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Armenia’s return to form after a major economic slump in 2009 speaks volumes about the country’s resilience and its ability to reinvent itself. Almost a decade of double-digit growth ended in the world economic crisis, when Armenia’s economy contracted by 14 percent. But the country was quick to rebound and post-crisis Armenia looks to be in better shape than before. “These past five years have been a platform for growth recovery and growth development,” says Tigran Sargsyan, Prime Minister of Armenia. “The outcome of the crisis is a new and more efficient economic structure.”

Whereas before growth was largely fueled by the construction sector, today’s growth is owed to the success of the country’s trade- and export-oriented sectors: services, manufacturing, mining and processed agricultural products. On the back of exports, real GDP grew by 7.2 percent in 2012, up from 4.6 percent in 2011. For the years ahead, growth is expected to stabilize in the range of 5 percent. The government, having overseen the return to strength, is now pursuing the restructuring and diversification of the Armenian economy. “For the first time our government has declared a policy of export-oriented industrial development,” explains Prime Minister Sargsyan. “Implementation of this policy will enable the transition from a resource-based economy to a knowledge- and high-technology-based economy.”

Information technologies, pharmaceuticals, and precision engineering are some of the industries where Armenia has the power to excel. Priority is placed on products and services with high added value and low transportation costs, not least because of Armenia’s geopolitical restrictions. Transit costs are high for landlocked Armenia, which has only two open borders, with Georgia and Iran. Armenia’s other two neighbors, Turkey and Azerbaijan, both uphold a trade blockade over the unresolved Nagorno-Karabakh issue.

This situation has forced Armenians to seek alternatives for their trade relations and has nurtured a strong and undeterred entrepreneurial spirit. “We have a big competitive advantage, and that is our human resources,” Armenian President Serzh Sargsyan is proud to point out. “Our people are very business-oriented. They want to compete locally, internationally and globally. You will hear teenagers in school talking about how they are going to start a business. It is a very powerful engine for the country, where society keeps pushing the government to create conditions that improve and create a more liberal business environment.” Long-term government plans are designed to address the nation’s aspirations and turn Armenia into a middle-income country by 2025, by prioritizing the creation of new high-quality and high-paying jobs, developing human capital, improving the social security system, and modernizing public administration.
Foreign direct investment (FDI) inflows remain volatile for 2013, but Armenia has managed to build a reputation as a reliable and hospitable investment destination. The promotion of investment is one of the strategies leading to a diversification of the Armenian economy and the development of competitive industries. In 2012, Armenia recorded FDI inflows of more than $550 million, mostly from Russia, Europe, and Argentina. “Armenia is known the world over for its open investment regime,” says Prime Minister Sargsyan. “We started radical reforms in the business and investment environment several years ago. As a result, we are now one of the most actively reforming countries in the world.”

This is mirrored by the country’s performance in the World Bank’s 2014 “Doing Business” ranking, in which Armenia is now thirty-seventh, ahead of France. Similarly, the 2013 Index of Economic Freedom, published by the Heritage Foundation, rates Armenia’s economic freedoms as greater than global and regional averages, and ranks the country thirty-eighth. Mark Davis, Director of the European Bank for Reconstruction and Development in Armenia, qualifies these rankings with personal experience. “It’s a good place to do business. People speak the language of investors. There is a good level of transparency and partnership with local companies. It is possible to invest and actually be successful.”

A dedicated law on foreign investments provides a range of incentives and protection against nationalization and changes in legislation. Importantly, investors have no limitations on the volume and type of foreign ownership and the number of foreign employees they may have.

Government plans to integrate with other markets are expected to give Armenia’s export economy a boost by offering companies an extended playing field. “We are going to be very aggressive in removing all non-tariff and tariff restrictions in order to foster free trade agreements,” says Vahram Avanesyan, Minister of the Economy. “This will give companies in the domestic market the opportunity to produce more efficiently.”

The announcement by President Sargsyan in September 2013 that Armenia will join the Eurasian Customs Union (ECU) with Russia, Belarus, and Kazakhstan has to be understood in this context. “Membership will bring Armenia significant economic benefits: investments, foreign trade, and competitiveness in energy supply,” explains Prime Minister Sargsyan. The move may conflict with free-trade negotiations with the European Union, but Armenia does not want to alienate its western trade partners and instead aims to maintain a balanced relationship, Prime Minister Sargsyan confirms. “Armenia gives great importance to expanding and deepening its economic cooperation with its key partners, particularly the European Union and the United States.”

Armenia’s banking sector has been particularly interesting for investment. It came through the crisis unscathed, as Central Bank Chairman Arthur Javadyan explains. “The banking sector managed to withstand negative impacts of the global financial and economic crisis due to a high level of capitalization and liquidity, sustainable amounts of short-term foreign liabilities, and lack of investment in foreign securities, as well as relatively conservative regulation and supervision practices.” The sector continues to grow in 2013, owing to a rise in lending and a rebound in remittances from the country’s large diaspora.

The country profits from a stable banking system, which has adapted to the new economic landscape and grows alongside Armenia’s economy. As Javadyan points out, “bank lending has undergone structural changes, and presently banks focus on the provision of loans to enterprises that could contribute to long-term economic development.”

Seyran Sargsyan, Deputy Chairman of the Union of Banks, reinforces this point. “Armenian banks participate actively in the development of the economy. Their portfolio in all sectors of the economy is growing consistently,” he says, adding that “Armenia’s banking system has a high potential for further expansion and enlargement, given the upward adjustments of the macroeconomic environment.”

The Armenian banking sector operates in a crowded market, with a total of twenty-one commercial banks, and is dominated by foreign banks, such as HSBC, Crédit Agricole, VTB Bank, and Byblos Bank. For Javadyan, this environment is conducive to growth. “The consolidation of the banking sector and the entry of international financial institutions in the financial sector of Armenia are key mechanisms for fostering competition,” says Javadyan and underlines that “competition in the banking sector can provide new incentives for improving availability and affordability of financial services, thus contributing to the development of a banking culture among the population.”
A Wealth in Mining

Mining is an age-old tradition in Armenia. One of the world's oldest operating mines is located in Southern Armenia, where many of the country's mineral reserves are found. Armenia has significant deposits of molybdenum—a component metal of steel alloys used in high-end engineering and manufacturing—of which the country holds 7.6 percent of proven world reserves. Copper and gold reserves also exceed those of other countries in the region. With reserves of more than thirty metal and seventy nonmetal minerals, the country has won the attention of the international mining community. Players such as Cronimet Mining AG, Dundee Precious Metals Inc., GeoProMining, Global Gold Corp, Global Metals, and Lydian International are part of Armenia's rapidly expanding mining sector. Metal ore extraction has almost doubled in the past four years, expected to reach thirty-one million tons in 2013, compared to seventeen million tons in 2010. For Armenia, the mining sector is a principal source of export revenues, and it provides jobs and development in rural areas. Around fifteen thousand people work in mining, but more than a hundred thousand are supported by the mining sector, including satellite and supply companies. The challenge for Armenia is to integrate growth in the mining sector in development strategies for the country's long-term growth.

A Long-Term Investment

Cronimet Mining AG was among the first major international investors in Armenian mining. Part of an international integrated commodity company, it entered the market in 1995 and has since grown its commitment significantly. "We have strong business relations in Armenia and are happy to be here," says Thomas Heil, CEO of Cronimet Mining. In less than five years we achieved impressive results."

The company is the major shareholder in two main assets: the Plant of Pure Iron (PPI) in Yerevan, which produces ferromolybdenum and is the biggest molybdenum concentrate refinery in Armenia, and the Zangezur Copper Molybdenum Combine (ZCMC), the largest copper and molybdenum mine in the South Caucasus region. Since acquiring ZCMC in 2005, Cronimet Mining has invested $500 million in the mine. "We have fully modernized the company and revamped production facilities to increase the production volume," explains Heil. "This increased annual production to eighteen million tons of ore, a one hundred-percent increase since 2005."

Today, Cronimet Mining is the country's largest taxpayer and, with more than 3,200 employees, one of the largest private employers. This gives the company an additional responsibility in the country's development. "We have made many improvements in environmental safety, technical innovation and the

As a worldwide operating commodity group, CRONIMET Mining makes an active contribution to secure the global supply of raw materials. We expand the horizon of mining with integrated and sustainable solutions worldwide: from mining and processing to trading and energy.
protection of the safety of our employees,” Heil says. Some of the company’s investments include support for educational facilities, such as schools and universities.

For the future, Heil sees expansion of Cronimet Mining in the region, but also further investment in Armenia. “Planned investments will depend on the availability of new and interesting projects, but will not be less than $100 million in the coming three years,” says Heil. “We will continue investing in our two main assets, ZCMC and PPI, to extensively expand production volumes. Moreover, we recently acquired another molybdenum-copper deposit in Armenia. This asset will also require significant time and money to align completely with accepted international practices.”

Set for Expansion
The Cypriot-registered company Global Metals came to Armenian mining more recently. In 2011, it started operations on the Sagamar mining project in the North of the country, producing copper and zinc concentrates with gold content. “Sagamar was our first step,” explains Garen Ghazaryan, CEO of Global Metals. “It was a success story: we completed construction on time, we did it within the budget, and the technologies we selected work perfectly. This is one of the newest and biggest constructions made in Armenia, fitted with state-of-the-art equipment.” Building on this first success, Global Metals was quick to seize other opportunities. It now runs a total of three projects, including two mining projects for copper molybdenum and gold in the South of Armenia. “So far we have invested a little more than $100 million in the country,” says Ghazaryan. “And we have committed to invest another $100 million to build a concentrator next to the molybdenum deposit in southern Armenia.”

With this new investment, Global Metals intends to vastly increase its operational presence in Armenia. “The Dastakert project in the South is going to be four times bigger than Sagamar in terms of operations,” explains Ghazaryan. “The annual capacity of processing should reach two and half million tons per year.” Construction is scheduled to start next year, to be completed by 2017. Global Metals is currently in the process of securing the necessary financing, for which it is now in negotiation with two banks and, as Ghazaryan points out, “the company is also looking for investors from abroad who might co-partner with us to build our new concentrators.”

Attracting the interest of investors in Armenia remains a major challenge, Ghazaryan explains. “There is no proper information about Armenia. There is no awareness among investors about the country’s business sectors, the economy, the way people live.” For his part, he is very satisfied with the business environment Armenia has offered his company. “We feel the support of the Armenian government, having worked in Armenia for five to six years now,” he says. “The government is ready to assist investors. There is good legislation, the banking system is developed, and you can find well educated and hard-working people, including geologists and technology experts.”
If Armenia wants to meet its long-term growth expectations, it will have to address the cost and security of energy supply. With no hydrocarbon reserves of its own, Armenia’s domestic resources currently cannot meet more than 35 percent of total energy demand. This makes the country highly dependent on energy imports, in particular from Russia, but also from Iran and Georgia. Energy products, such as oil, gas, and nuclear fuel represent no less than 15 percent of the country’s imports, weighing heavily on Armenia’s trade balance. The problem is exacerbated by the low energy efficiency of the economy and the fact that much of Armenia’s installed capacity has outlived itself. This includes Armenia’s only nuclear power station, which contributes about 40 percent of the country’s electricity, but is in line for decommissioning.

Armenia, therefore, has been investing in the modernization of its energy sector, rehabilitating and replacing existing equipment. A replacement of the nuclear power plant is now in discussion. “We want to develop the nuclear energy sector. Our mid-term goal is the replacement of the existing technology with new, more effective, and safer technology,” explains Armen Movsisyan, Minister of Energy and Natural Resources. “We will incorporate the best mixed technologies from around the world in this project.” In parallel, the government is taking other actions, including support for the development of renewable energies. “In our policy, renewable energy projects must be realized through the private sector. We created good conditions for investment in this area,” says Movsisyan. “There has been particular success with small hydropower plants.” In view of these developments, Armenia’s energy sector is moving quickly from risk to opportunity.

High-End Technology
The country’s investment in modern technologies is exemplified by the new Yerevan Thermal Power Plant (YTPP). Located just south of the capital Yerevan, YTPP is a gas-powered turbine plant, built to the highest international standards. Officially inaugurated in 2010, it replaced Armenia’s very first power plant, which had been running for more than fifty years, far beyond its life expectancy. “We decided to build the new power plant as the old one had consumed its resources and had very low efficiency,” explains Hovakim Hovhannisyan, General Director of the Yerevan Thermal Power Plant, who oversaw the technical planning process for the new installation. “The new plant meets 25 to 30 percent of electricity consumption in Armenia. Due to its much higher efficiency, it requires less gas per kilowatt hour, with a positive economic effect.”

For the implementation of the project, Armenia was able to secure financing from the Japan Bank of
International Cooperation (JBIC), at favorable terms. “We signed our loan agreement in 2005 and were given a very soft loan with an interest rate of 0.75 percent per year over forty years and a ten-year grace period,” says Hovhannisyan. The ensuing tender attracted international attention and secured advanced technologies for the new plant, as Hovhannisyan explains. “The gas turbine is from Alstom, the steam turbine is from Fuji, the heat recovery steam generator is from Sedae, and the automatic control system from Honeywell, all very strong international companies.” Additional consulting services were provided by TEPCO and construction of the power plant was done by GS E&C, a Korean company, on a turn-key basis.

As proud as Hovhannisyan is to introduce new technologies to Armenia, he is equally proud to be nurturing domestic talent. “During construction, all our young specialists received training in Switzerland, Germany, Japan, and South Korea. We spent fifty to seventy thousand dollars on the training of each specialist. Now we have more than fifty young, trained specialists working in the power plant,” says Hovhannisyan. “Training is important because the functioning and life expectancy of the power plant depend on specialists. We are already in our third year of training, continuously raising the quality of our staff.” In the meantime, efforts are underway to construct a second combined-cycle power unit with a capacity of 400 to 450 megawatts.

Construction Sector Revamped

Pre-crisis, the construction sector was Armenia’s major engine of growth. It played to the ambitions of a post-Soviet state that was released from the constraints of a central planning system. Private business and a wave of investments made possible the development of new residential and commercial buildings, allowing a new generation of construction companies to develop. The sector’s growth has now cooled, but the businesses themselves have grown more stable, while government is reforming the sector with the aim of long-term sustainability. “Reforms in the sector are aimed at improving the business environment, regulating the procedures for construction of buildings, and simplifying the mechanisms for building permits,” specifies Samvel Tadevosyan, Minister of Urban Development. The ministry has regulated land usage and urban construction in areas of special significance and is investing in the creation of technical databases that will facilitate construction, management, and rehabilitation of buildings. The government is also promoting the energy efficiency of buildings and supporting the construction industry with targeted actions.

“We study the global construction industry, new materials, technologies and experience in order to implement the production of new materials and technologies in Armenia,” says Tadevosyan, citing one such action. In addition, the government is taking measures that are intended to aid the sector in its current situation. “Projects are being developed to provide long-term and low-interest loans to construction companies, to ensure further development and growth of the construction sector,” says Tadevosyan. And with an eye on the future, he explains that “great importance is given to training and to raising the qualification of specialists in the sector,” preempting a shortage of skills when growth resumes.

Innovation Leaders

The Elite Group, an Armenian property development company, is illustrative of the opportunities that are available in the construction sector. The company entered the business in 2000 as a privately funded enterprise, offering construction management services. It began by developing elite residential buildings, addressing a growing demand where Elite soon found its niche. “We pay a lot of attention to the choice of the site, individual architecture, and the comfort of our clients,” explains Armen Mkoyan, CEO of Elite Group.

Today, Elite Group is the market leader in the Armenian construction sector and holds a broad portfolio. “We try to diversify the portfolio of our company and thus reduce our risks. Besides developing
premium-class and business-class buildings, we started developing residential buildings for the middle class,” says Mkoyan. “We also entered the hotel business and started planning and developing hotels in the resort centers of Armenia.” Elite has completed construction of the Aghveran Resort Center, and other hotel projects are currently in development. Committed to applying international standards, Elite has also been able to secure funding from the European Bank of Reconstruction and Development (EBRD) and from the International Finance Corporation (IFC) for large-scale residential and mixed-purpose commercial developments.

Mkoyan is now ready for the company’s next step of development and move to the international level, stating, “We want to launch an initial public offering (IPO). Together with EBRD and IFC we want to make the company an open joint-stock company and enter the international market.”

Building With Excellence

Another company that developed to national recognition is the Spitak Tnak Construction Company. Founded in 2001, it quickly acquired a reputation for quality. “Since inception, our company has been faithful to its slogan, ‘Build as you would build your own house, laying one stone after another,’” says Stepan Akhoyan, President of Spitak Tnak, describing the company’s credo. “We couldn’t imagine what the future scope of our projects would be. But from the very first day we believed in our success and our main goal was to ensure the high quality of our construction work.”

Spitak Tnak now constructs everything from luxury residential homes and apartment blocks to hotels, business buildings, and golf courses. At the same time, it is involved in reconstruction and renovation work for clients including the National Academy of Sciences and HSBC Armenia. “A few years ago, the construction of residential buildings was still a dream for us,” confesses Akhoyan, “but this is now considered a settled direction for our company.” The company also decided to internalize certain capacities, as Akhoyan explains. “One of the milestones in the development and growth of Spitak Tnak was the creation of our own technical resources, which required a large investment. Now our technical resources include various types of equipment necessary for construction.”

The contribution of Spitak Tnak to the Armenian construction business was officially recognized in 2008, when it received the Award for Quality Assurance of the Government of the Republic of Armenia, and a gold medal for a significant contribution in the field of urban development in Armenia. “The company’s plans for the coming years are to successfully finish a number of significant projects, ensuring quality and reinforcing the image of the company,” says Akhoyan. This includes the construction of three government ministries, which are scheduled for completion in 2015. International expansion is next for Spitak Tnak. “Lately, we have been thinking of involving Western investors, which would make it possible to implement global projects,” says Akhoyan, and concludes that “the success story of our company allows us to dream about international projects.”
Armenia’s new industrial policy is the country’s strategic framework to achieving greater competitiveness and sustainable economic growth. It addresses the country’s limited economic diversification and places a priority on the development of industries with a strong potential for export. “Our new industrial policy is based on eleven sectors which have strong preconditions of becoming an engine for Armenia’s economic development,” explains Robert Harutyunyan, General Director of the Armenian Development Agency. “These are IT, precision engineering, agriculture, food processing—in particular wine, brandy, canned products, and dairy products—jewelry and diamond processing, mining, biotechnology, and pharmaceuticals.”

The focus here is on sectors that could develop into the country’s future drivers of growth, given mid-term and long-term support, by improving the regulatory framework, eliminating barriers to trade, and modernizing infrastructure. “The government’s role is to create a favorable environment for doing business and to ease access to different markets,” says Harutyunyan, stressing the vital role of open markets. “Armenia has a huge potential for large-scale production, but requires a larger consumer market, which can only be achieved by free access to nearby markets.” The government conducts an open-market policy, reflected in its membership in the WTO, the conclusion of a free trade agreement with the Commonwealth of Independent States (CIS), and future participation in the Eurasian Customs Union.

In a more short-term perspective, the government puts the emphasis on sectors that have already exhibited strong growth in exports in recent years. As Harutyunyan explains, “We are first targeting those sectors that are most likely to deliver fast outcomes.” Sectors such as IT and ICT, tourism, health, education, and agriculture have significant potential of further development with just moderate additional investment.

The IT and ICT sector is a case in point. “We are working quite extensively to help improve access to finance, particularly for small and medium-sized enterprises. Especially in areas where Armenia is showing some distinctive competitive advantage, such as in the IT and ICT sector,” says Jean-Michel Hapip, World Bank Country Manager for Armenia, Europe, and Central Asia. “Armenia has a very competitive labor force in this field, and I think it is the only industry in the country where you have job offers far exceeding supply.” For Hapip this is “an untapped potential,” particularly if Armenia succeeds in expanding broadband coverage and providing better financial services.

In its efforts, the government has also been open to new approaches. It has entered a unique public-private partnership with a group of private sector
representatives from the United States, Russia, the European Union, and the Middle East, to lend support to the tourism, health, and education sectors. Known as the National Competitiveness Foundation (NCF), the partnership concerns itself with policy development, investment mobilization, and the implementation of projects that can create change in these growth sectors.

Regional Leader in Transport, Agribusiness, and Food Exports

Agriculture is very much part of Armenia’s traditional economy. About 40 percent of the country’s entire labor force is employed in the food services sector, providing an important livelihood for Armenia’s rural areas. Food products are one of Armenia’s greatest exports, representing no less than 14 percent of total exports. Owing to unique soil and climate conditions and the limited use of chemical fertilizers, Armenian agricultural products are of high quality and much appreciated in export markets, particularly Russia. This is feeding a growing food industry that includes products such as fresh fruits and vegetables, processed and canned foods, as well as juices and alcoholic beverages.

Spayka, a Yerevan-based company, has been a pioneer in this sector and has contributed much to the rise in Armenian food exports. Founded in 2001, with no starting capital, Spayka combines a successful transportation, packaging and processing business. “In the first three years of business we created our first transport fleet, consisting of fifteen European standard trucks,” recalls Davit Ghazaryan, President of Spayka. “By 2005 we were a full-fledged company that was able to offer services to our Armenian clients.” This fleet today stands at 115 trucks and Spayka continues the transportation and logistics business as a core part of the business, with remarkable success. “Spayka is the regional leader between Georgia, Azerbaijan, Armenia and southern Russia,” says Ghazaryan. “We cover 50 to 52 percent of all imports and exports of third parties in Armenia.”

Spayka’s business was given a new spin when the company decided to invest in refrigerator trucks and refrigerated storage facilities, catering to the needs of the food industry and allowing it to handle the transportation of fresh food, vegetables, and fruits. With an investment of $33 million, Spayka created facilities that allow for the long-term storage of eight thousand tons of fresh goods. “The fact that we had centralized storage and export for third parties gave us the advantage of getting to know the market and the players,” says Ghazaryan. “We decided to go further and start exporting foods under our own brand. We started working with farmers and procured fruits and vegetables that were subsequently processed and packaged at our facilities.” In a move toward vertical integration, Spayka also began producing super light, plastic euro-pallets and boxes. These allow for lighter loads, making room for more produce instead. The
These combined investments have made Spayka the largest exporter of food products in Armenia. Spayka’s food exports are expected to reach twenty thousand tons this year, up from fifteen thousand tons last year. Growth could be faster still, if it were not for the constraints of the market, as Ghazaryan explains. “The main challenge that we have is the mismatch between the ambition of our company and the speed with which private agriculture and agribusiness is growing in Armenia,” he says. “We are increasing our mobility and our capacity, but individual farmers and producers of agricultural products are lagging behind. We hope that within a few years we will have an agricultural sector that will meet our requirements.”

Spayka is already thinking further. It intends to grow its fleet to one thousand trucks and open new markets for its food exports. At the moment, Spayka mainly exports to Russia, but this is about to change. As Ghazaryan explains, “We have completed the training stage and are now well developed. Our next step is to penetrate the European market, so that hopefully we see a diversification within a couple of years, dividing our business fifty-fifty between the Russian or CIS market and the European market.” In the meantime, Spayka is launching its own cannery factory. “Developed in cooperation with Italian and Austrian specialists, the factory will be completed by the end of 2013 and have the capacity of producing more than forty-two million units of canned or packaged products per year. It will make Spayka the largest producer in the region for goods such as juices made from fresh fruit and vegetables, appetizers, and marinated canned products. And this, surely, won’t be Spayka’s last investment,” adds Spayka’s Head of Finances, Armand Hakobian.

Fish-Farming On the Rise

Surprisingly, for a country with no access to the sea, fish plays an increasingly important role in Armenia’s exports. Lake Sevan and hundreds of other bodies of water support a local fishing industry, including a dynamic aquaculture sector. To companies like Unifish, a local producer of trout and sturgeon, fish-farming and international demand offer lucrative opportunities. Established in 2006, Unifish grew from national supplier to major exporter within a span of just four years. “In 2007 we produced a total of twenty-five tons of fish and in 2008 it was already one hundred tons,” says Armen Mkrtchyan, Director of Unifish. “At the time, we supplied only the national market, with little export to Georgia and Ukraine.”

Change came in 2009, when Armenia and Russia negotiated the possibility of fish exports to Russia, and the Russian certification agency cleared Armenian producers. “We started our exports in 2009, with intermediaries first. But we now supply fish directly to all the big supermarkets in Russia,” says Mkrtchyan. “There is huge demand in the Russian market and we satisfy about 60 to 70 percent of this demand.” Unifish considers future exports to the US, Singapore, and Malaysia, but for the time being Russia remains the focus of the company’s activities. Unifish already enjoys a 95 percent share in the Russian market for sturgeon, but exports are on the rise. This now also includes caviar, as Mkrtchyan points out. “Last year, we exported twelve tons of red caviar to Russia and now red caviar is booked in advance by the Russian supermarkets. Also, we will export black caviar to Russia for the first time.” Armenian caviar is highly sought after and Unifish expects to reach an annual production of one hundred to one hundred and fifty tons of black caviar and two to three hundred tons of red caviar in the coming five to six years.
The Grapes of Armenia

In 2011, archaeologists discovered the world's oldest known winemaking facility, dating back to 6100 BC, in an Armenian cave. Seeds found on site were from the vitis vinifera grape, still used in wine production today. Viticulture has survived in Armenia to this day and is having a modern-day comeback. Armenian wines and brandies experience success on an international scale, owing to expanding quality production, fresh marketing, and more government support.

A Precious Tradition

Brandy is the only product of which Armenia has a sizeable percentage share of world exports, representing no less than 2.8 percent of global brandy exports. The best known and most successful of all Armenian brandies, ArArAt, has been in the market since the end of the nineteenth century. “ArArAt is an icon of Armenia, it is interlaced with its soul, history and traditions,” says Ara Grigoryan, Chairman of the Board of the Yerevan Brandy Company, which produces ArArAt. “There are only certain varieties of grapes that can be used for authentic ArArAt brandy,” he says, and explains, “We cooperate with the farmers and make a lot of investment in maintaining, improving, and encouraging the cultivation of grapes.”

ArArAt is extremely popular in the region, and 90 percent of company sales are made in Russia, Belarus, Ukraine, Kazakhstan, and the brand’s other traditional markets. Recognizing the brand’s potential, Pernod Ricard acquired the Yerevan Brandy Company in 1998. “The decision of Pernod Ricard has been a win-win situation for both the country and the company,” says Grigoryan. “In 1998, there were three producers of Armenian brandy who together were selling 1.6 million liters of brandy. The industry, at that time, was close to collapse and about to disappear. Today, we have more than thirty producers, and we are selling 15 million liters of brandy to Russia alone.” A complete rebranding in the middle of the crisis in 2009 has greatly contributed to ArArAt’s recent success. “If in 2011 and 2012 we were recovering from the crisis, we are now having the best year in the history of ArArAt Armenian Brandy,” says Grigoryan. To keep up with demand, the company has now introduced double shifts.

A New Generation in Wine-Making

The taste for Armenian wines is also on the rise, as vineyards increasingly move towards producing premium wines. Producer Golden Grape ArmAs is the fresh face of Armenian wine and out to challenge the international competition. Financed by Armenian entrepreneur Armen Aslanian, the ArmAs winery was created entirely from scratch in 2007, designed and constructed by Italian architects, engineers, and wine industry professionals. The company’s estate occupies a 180 hectare site in the Aragatsotn Province of Armenia, which was carefully selected based on soil and climate conditions conducive to producing exceptional wines from native varieties. “Our wines are made from the finest selection of our hand-picked, estate-grown grapes, and processed in a winery with latest enological equipment. We have ultimate quality control at every stage of the winemaking process,” says Victoria Aslanian, Vice-President of Golden Grape ArmAs LLC. “In 2012, ArmAs released its first vintages, a selection of premium wines crafted by winemaker Emilio Del Medico. In 2015, ArmAs will release its first brandy, after aging in French and Karabakh oak barrels for three years.”

Domestic demand is on the rise, as a new wine culture is taking hold in Armenia, but for larger producers such as ArmAs exports are inevitable. “While the market for wine in Armenia is expanding and has great potential, it is too small to consume the quantities that major wineries in Armenia are currently producing. Currently, ArmAs wines are set for export to the United States and Russia,” explains Aslanian.

For Armenia, wine has become one of a number of promising sectors that will contribute to the country’s long-term growth.

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Robert Harutyunyan, General Director of the Armenian Development Agency

“The consolidation of the banking sector and the entry of international financial institutions in the financial sector of Armenia are key mechanisms for fostering competition. Competition in the banking sector can provide new incentives for improving availability and affordability of financial services, thus contributing to the development of a banking culture among the population.”
Arthur Javadyan, Chairman of the Central Bank

“Armenia’s banking system has a high potential for further expansion and enlargement, given the upward adjustments of the macroeconomic environment.”
Seyran Sargsyan, Deputy Chairman of the Union of Banks

“It’s a good place to do business. People speak the language of investors. There is a good level of transparency and partnership with local companies. It is possible to invest and actually be successful.”
Mark Davis, Director of the European Bank for Reconstruction and Development in Armenia

“We are working quite extensively to help improve access to finance, particularly for small and medium-sized enterprises. Especially in areas where Armenia is showing some distinctive competitive advantage, such as in the IT and ICT sector.”
Jean-Michel Happi, World Bank Country Manager for Armenia, Europe, and Central Asia
“We have strong business relations in Armenia and are happy to be here. In less than five years we achieved impressive results.”
Thomas Heil, CEO of Cronimet Mining AG

“We feel the support of the Armenian government, having worked in Armenia for five to six years now. The government is ready to assist investors. There is good legislation, the banking system is developed, and you can find well educated and hard-working people, including geologists and technology experts.”
Garen Ghazaryan, CEO of Global Metals

“We decided to build the new power plant as the old one had consumed its resources and had very low efficiency. The new plant meets 25 to 30 percent of electricity consumption in Armenia. Due to its much higher efficiency, it requires less gas per kilowatt hour, with a positive economic effect.”
Hovakim Hovhannisyan, General Director of the Yerevan Thermal Power Plant (YTPP)

“We want to launch an initial public offering (IPO). Together with the EBRD and IFC we want to make the company an open joint-stock company and enter the international market.”
Armen Mkoyan, CEO of Elite Group

“Lately, we have been thinking of involving Western investors, which would make it possible to implement global projects.”
Stepan Akhoyan, President of Spitak Taak

“We have completed the training stage and are now well developed. Our next step is to penetrate the European market, so that hopefully we see a diversification within a couple of years, dividing our business fifty-fifty between the Russian or CIS market and the European market.”
Davit Ghazaryan, President of Spayka

“The cannery factory will be completed by the end of 2013 and have the capacity of producing more than forty-two million units of canned or packaged products per year. It will make Spayka the largest producer in the region for goods such as juices made from fresh fruit and vegetables, appetizers, and marinated canned products.”
Arman Hakobian, Head of Finances, Spayka

“We started our exports in 2009, with intermediaries first. But we now supply fish directly to all the big supermarkets in Russia. There is huge demand in the Russian market and we satisfy about 60 to 70 percent of this demand.”
Armen Mkrtchyan, Director of Unifish

“In 1998, there were three producers of Armenian brandy who together were selling 1.6 million liters of brandy. The industry, at that time, was close to collapse and about to disappear. Today, we have more than thirty producers, and we are selling 15 million liters of brandy to Russia alone.”
Ara Grigoryan, Chairman of the Board of Yerevan Brandy Company

“While the market for wine in Armenia is expanding and has great potential, it is too small to consume the quantities that major wineries in Armenia are currently producing. Currently, ArmAs wines are set for export to the United States and Russia.”
Victoria Aslanian, Vice-President of Golden Grape ArmAs LLC