¹¹. In 2019, goods originating in Armenia worth SFR 275'000 were imported into Switzerland under the GSP (SFR 267'000 of industrial products and 8'000 of agricultural goods and foodstuff). Total imports during the same period amounted to almost SFR 252 MM. The utilization rate under the GSP has been 0.75%. Although these figures are still low, they have doubled compared with the previous year, which is encouraging.

At the end of 2019 the Embassy has conducted a **special campaign for raising the awareness** on Swiss GSP among Armenian exporters. This was promoted through the social media platform of the Embassy and Facebook posts, which recorded a significant interest among the target group. The relevant platforms of the Ministry of Economy of Armenia contributed to widespread this campaign.

¹⁰ As of 13th of July 2020 non-residents in Armenia are not allowed to enter the country.

¹¹ 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)

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)**¹² consists of an application accessed through the Internet.¹³ REX will progressively and fully replace the current system of origin certification. The global transition period started on 1 January 2017 to end on 30th June 2020. In Armenia the transition to new REX platform started on 01.01.2018 and was finalized on 30.06.2019.¹⁴ To be entitled to make out a statement on origin for consignments containing originated products exceeding SFR 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 2019 the difference is more than 70% (according to the Armenian statistics the total trade turnover between Switzerland and Armenia was around \$ 520.4 MM against \$ 304.37 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 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 and to gambling and games of chance.

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.

During 2019 Armenia has attracted foreign direct investments notably in the sectors of electricity and gas supply, real estate, hospitality industry, air transportation and wholesale trade. It goes without saying that once again **Russia** holds by far the biggest share of direct foreign investments, amounting to almost half of the total of invested foreign capital. In 2019, its stock further increased compared to 2018 reaching 49.36% of share. Russia is followed by Argentina (6.11%), Germany (5.42%) and the Netherlands (4.98%).

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:

¹² <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>

¹³ https://ec.europa.eu/taxation_customs/dds2/eos/rex_validation.jsp?Lang=en&Screen=0&Type=&Number=&Expand=false

¹⁴ 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

10/15%). Indeed, in 2019 the direct investments flown to Armenia from Switzerland targeted 2 main sectors: wholesale trade and research. Switzerland is traditionally a **top-ten investor** in Armenia, presently ranking 12th¹⁵, with a net stock of around \$ 22.1 MM at the end of 2019. This figure corresponds to a share of 0.44% of total foreign investments to Armenia.

As per tradition, the Embassy has conducted a survey among the Swiss business community in Armenia, the results of which are presented in the Appendix 7 (only in the report for internal use).

5 Trade, economic and tourism promotion

Several organizations – first and foremost the Swiss-Armenian Chamber of Commerce (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.

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 has been an increase of over 16.29% (5'561 visitors; + 779 >2918). In spite of its cultural heritage, rich landscapes and good hospitality culture, challenges such as lacking or obsolete infrastructure and the prevailing perception as a country in a state of war (despite a nearly spotless domestic security situation) prevent Armenia from fully realizing this potential. 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. 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 services sectors, insurance is still underdeveloped and could offer good opportunities to Swiss providers.

¹⁵ Statistics on Jersey and British Virgin Islands territories were not included into the calculation.

Economic structure

	2017	2018	2019
Distribution of GDP¹⁶			
Primary sector	18.30%	16.70%	14.80%
Manufacturing sector	10.60%	11.30%	11.70%
Services	62.60%	63.40%	64.10%
- of which public services	12.5%	12.0%	12.30%
Distribution of employment			
Primary sector	n.a. %	2.87%	2.99%
Manufacturing sector	n.a. %	11.40%	11.75%
Services	n.a. %	90.48%	89.88%
- of which public services	n.a. %	36.55%	34.65%

*Source: http://www.armstat.am/file/article/sv_03_17r_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_12_19a_142.pdf

¹⁶ The presented figures have been amended according to the adjustments in the statistical data published by Armenian Statistical Service.

Main economic data*

	2017	2018	2019
GDP (\$ million)	11'600	12'457	13'652
GDP per capita (\$)	3'869	4'196	4'615
Growth rate (% of GDP)	7.5	5.2	7.6
CPI Inflation (%)	1.0	2.4	1.4
Unemployment rate (%)	20.9	20.5	18.9
Fiscal balance (% of GDP)	-4.8	-1.8	-1.0
Current account balance (% of GDP)	-3.0	-9.4	-8.2
Total external debt (% of GDP)	88.7	85.9	83.5
Debt-service ratio (% of exports)	6.7	7.9	15.4
Reserves (months of imports)	4.2	3.7	5.9

* Source:

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](#)

2019

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

Trade partners – year 2019

Représentation suisse à: Erevan	
Pays: Arménie	Date de la dernière mise à jour: 28.06.2020

Host country view

Rank[1]	Country	Exports	Share	Change[2]	Rank	Country	Imports	Share	Change[3]
		from the host country (\$ million)					to the host country (\$ million)		
→1	Russia	734.50	27.82%	10.3%	→1	Russia	1,636.10	29.67%	17.1%
→2	Switzerland	457.80	17.34%	35.7%	↑2	Georgia	484.60	8.79%	30.0%
→3	Bulgaria	207.40	7.86%	-3.5%	↓3	China	463.30	8.40%	21.0%
↑4	China	193.70	7.34%	80.7%	↑4	USA	356.50	6.47%	87.0%
↓5	Iraq	177.30	6.71%	17.7%	↓5	Iran	325.50	5.90%	22.2%
→6	Netherlands	153.80	5.83%	16.2%	↓6	Germany	239.20	4.34%	-9.7%
↑7	Iran	83.80	3.18%	-11.0%	↓7	UAE	229.40	4.16%	17.0%
↓8	Germany	69.60	2.64%	-48.8%	↑8	Italy	181.50	3.29%	15.5%
↑9	Georgia	69.20	2.62%	0.8%	↓9	Turkey	149.90	2.72%	-7.5%
↑10	Canada	61.20	2.32%	84.2%	→10	Ukraine	148.40	2.69%	-2.7%
↑11	Italy	59.70	2.26%	19.7%	↓11	Netherlands	131.90	2.39%	48.6%
↓12	UAE	57.30	2.17%	-22.4%	↑12	Belgium	86.60	1.57%	16.3%
↑13	USA	53.90	2.04%	13.1%	→13	France	65.10	1.18%	-24.5%
↓14	Belgium	44.50	1.68%	-9.6%	↑14	Japan	62.70	1.14%	2.1X
↑15	Ukraine	24.60	0.93%	34.8%	↓15	Switzerland	62.60	1.14%	-55.5%
↓	EU	583.2	22%	14.7%	↓	EU	1,146.3	20.79%	-7.7%

Source: National Statistics Office of Armenia:

2019: https://www.armstat.am/file/article/sv_12_19a_411.pdf

Bilateral trade 2019

Eidgenössische Zollverwaltung EZV, Aussenhandelstatistik, 3003 Bern

TN103: Schweizerischer Aussenhandel nach Ländern und Kapiteln

16.01.2020

Periode: Januar bis Dezember 2019

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	
		2018	2019	+/- %	Anteil	2018	2019	+/- %	Anteil	2018	2019
Total		193.71	252.57	30.4	100.0	130.28	51.80	-60.2	100.0	-63.44	-200.77
01 - 24	Landwirtschaftliche Produkte	0.23	0.15	-35.1	0.1	0.84	0.52	-38.8	1.0	0.62	0.37
25 - 26	Mineralische Stoffe	0.01	0.02	122.0	0.0		0.00	*	0.0	-0.01	-0.02
27	Energieträger			*	*	0.00	0.00	44.1	0.0	0.00	0.00
28 - 29	Chemische Grundprodukte	0.02	0.01	-69.7	0.0	0.03	0.01	-77.0	0.0	0.01	0.00
30	Pharmazeutische Erzeugnisse	0.00	0.00	7.7	0.0	16.18	11.94	-26.2	23.0	16.18	11.94
31 - 32	Düngemittel, Farbstoffe, Pigmente	0.00		-100.0	*	0.13	0.31	139.9	0.6	0.13	0.31
33 - 34	Schönheitsmittel, Waschmittel		0.00	*	0.0	0.11	0.14	27.7	0.3	0.11	0.14
35 - 38	Stärke, versch. chemische Erzeugnisse	0.00	0.00	-97.3	0.0	0.62	0.51	-16.6	1.0	0.61	0.51
39 - 40	Kunststoffe, Kautschuk	0.00	0.00	168.9	0.0	0.38	0.25	-35.1	0.5	0.38	0.25
41 - 43	Felle, Leder, Lederwaren	0.06	0.01	-89.9	0.0	0.01	0.05	204.1	0.1	-0.04	0.04
44 - 46	Holz, Kork, Flechtwaren	0.05	0.06	15.0	0.0	0.05	0.08	54.6	0.1	0.00	0.02
47 - 49	Papier und Papierwaren	0.00	0.04	**	0.0	0.82	0.93	13.3	1.8	0.82	0.89
50 - 63	Textilien und Bekleidung	2.07	5.29	155.1	2.1	0.56	0.32	-43.2	0.6	-1.52	-4.97
64 - 67	Schuhe, Schirme usw.	0.00	0.00	**	0.0	0.06	0.13	133.0	0.3	0.06	0.13
68 - 70	Waren aus Steinen, Keramik, Glas	0.01	0.01	9.2	0.0	0.13	0.10	-20.5	0.2	0.12	0.09
71	Edelsteine, Edelmetalle, Bijouterie	162.49	216.08	33.0	85.6	89.82	24.23	-73.0	46.8	-72.67	-191.85
72 - 83	Unedle Metalle und Waren daraus	0.89	0.53	-40.6	0.2	0.99	0.72	-26.9	1.4	0.10	0.19
84	Maschinen (nicht elektrisch)	1.48	0.04	-97.5	0.0	8.82	3.24	-63.3	6.2	7.34	3.20
85	Maschinen (elektrisch)	0.20	0.01	-96.7	0.0	1.07	0.26	-75.7	0.5	0.87	0.25

86 - 89	Fahrzeuge, Flugzeuge usw.	0.00	0.01	**	0.0	0.11	0.04	-64.7	0.1	0.11	0.03
90	Opt. / medizin. Instru- mente	0.27	0.05	-83.1	0.0	1.09	2.27	108.8	4.4	0.82	2.23
91	Uhrmacherwaren	25.89	30.14	16.4	11.9	8.09	5.63	-30.4	10.9	-17.80	-24.51
92	Musikinstrumente			*	*	0.00		-100.0	*	0.00	
93	Waffen und Munitionen			*	*	0.00	0.00	-36.1	0.0	0.00	0.00
94	Möbel, Bettzeug usw.	0.00	0.03	**	0.0	0.02	0.07	278.1	0.1	0.02	0.04
95 - 96	Spielzeuge, Sportgeräte usw.	0.03	0.01	-84.2	0.0	0.36	0.07	-80.3	0.1	0.32	0.07
97	Kunstgegenstände, Anti- quitäten	0.01	0.11	685.2	0.0		0.00	*	0.0	-0.01	-0.11

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	4518.3	-49.95
2018	130.27	42.6	193.71	37.1	-63.44
2019	51.80	-60.2	252.57	30.4	-200.77

Main investing countries¹⁷, year: 2019

Rank ¹⁸	Country	Direct invest-ments (AMD MM, net stocks, end-2019)	Share (%)	Variation	Inflows over the past year (AMD MM)
→ 1 (1)	Russia	1,020,417.90	49.36	9.4%	87,629.00
↑ 2 (3)	Argentina	119,121.60	6.11	5%	5,971.90
↑ 3 (5)	Germany	83,944.90	5.42	-10%	-9,228.70
↓ 4 (2)	Netherlands	125,502.50	4.98	-13%	-19,294.30
↓ 5 (4)	UK	89,142.60	4.92	-7%	-6,211.30
↑ 6 (11)	Luxemburg	20,788.30	4.23	-9%	-1,998.00
↓ 7 (6)	France	84,633.20	3.36	-1%	-1,210.20
→ 8 (8)	USA	69,956.60	3.11	-13%	-10,173.50
↑ 9 (10)	Cyprus	40,500.50	2.88	40%	11,586.10
↑ 10 (12)	Italy	24,375.10	1.97	111%	12,849.20
↓ 11 (9)	UAE	16,622.50	0.66	-44%	-13,090.50
↑ 12 (13)	Switzerland	10,611.20	0.44	1%	64.40
	EU	n.a.	n.a.	n.a.	n.a.
	Total AMD MM	1,996,423.7	100 %	↓ -7.3%	-156,632.3
	Total \$ Bn	4,157.15	100 %	↓ -7.3%	-326.1

Source: National Statistics Office of Armenia:

2019 - https://www.armstat.am/file/article/sv_02_20a_420.pdf

2018 - https://www.armstat.am/file/article/sv_02_19a_420.pdf

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

\$ average exchange rate for 2018: 1 \$ = 485.24 AMD

¹⁷ Tax haven like Jersey and British Virgin Islands have been excluded from this list to make the ranks more clear.

¹⁸ The arrows and the number in parenthesis indicate the ranking change compared to the previous year (2018).