

Challenges of Economic Transformation and Emerging Market Relations

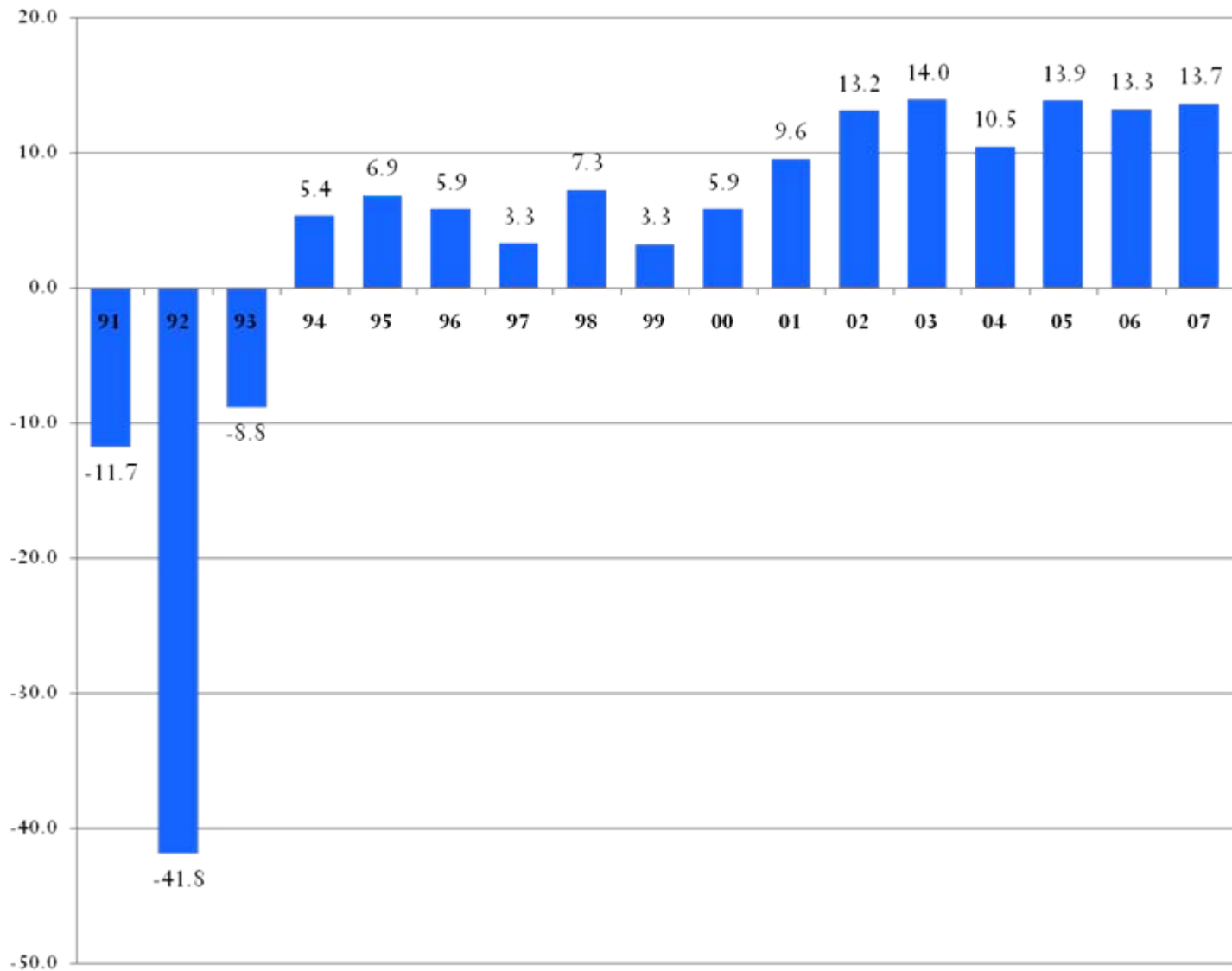
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CEPS, Brussels, 21 April 2008
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Challenges of transition

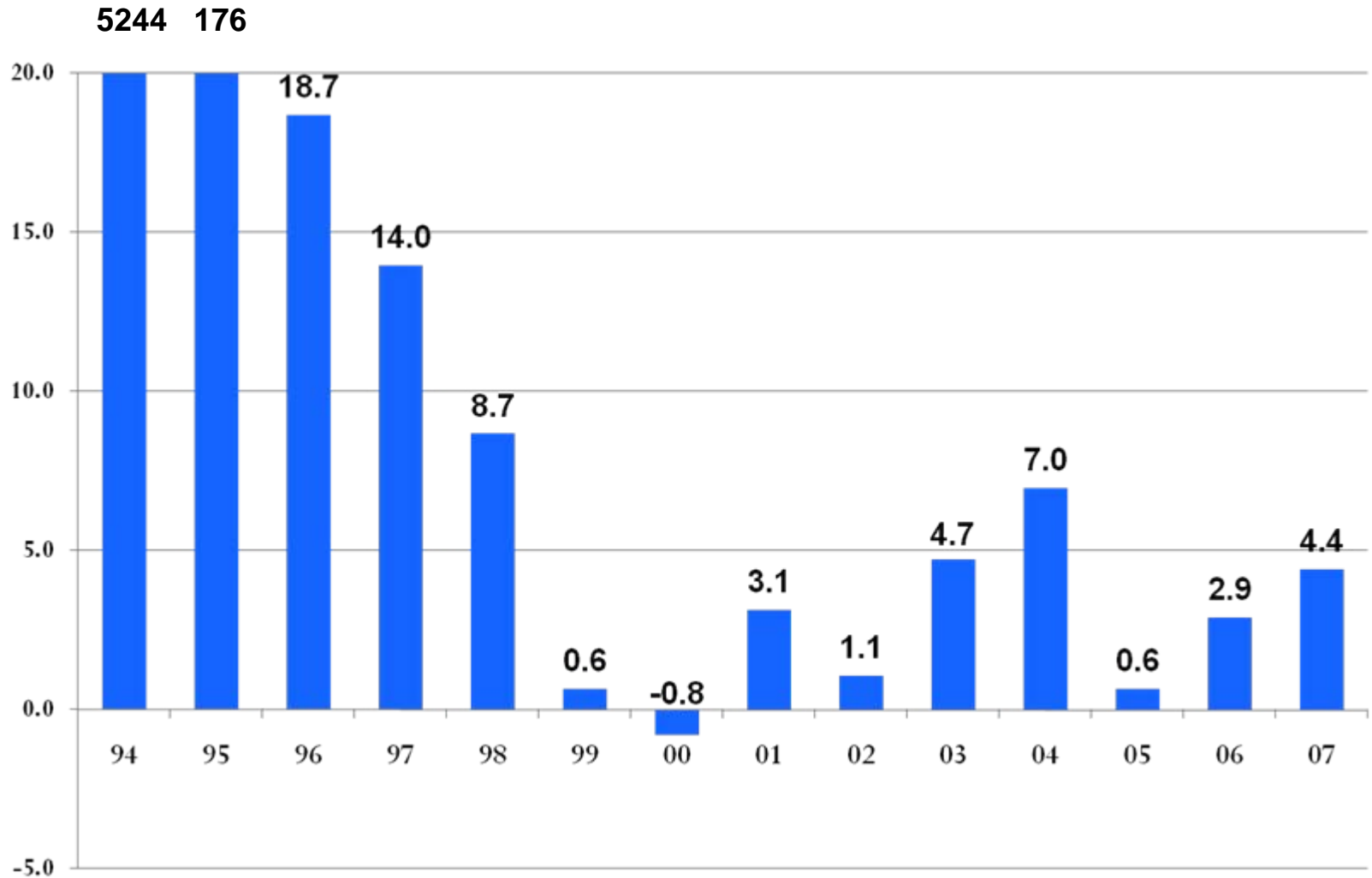
- Disastrous Earthquake in 1988;
- The outbreak of war with Azerbaijan;
- Isolation, due to war and instability in Georgia and closure of Armenian-Turkey border since 1993;
- Loss of traditional supply and sales markets.

GDP growth (annual %)



Source: WDI 2007, The World Bank

Inflation, Consumer prices (annual %)



Source: WDI 2007, The World Bank

Current Situation

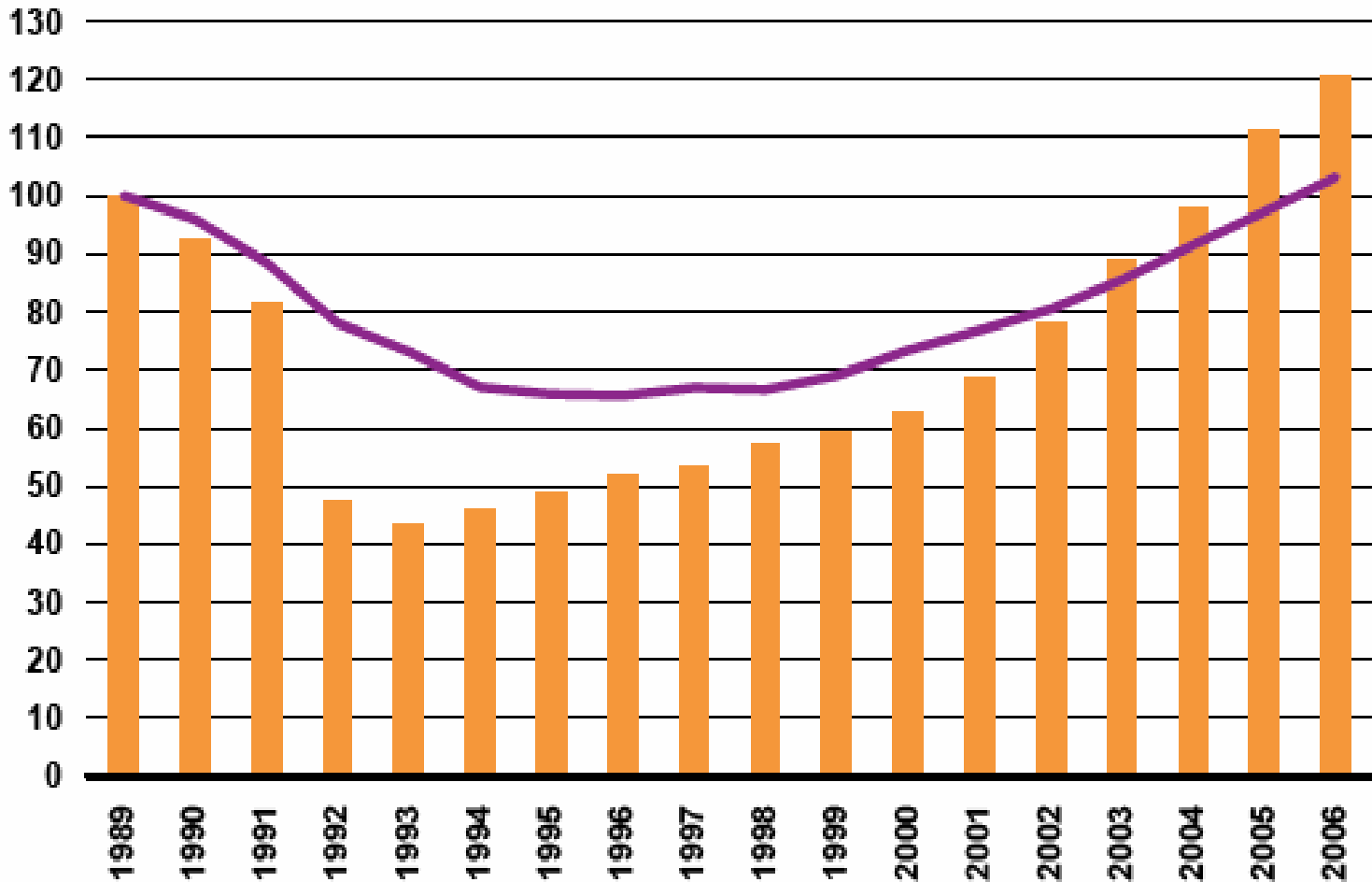
GDP per capita in 2007 at current international (US\$), PPP, estimated	5700
Private sector share in GDP (2006)	75 %
External Debt, % of GDP, end of 2007	15.8 %
Gini Coefficient by Income Inequality, 2006	0.37
Poverty Incidence, 2006	26.5
Extreme Poverty, 2006	4.1
Official Unemployment Rate, 2007	7.1
Average real GDP Growth Rate, 2001-07	12.6 %

Source: NSS of Armenia, WDI 2007, EBRD

Real GDP (1989 = 100)

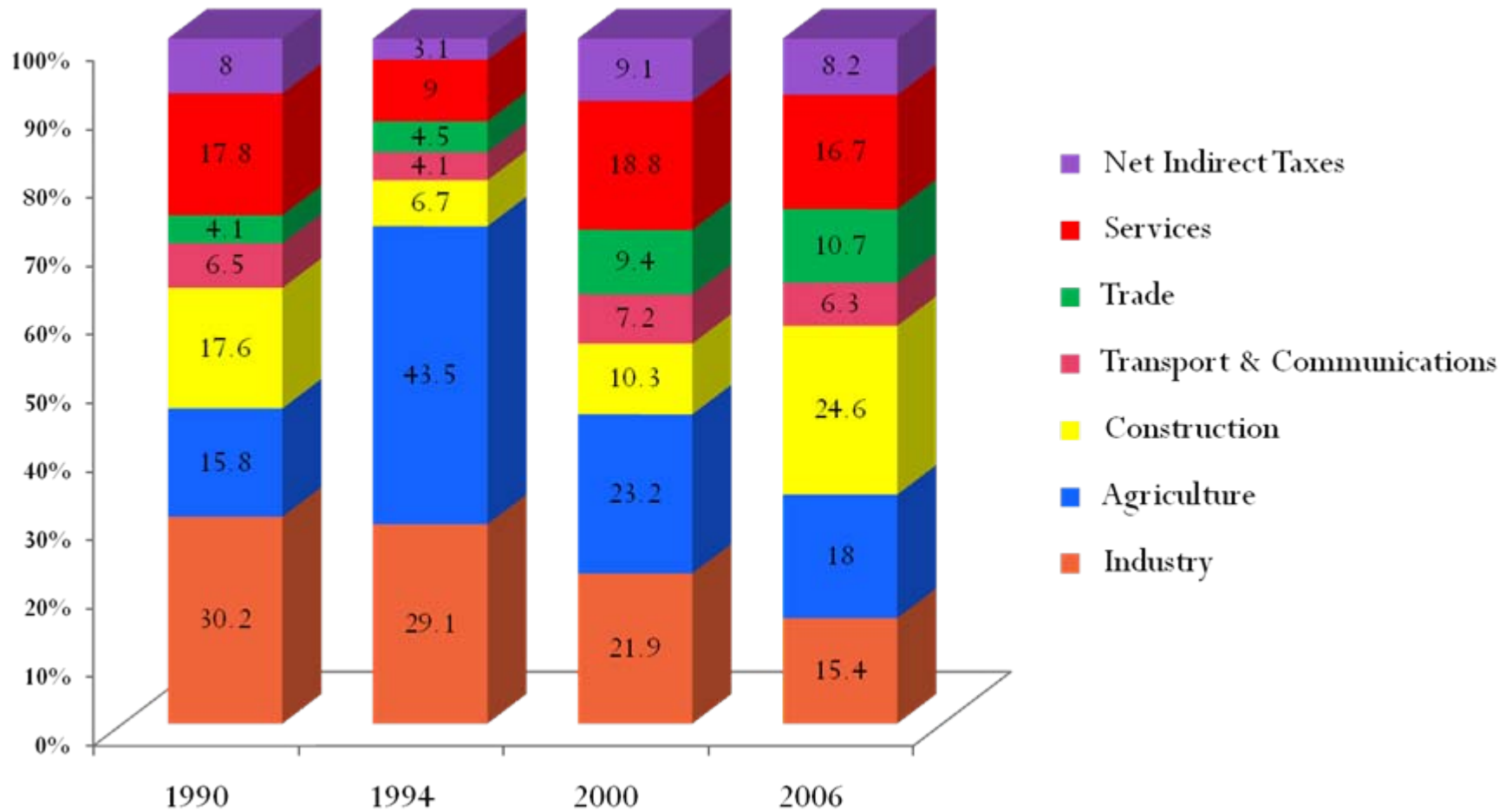
■ Armenia

— Average, transition countries



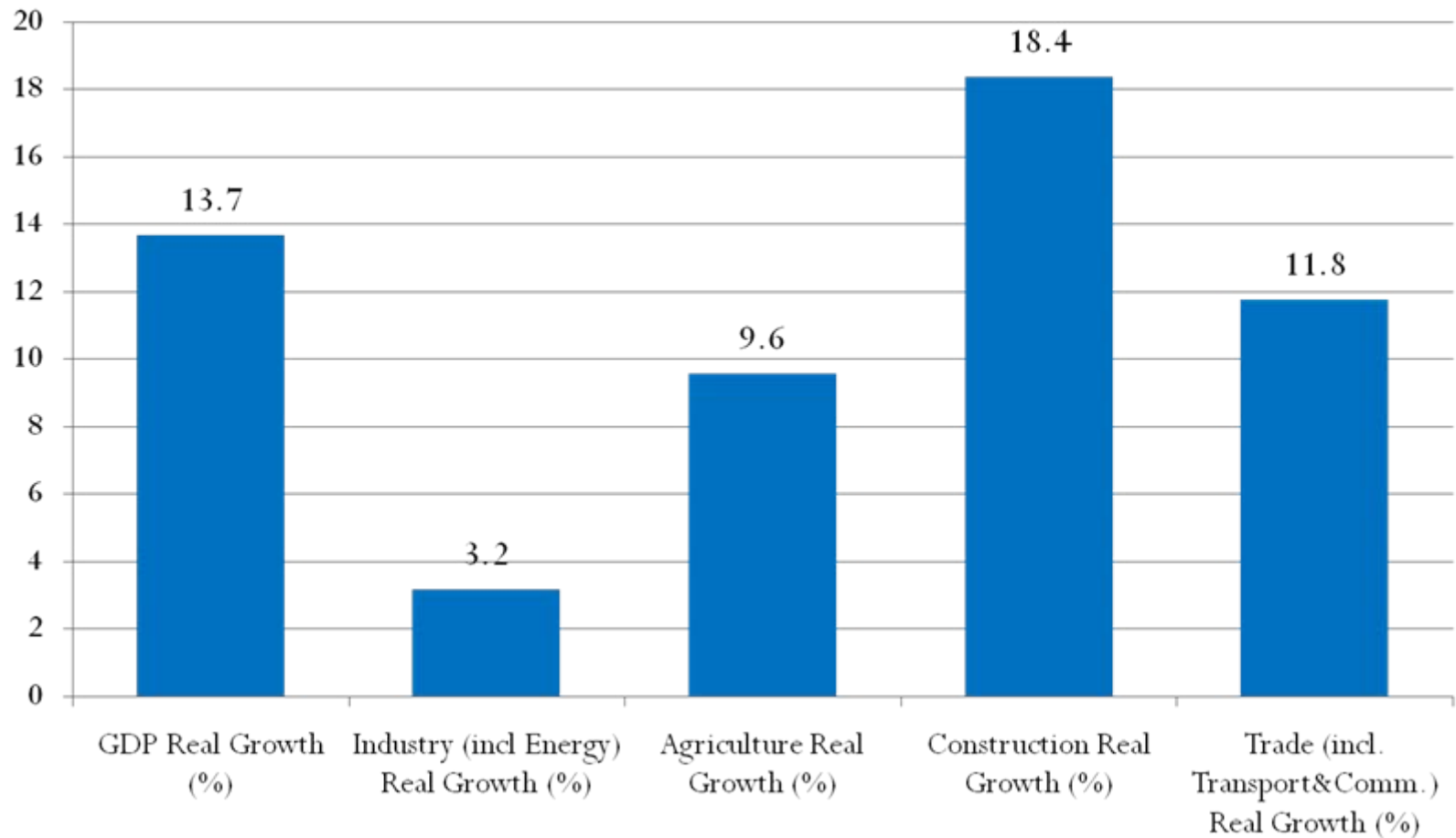
Source: EBRD country factsheet, 2007

Structural Composition of GDP of Armenia



Data Source: WDI 2007, The World Bank

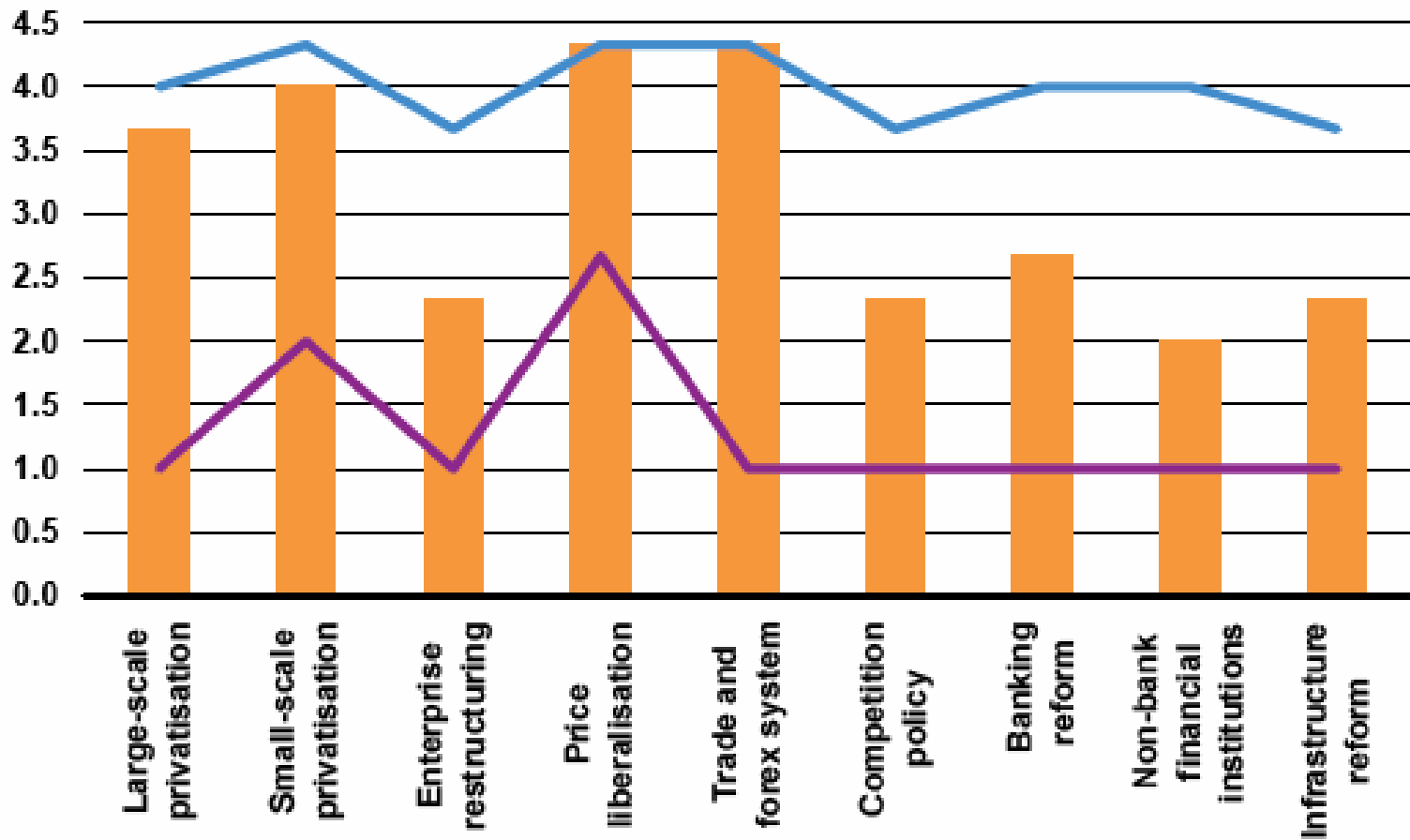
GDP Growth components, 2007



Source: NSS of Armenia, www.armstat.am

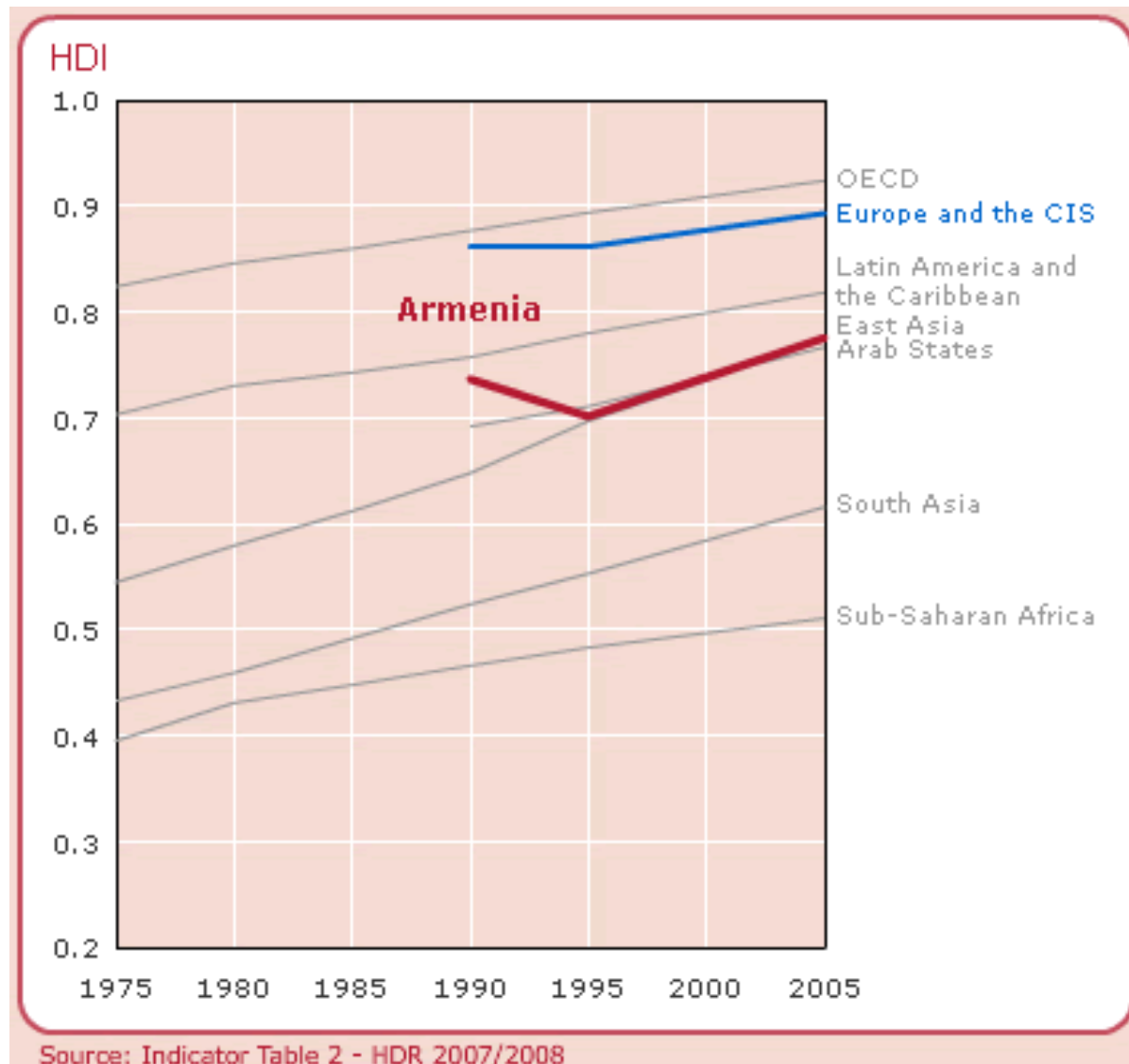
EBRD Transition Indicators, 2006

■ Armenia ■ Maximum, transition countries ■ Minimum, transition countries



Source: EBRD country factsheet, 2007

Human Development Index, 2005



Human Development Index

Rank, out of 177 countries		HDI, 2005
83	Armenia	0.78
84	Turkey	0.78
96	Georgia	0.75
98	Azerbaijan	0.75

Source: Human Development Report 2007/2008

Competitiveness of the Armenian Economy

Global Competitiveness Index

Country/Economy	Rank	Score GCI 2007/2008
United States	1	5.67
Belgium	20	5.1
Turkey	53	4.25
Azerbaijan	66	4.07
Georgia	90	3.83
Armenia	93	3.76

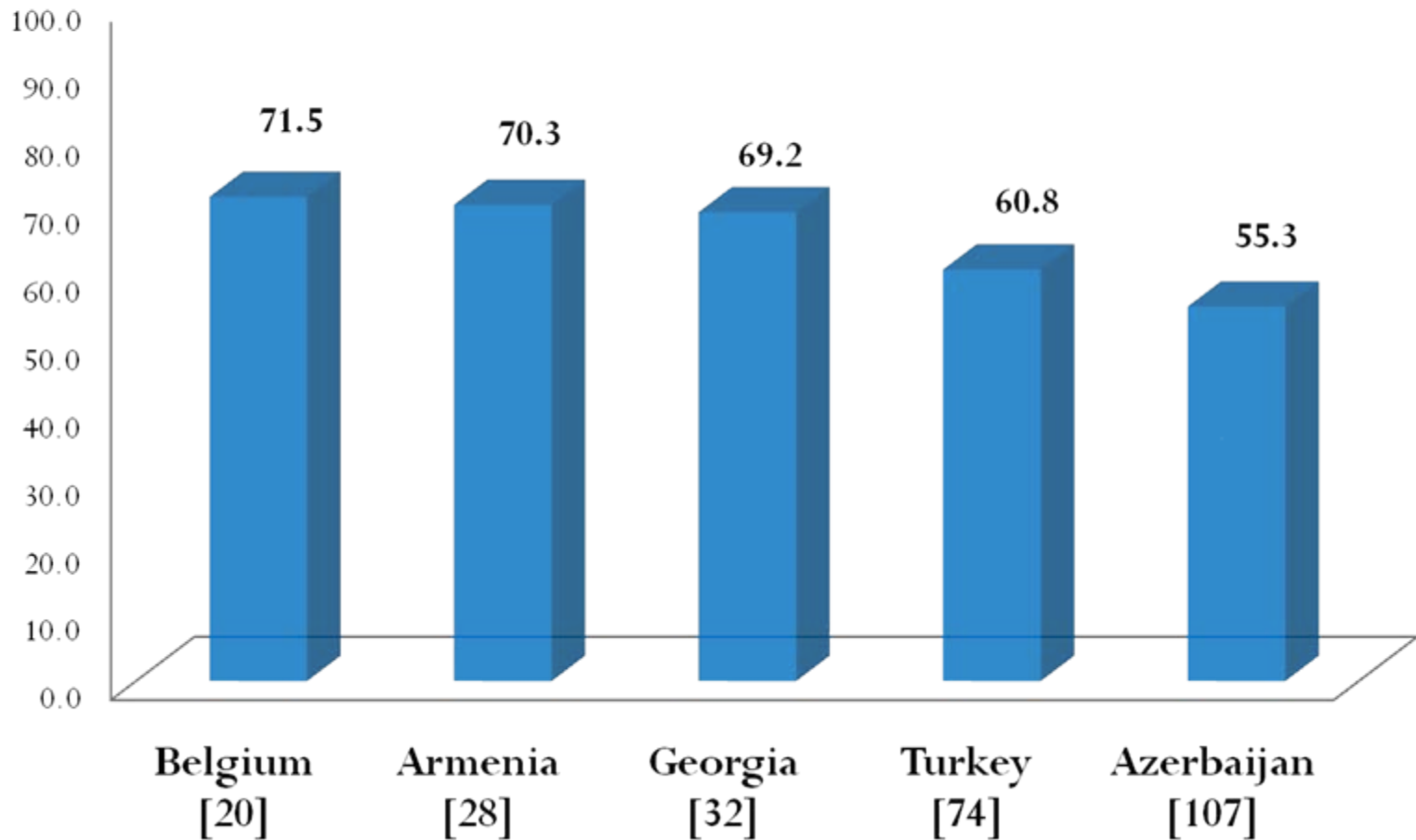
Source: The Global Competitiveness Report 2007-2008 © 2007 World Economic Forum

Business Competitiveness Index

Country /Economy	Business Competitiveness Index 2007-2008	Sophistication of company operations and strategy	Quality of the national business environment
United States	1	1	1
Belgium	15	13	16
Turkey	46	41	48
Azerbaijan	78	72	81
Georgia	100	93	100
Armenia	108	115	106

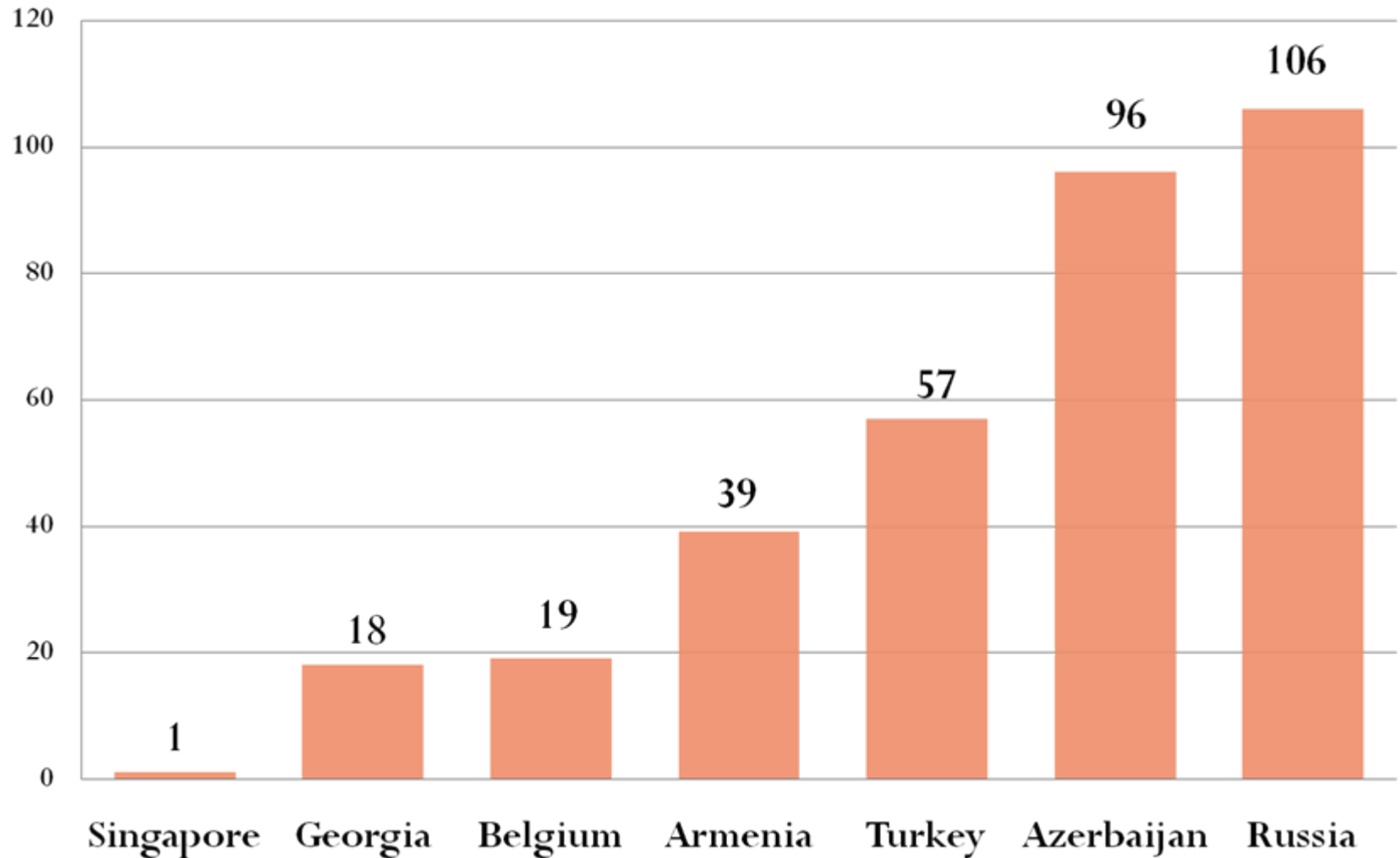
Source: The Global Competitiveness Report 2007-2008 © 2007 World Economic Forum

Index of Economic Freedom 2008



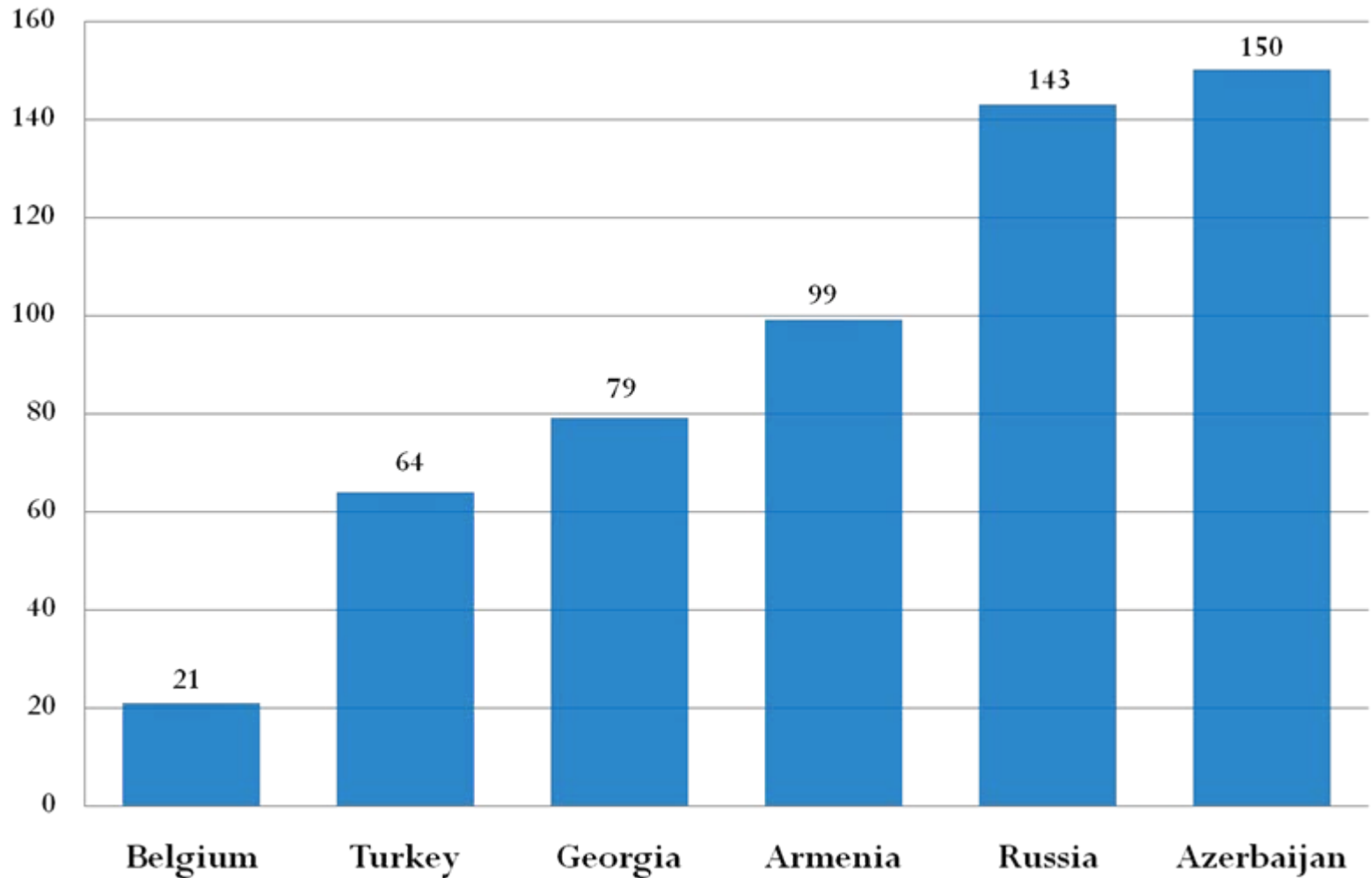
Source: The Heritage Foundation/ *Wall Street Journal*, Index of Economic Freedom 2008

The Ease of Doing Business Index Rank



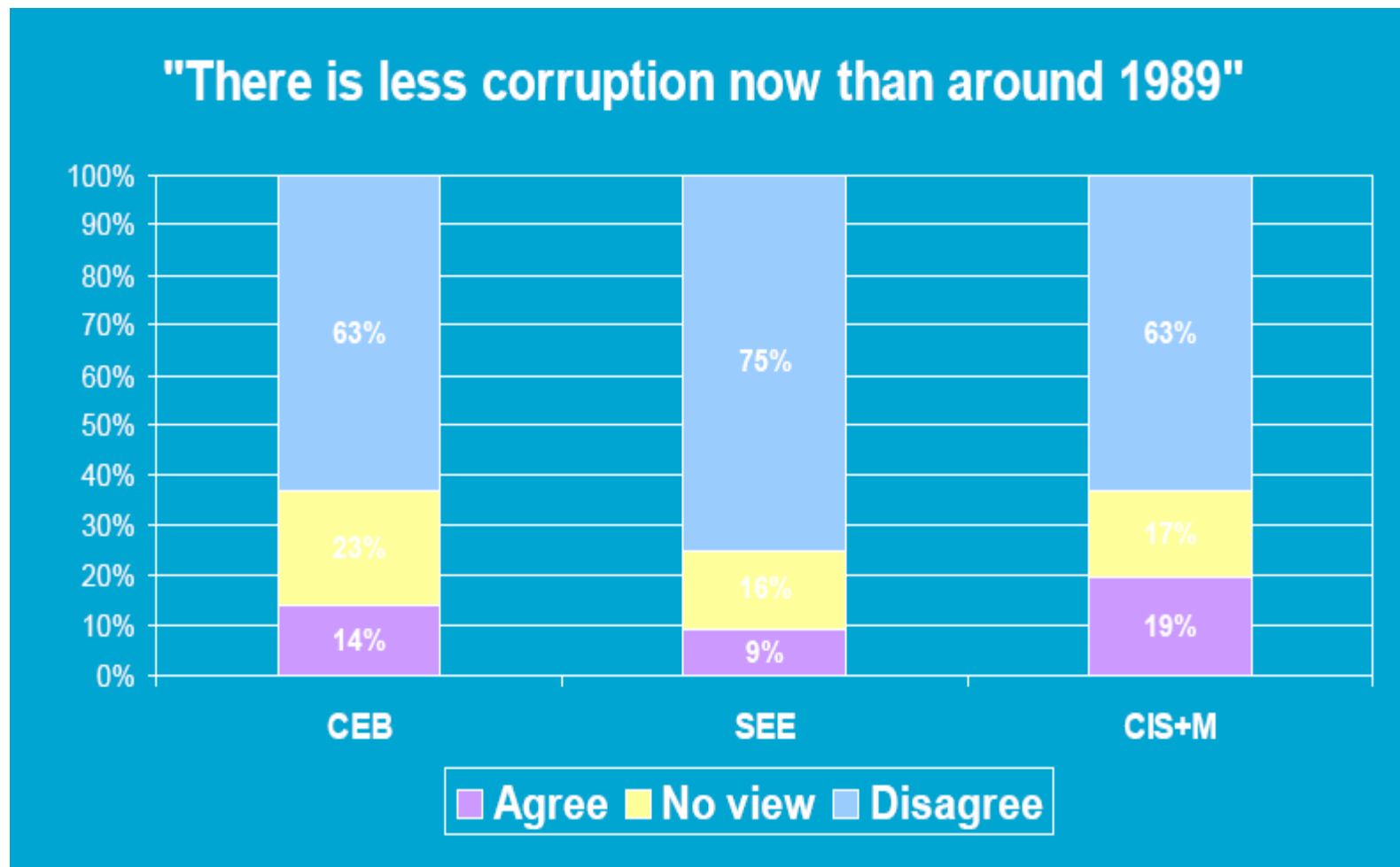
Source: The International Bank for Reconstruction and Development / The World Bank

Corruption Perception Index 2007



Source: Transparency International, Corruption Perception Index 2007

EBRD, Life in Transition Report, 2006



Source: EBRD, «Life in Transition» Report, 2006

Other Policy Challenges to be Addressed

- Jobless growth
- Low Productivity
- Underdeveloped financial sector
- Informal Economy and Informal Employment
- Monopolies
- Prosperity
- Export structure
- Closed Border with Turkey

Current access to Turkey



Source: Beilock, et al, 2007

Trade of Armenia and Georgia with Turkey, 2006

	Exp2006	Share in Total	Rank		Imp2006	Share in Total	Rank
Armenia	\$ 2,370	0.24%	24		\$ 95,422	4.4%	9
Georgia	\$ 123,302	13.2%	1		\$522,560	14.2%	2

Source: National Statistical Service of Armenia, Department of Statistics of Ministry of Economic Development of Georgia

Trade Potential

- Armenian Imports from Turkey will grow by 50%
- Armenian Exports to Turkey will grow by 38%
- each 10% of reduction in distance will lead to 15.6% increase in imports and 12.6% increase in exports

THANK YOU!

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The Knowledge Economy Index 2007

Rank	Change from 2006	Country	KEI
1	8	Sweden	9.26
16	-4	Belgium	8.46
47	8	Russian Federation	5.94
53	7	Turkey	5.56
57	13	Armenia	5.36
76	-2	Georgia	4.4
89	-1	Azerbaijan	3.56
	-1	World	5.93

The Knowledge Economy Index 2007

