

U.S. Country Commercial Guides



Armenia
2018

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Doing Business in Armenia

Market Overview

Armenia is a small market, facing difficult challenges based on its geography and the ongoing hostilities over Nagorno-Karabakh that has closed two of its four borders. U.S. goods and services compete successfully for market share and there has been a significant increase in U.S. investment in Armenia over the last five years, particularly in the energy and mining sector. Unexpected political changes in April and May 2018 have not adversely affected the market, and new political will, if sustained, could positively address long-term systemic concerns about corruption and distortions to the market by politically-connected businesses.

In May of 2015 the United States and the Armenian Government signed a Trade and Investment Framework Agreement (TIFA). The TIFA provides a strategic framework and principles for dialogue on trade and investment issues. The agreement creates a platform to meet and discuss issues of mutual interest with the objective of improving cooperation and enhancing opportunities for trade and investment and provides high level government engagement for protecting business interests in both countries.

The Republic of Armenia became a member of the Russian led Eurasian Economic Union (EAEU) on January 2, 2015. This membership provides Armenian products direct access to the Russian, Belarussian, Kazakh, and Kyrgyz markets with a combined population of over 175 million and a combined gross domestic product (GDP) of 2.2 trillion USD.

In November 2017, the European Union and Armenia signed the Comprehensive and Enhanced Partnership Agreement (CEPA) aimed at significantly deepening their relations. The new agreement is expected to improve the investment climate, stimulating growth and jobs and create better regulatory environment for businesses to grow.

With international donor assistance, the Armenian government has been implementing a program of reforms aimed at attracting trade and foreign investment by improving the business environment and tax and customs administration. As a WTO member since 2003, Armenia has the most liberal investment regime among EAEU countries making it an attractive location from which to base international and regional operations focused on EAEU markets. The country has GSP access to the U.S., EU, and Japan, and a Free Trade Agreement with neighboring Georgia which remains available even after Armenia's accession to the EAEU.

Armenia's gross domestic product grew 7.5 percent in 2017 to \$11.6 billion, the largest annual expansion in a decade after close to zero growth in 2016. According to the World Bank country snapshot, growth was driven mainly by a recovery in the external environment and supported by a strong rebound in domestic demand. Consumption benefited from higher incomes and a recovery in overseas remittances, particularly due to the moderate recovery in Russia and firming of international metal prices. Although the economic outlook is positive, Armenia's vulnerability to economic conditions in Russia and its other trading partners will remain high, and, together with its low level of export diversification, present a downside risk for sustainable economic growth. In anticipation of sustained favorable external economic conditions and continued robust structural reforms by the new government, medium-term growth is forecast to be around 4%, based on private sector, export-led activity. In particular, the agribusiness, information and communications technology (ICT), and tourism sectors are expected to deliver solid growth as efforts to increase competitiveness and connectivity start to deliver results. Armenia is classified as an upper middle income country by the World Bank, with a per capita GDP of around \$3,813.

The service and industrial sectors were the main drivers of GDP growth in 2017 with each registering 10.1% growth. The service sector contributed 5.1% and industry sector 1.8% of overall economic growth. Much of this growth came from the export-oriented mining and metallurgy sector which saw the opening of new mines. The IT sector had 13.6% growth in 2017 with 80.1% of the total volume of IT-sector revenues coming from the

services provided. The construction sector, which had been in decline since 2009 (reporting only a slight rise of 0.2% in output in 2014) grew by 3.1% in 2017 contributing 0.2% to the overall annual growth. However, the agriculture sector which accounts for more than a quarter of the economy declined by 4%. After two years of deflation (1.1% in 2016, and -0.1% in 2015), inflation in Armenia in 2017 was 2.6% largely triggered by an increase in food prices. The average monthly salary in Armenia was about \$370 in 2017.

Overall foreign trade turnover grew by 26.9% to \$6.425 billion in 2017, with imports making up \$4.18 billion (a 27.8% increase compared to 2016) and consisted mainly of petrochemicals, precious stones, consumer goods, food products, equipment, and machinery. According to Armenian official statistics imports from the United States increased by 60.3 % to \$117.5 million in 2017 ranking the United States among the top 10 importing countries to Armenia (after Russia, EU, China, Turkey, Iran, UAE, Switzerland and Georgia). Imports have also risen from Russia, the EU, China, Turkey, the UAE and Iran.

In 2017 Armenia exported \$2.24 billion in goods (a 25.2% increase compared to 2016) including metal mining, food products and cut precious stones. The top ten importers of Armenian goods and services were Russia, the EU, Georgia, Iraq, China, Iran, Switzerland, USA and the UAE. Exports to Russia rose by 44.6%, to the United States by 76%, to the UAE by 61%, to Switzerland by 365% (due to new gold exports) and to the EU by 32.2% in 2017. The U.S. imports from Armenia amounted to \$68.5 million in 2017. Armenia's imports from the United States in 2017 included mainly machinery and equipment, vehicles, chemical products, and textiles. Armenia's primary export items to the U.S. were precious stones and metals (including aluminum foil), textiles, and prepared food products.

Market Challenges

While the new Armenian government launches important steps to create a more inviting business environment, many challenges remain. Perhaps the most critical challenge the government faces is the need to improve competition in the Armenian economy by breaking up the near monopolies/oligarchies held by a small group of well-connected businessmen on the import and sale of a range of critical products. These pose significant barriers to entry for both domestic and foreign businesses, and harm competition and consumer welfare. Conducting business might also be impeded by: burdensome regulatory regimes; inadequate intellectual property rights (IPR) protection and enforcement; widespread corruption and inadequate rule of law (although anti-corruption is a priority for the new Armenian government); inconsistent application of laws and regulations; lack of transparency; and an unequal playing field for competition.

Despite the political will from the new Government which came to power in May 2018, the tax and customs administration still lacks the institutional capacity to collect all revenues owed, and the Customs service must overcome a long legacy of corrupt practices. Seriously underdeveloped infrastructure poses logistical challenges, especially in accessing markets outside of Yerevan and major cities. English is not widely spoken, although knowledge of the language is expanding, especially in the major cities.

The EAEU has yet to live up to its promise of boosting trade among member countries, Armenia's non-EAEU trade may also be more restricted as it conforms to EAEU standards. Importers are affected by poorly planned implementation of the EAEU integration, non-standardized application of the common customs code, and unclear documentation requirements that may also affect some U.S. firms.

Membership in the EAEU has required Armenia to apply higher tariffs than before on many imported goods. Though Armenia negotiated exceptions for around five hundred key products for up to five years (expiring in 2020), many other goods are subject to significantly higher tariffs since 2015. Another challenge is the administration of new EAEU customs regulations and processes. Armenia brought its customs system in line

with the EAEU requirements in a relatively short period of time and businesses complain that there are still some problems with implementation creating delays and excessive paperwork.

The trade embargo imposed by Azerbaijan and the closed border with Turkey is a major impediment to development. Transport costs through Georgia, Armenia's major trade outlet, are expensive, due to the extra travel distance and a lack of alternative routes and poor infrastructure. Trade with Iran is small, restricted by international sanctions, lack of good transportation links, and protective Iranian market practices. Other market challenges include Armenia's relatively small market size.

Market Opportunities

The energy and mining sectors in general (exploration, exploitation, and ancillary services, among others) and alternative energy source generation hold much promise for U.S. business. Other areas with commercial potential can be found in agribusiness; information technology; and services, including retail, travel, and tourism. Armenia's new Free Economic Zone (FEZ) legislation is focused on providing a favorable tax and customs environment for innovative export-oriented businesses.

Market Entry Strategy

A company's market entry strategy will largely depend on the type of product or service it has to offer. As in most markets, finding a reliable and competent importer, distributor, or partner is advised. A strong understanding of local legislation, particularly tax and customs legislation, is required.

Western-style legal consultancies can help find partners or perform due diligence; however, their capacity to act as responsible agents is limited, largely due to the lack of transparency in the business culture as a whole. Most successful foreign investors have Armenian partners who are familiar with the local business environment. Person-to-person contact in the Armenian business culture is very important. Additionally:

Expect to commit significant time, personnel, and capital, as developing and maintaining business in Armenia is resource-intensive.

Conduct significant due diligence to ascertain the reliability of business partners.

Consult with U.S. companies already in the market, as well as with the U.S. Embassy and business organizations such as the American Chamber of Commerce in Armenia.

Communicate regularly with Armenian business partners to ensure common understanding of expectations.

Travel frequently to Armenia in order to establish and maintain relationships with partners and to understand changing market conditions.

Maintain a long-term time frame.

Political Environment

Political Environment

For background information on the political and economic environment of the country, please click on the link below to the [U.S. Department of State Background Notes \(https://www.state.gov/r/pa/ei/bgn/5275.htm\)](https://www.state.gov/r/pa/ei/bgn/5275.htm).

Selling US Products & Services

Using an Agent to Sell US Products and Services

Armenian companies are usually willing to become agents or distributors for American products. In recent years, local companies have agreed to become distributors for the following firms: Procter & Gamble, Mars, Johnson & Johnson, Philip Morris, FedEx, UPS, Dell Computers, Intel, IBM, Nike, and others. American companies seeking local distribution partners may contact an Armenian legal consulting firm for assistance in finding a partner [here](#).

A branch of the American Chamber of Commerce (www.amcham.am) operates in Armenia and can serve as an excellent resource for obtaining information about local companies, distributors, wholesalers and retail outlets.

The United States Embassy in Yerevan is also ready to assist U.S. business with inquiries. Contact us at businessyerevan@state.gov.

Practical information on company background, physical locations, and product offerings is also available on the [website \(www.spyur.am\)](http://www.spyur.am).

Establishing an Office

Foreigners may choose from a wide range of available organizational forms to conduct business in Armenia. The Civil Code of Armenia defines the following legal forms of entities: Entrepreneur/Sole Proprietor, Business Partnership (Full Partnership and Trust Partnership), Limited Liability Company, Supplementary Liability Company, Closed and Open Joint Stock Companies, Cooperative and Representative office and/or branch. Representative offices of foreign companies can be established in Armenia for the purposes of representation and protection of the rights of its founding company but are not entitled to perform commercial activities. It is strongly recommended that interested U.S. companies seek legal advice on business registration. Prospective entrepreneurs looking to open an office should seek guidance from the resources listed below or from an Armenian legal consulting firm.

U.S. Embassy in Armenia – Legal Assistance (<https://am.usembassy.gov/u-s-citizen-services/attorneys/>).

In general, the process of registering a business in Armenia is quick and streamlined. Registration of companies is carried out electronically through the State Register of Legal Entities of the Ministry of Justice of the Republic of Armenia (<https://www.e-register.am/en/>) following a one-stop shop principle and includes registration of the firm name, state registration of the company itself and registration with the tax authorities. The required documents can be submitted either in hard copy or electronically.

Businesses can track their applications and search information on existing companies. The registration of commercial entities is immediate if documents are submitted electronically. If they are submitted physically, using approved templates of the required documents, the approval can take up to 2 working days.

Office space is widely available in Yerevan and range in purchase price from \$700-1200 per square meter in the center and \$450-700 in the suburbs. The monthly rent for commercial space ranges from \$10-35 per square meter.

For more information contact the Small & Medium Entrepreneurship Development National Center (SME DNC).

SME DNC

5 Mher Mkrtchyan Street, Yerevan

Tel: 54 16 48; Email: info@smednc.am

Business Organization Laws:

[Law on State Registration of Legal Entities](#)

[Law on Limited Liability Companies](#)

[Law on Joint-Stock Companies](#)

Franchising

The growing number of European franchises in Armenia and the prevalence of copycat shops and restaurants – together with a general premium on name recognition - suggest that U.S. franchises could be successful, especially in Yerevan. Although the only current U.S. food franchises in Armenia are Coca-Cola, Pepsi, Pizza Hut, KFC, Burger King, Nathans, Tutti Frutti, and Cinnabon, new pizzerias, restaurants, and sandwich bars appear regularly. High-priced restaurants serving foreign cuisine are also finding success in niche markets. The retail business is also a attractive investment and partnership opportunities for U.S. firms. There are several retail outlets selling U.S brand clothes such as Polo, GAP, etc. In addition, two big fitness chains “Gold’s Gym” and “Orange” have been operating in Yerevan for several years, with a Reebok branded gym opened in 2017. Besides U.S. franchises, there are many international franchise brands, including Debenhams, Next, Segafredo, Carrefour, etc. Franchise offers from well-known American chains might attract substantial interest, both from customers and local investors.

Trademark owners will have to contend with a local business culture that is still casual in its respect for intellectual property rights (IPR). U.S. businesses will generally find it easier to protect their brands from infringement in the Armenian market if they have a legitimately authorized presence in Armenia, either directly or through an authorized agent or distributor. Armenian law and state agencies tend to give greater standing to an IPR complainant doing actual business in Armenia than to a foreign firm with no local operation. In the latter case, where there is no duly authorized competitor being directly harmed by a counterfeit operation, state agencies often tend to see the infringement as a forgivable and victimless offense. IPR awareness is improving gradually, however, and the government has adopted and introduced amendments to legislation aimed at improving trademark owners' ability to protect their rights.

U.S. companies interested in more information about franchise opportunities in Armenia should contact the Embassy Economic/Commercial Office at: businessyerevan@state.gov.

Direct Marketing

The use of direct marketing is growing in Armenia, particularly among IT and telecommunications companies which use direct mail, text message advertisements, and leaflet distribution. Every year digital marketing landscape continues to grow at a rapid pace and the number of marketing agencies have increased. For digital marketing there are almost all the prerequisites: internet connection is widespread throughout the country and thousands of Armenians are engaged in social media. While printed materials are still used, increasingly businesses regularly deliver special offers through social-media sites, mobile applications, and e-mail to existing or potential customers. Leading direct sales companies such as Mary Kay, Oriflame, and Herbalife use network marketing, a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of others they recruit. To attract a motivated agent with high loyalty to the product is getting more difficult in the beauty direct sales segment compared to previous years. Direct mail is still limited because regular postal services are not widely used, and many direct marketing efforts lack clear market segmentation based on targeted consumer profiles. Express courier services operating in Yerevan include FedEx, UPS, and DHL.

Major media outlets in Armenia include:

Public TV Company of Armenia- (www.1tv.am)

Kentron- (www.kentron.tv)

Armenian TV-(www.armeniatv.am)

Shant TV-(www.shanttv.am)

Joint Ventures/Licensing

Joint business ventures are the most popular forms of trade and investment arrangements between Armenian and U.S. companies. Joint ventures are often registered either as limited liability companies or joint stock companies. In most cases, it is advisable for the U.S. partner to retain managerial and voting control. JVs in which foreign partners hold minority stakes are dependent on the good intentions of their Armenian majority owners.

Many types of businesses are required to have a license. A list of activities subject to licensing is provided in Chapter VII, article 43 of the Law on Licensing (http://www.parliament.am/law_docs/270601H0193eng.pdf). The law provides for two types of licenses: Simple and compound (automatic and non-automatic). The simple license is issued by the Ministry of Finance within three days of submission of application documents. Compound licenses are issued within 30 days after submission of documents, and may only be issued by a licensing commission. Currently 96 types of activities are subject to licensing, 12 of which are subject to simple licensing and can be obtained online:

<http://www.e-gov.am/licenses>

http://www.minfin.am/en/page/complicated_licensing/

Generally, service providers requiring professional capability such as physicians, lawyers, bus or truck drivers require compound licenses. Armenia has carried out significant reforms to simplify requirements and procedures to obtain permits. Among the key beneficiaries of the reform is the construction industry, where the procedure for obtaining permits was simplified and the cost significantly reduced. Currently construction permits are provided within 27 days, as opposed to the 137 days needed prior to the reform.

Selling to the Government

In September 2011, the Republic of Armenia became the first CIS country and 15th Party to accede to the WTO's Government Procurement Agreement (GPA) and recently signed the revised GPA.

The new Procurement Law of the Republic of Armenia (2016) entered into force April 25, 2017 introducing new anti-corruption measures and increasing the transparency and effectiveness of the system. The law regulates the government procurement in line with GPA requirements and provides for the participation of foreign nationals on equal basis in public sector procurement. Since 2011, state government authorities carry out their procurements independently. Procurement decentralization aims at improving the organization of procurement procedure for state and communities' needs, increasing publicity and transparency. As a result the participation and responsibility of state government authorities in procurement procedure have increased.

Armenia's state procurement regulations seek to provide international standards of transparency and public accountability. However, what appears in print and what happens in practice can be very different. The time allowed for preparing bids after the announcement of a tender is frequently short and documentation requirements, including translations, can be onerous for companies not based in Armenia. A lack of

transparency in business dealings remain. However the new Government has articulated its willingness to improve public procurement in line with best international practice and obligations

Most of the government's large purchases are connected to programs funded by international financial donors. Ministries purchase foreign goods through public foreign trade companies and international tenders. Credit terms are one of the most important factors in government purchasing decisions. Product quality and supplier reputation are other factors. U.S. companies are advised to approach any government tender deliberately. However, lucrative opportunities do exist and American companies have had success in Armenia.

Continuous reforms of the procurement system are among the priorities of the Ministry of Finance. Procurement appeals body and appeals council have been established for this purpose. Emphasizing the transparency of procurement procedure, the Ministry of Finance publicizes all information regarding procurement, including procurement contracts.

[Minsitry of Finance - \(http://www.minfin.am/hy/page/petakan_gnumneri_olort/\)](http://www.minfin.am/hy/page/petakan_gnumneri_olort/)

[Procurement System - \(http://gnumner.am/en/\)](http://gnumner.am/en/)

[E-Procurement System \(http://www.armeps.am/epps/home.do\)](http://www.armeps.am/epps/home.do)

[Information about tenders is available also from the individual ministries- \(http://www.gov.am/en/structure\)](http://www.gov.am/en/structure)

Like many governments Armenia finances public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project Financing" Section in "Trade and Project Financing" for more information.

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks

(European Bank for Reconstruction and Development, Asian Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank, and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank.

Web Resources

Commercial Liaison Office to the European Bank for Reconstruction and Development -

[\(http://export.gov/ebrd\)](http://export.gov/ebrd)

Commercial Liaison Office to Asian Development Bank- (http://www.export.gov/adb/)

Commercial Liaison Office to the World Bank - (http://export.gov/worldbank)

Distribution & Sales Channels

Armenia's domestic distribution channels are adequate for the country's small size, population, and market. The main storage facilities and wholesale companies are based in the capital Yerevan, the hub for domestic distribution. Retail and wholesale operations are often combined. Brand name recognition depends on the type of product and the Armenian public tends to give loyalty to established brands. Armenian and foreign freight-forwarding companies have established a reliable system for transporting goods to and from Armenia. While Armenia's two closed borders limit export-import routes and raise the cost of transportation,

Armenian producers, importers, and freight forwarders have adopted reliable, but expensive, transport routes through Georgia. Goods from or bound for Europe and beyond enter or exit the Georgian ports of Poti and Batumi on the Black Sea coast. The overland trip between these ports and Yerevan often constitutes the most expensive part of the journey. As of 2017, the shipment of a 40-ft. container from Yerevan to New York cost approximately 4,000 USD, and from Yerevan to Los Angeles 5,000 USD, but the price can fluctuate significantly during the year.

Most imported products and services are handled by agents and distributors. Most companies in Armenia are relatively small and family-owned and operated, although there are some notable exceptions, including several major local and European supermarket chains (Carrefour) and a few department stores. Big companies representing multiple brands often have their own distribution centers based out of Yerevan.

Express Delivery

Armenian and foreign postal/delivery companies have established a reliable system for shipment of goods to and from Armenia.

HayPost CJSC is the official national postal operator of Armenia which provides postal, payment and retail services. Haypost currently operates through 900 postal offices across Armenia, from urban to the most remote rural regions.

Express courier services operating in Yerevan include FedEx, UPS, EMS and DHL. In general the delivery time takes from 5-7 days from the U.S.

According to Armenian customs legislation, the shipment or transportation of goods and products for personal use via international mail delivery services by individuals and foreign individuals is duty-free if the goods total weight is less than 30 kilograms, and the customs value does not exceed 200,000 AMD (417 USD). For the customs procedures and duties exceeding the above-mentioned limits, please visit the, Customs, Regulations, and Standards section of this report.

Selling Factors & Techniques

As with any country, successfully marketing and selling goods and services in Armenia require adaptation to its commercial climate and business practices. Market research is required to identify opportunities and potential Armenian business partners. The choice of a partner is key and should be done only after conducting sufficient due diligence to determine the potential partner's reputation and reliability. Exporters should avoid selling on open account until they have developed a well-established track record with buyers. Letters of credit and other secure financing vehicles are becoming increasingly available. Exporters should be prepared to adjust prices according to currency fluctuations. Although the usage of payment cards is expanding throughout Armenia, especially in brand name shops and supermarkets, many business facilities, especially in the regions, still lack equipment and infrastructure to accept electronic payments. At the same time, ATMs are available at many business centers or nearby. Armenian language labeling is required for foodstuffs and several other products. Advertisements must also be in the Armenian language, although they can include foreign languages in addition to Armenian.

eCommerce

E-commerce is developing in Yerevan because of the expanded use of the Internet, credit cards and online banking. However EAEU regulations may become an impediment to e-commerce development, lowering the

value of goods customers can import from internet retailers on a duty free basis. Use of e-mail for business communication, is increasingly common in Yerevan although the telephone remains the primary method of business communication. Most companies have their own website. Some businesses including one of the leading supermarket chains, have recently initiated on-line ordering and other e-commerce techniques, taking advantage of the HayPost arrangements for international delivery, and the Customs' personal consumption duty waiver (both described above). Online banking is becoming increasingly popular and Armenians are becoming accustomed to this method of receiving financial services. Increasingly Armenian Internet users shop online for household appliances, books, mobile phones and computers, clothes and footwear, goods for children and perfumes, as online products tend to be less expensive.

Current Market Trends

Armenian legislation regulates key aspects of eCommerce in the country in line with the requirements of the Eurasian Economic Union. The legislation includes:

- Civil Code of the Republic of Armenia
- The Law on Trade and Services
- The Law on Consumer Rights Protection
- The Law on Implementation of Cashier Machines

E-commerce continues to grow and the number of e-commerce websites has been increasing. For e-commerce development, Armenia has internet connection widely spread throughout the country and thousands of Armenians are engaged in social media. However, eCommerce has not yet penetrated deep into the customer market because of little disposable income and the unregulated (or shadow) economy. Many people continue to prefer cash payments and in many locations postal services are not robust enough.

Domestic eCommerce (B2C)

According to Central Bank data, the local e-trade volume in 2015 was up to \$43 million, two-three fold growth from the previous year. In 2016 the growth was about 30%. The volume of online transactions in the Armenian banking system was up to \$176 million in 2016. Around 16 percent of all online purchases and payments were from abroad. However, cash payments upon delivery still remains the predominant method of payment during local e-purchases. More than 50 percent of Armenian households have Internet at home and about 30 percent of the overall population uses Facebook.

Cross-Border eCommerce

Armenian consumers widely use Amazon, Alibabaexpress, Ebay and other online platforms for purchasing household appliances, books, mobile phones and computers, clothes and footwear, goods for children and perfumes. Visa and MasterCard cards are the most popular international payment methods.

B2B eCommerce

For B2B eCommerce the top sector in Armenia is the ICT and Finance and Banking sectors. Both sectors have a well-developed infrastructure and content for the business users providing quality services. B2B is also expanding in other sectors of economy due to high internet coverage in the country.

eCommerce Services

The ArCa card unified payment system was introduced by the Armenian commercial banks and the Central Bank in 2001. The owner and operator of the system is 'Armenian Card' CJSC which, at the same time, oversees and regulates the activity of the system, formulates the system's development policy and ensures its implementation. The settlements in the system are executed according to the principle of multilateral netting while the final settlement is done via correspondent accounts of participant banks with the Central Bank. The flows of payment messages in the system are Y-structured. Members of the ArCa system are the parties which

have acceded to and qualified as member of the ArCa system under the charter, rules and normative regulations of the system, and have concluded the relevant agreements with the “Armenian Card” CJSC and the CBA. Financial organizations operating in or outside the Republic of Armenia and/or other organizations specialized in the area of banking/payment cards can be members of the ArCa system.

Idram system, allows users to make purchases online or pay for public services, taxes and fees, loan payments, buy plane tickets, etc. Idram is the first company in Armenia to get permission to issue electronic money from the Central Bank.

eCommerce Intellectual Property Rights

Armenia is a member of the World Intellectual Property Organization (WIPO) since 1993 and the Eurasian Patent Office (EAPO) since 1995. Despite this, the weak enforcement of intellectual property rights (IPR) in the country can create impediments for the further development of the eComemrce.

Popular eCommerce Sites

Popular eCommerce sites in Armenia are:

Aliexpress.com, amazon.com, Ebay.com, Google play, App store, Windows Phone Store list.am, edram.am, arca.am, mobidram.am, onex.am, GGtaxi and Yandex Taxi.

Internet and mobile banking servcies are offered by HSBC, Ameriabank and others.

Online Payment

The ArCa card unified payment system) was introduced by the Armenian commercial banks and the Central Bank in 2001.

Visa and MasterCard cards are also accepted for online payments.

Internet and mobile banking servcies are offered by HSBC, Ameriabank and others.

Idram and Mobidram systems allow users to make purchases online or pay for public services, taxes and fees, loan payments, buy plane tickets, etc.

Mobile eCommerce

Mobile eCommerce has been developing in Armenia especially with the wide use of smart phones amongst younger population many of whom are making purchases in App Store and Google Store. Local applications are developed but still not as popular except for the transportation services. Two applications the GG taxi and Yandex taxi mobile device applications are very popular in Yerevan for ride hailing/sharing services.

Digital Marketing

Every year digital marketing landscape continues to grow and the number of marketing agencies has been increasing. For digital marketing there are almost all the prerequisites: Internet connection is widely spread all over the country and thousands of Armenians are engaged in social media.

Major Buying Holidays

Major Armenian buying holidays are New Year’s Eve and the Armenian Christmas on January 6. Consumers tend to make their purchases from the December 25-31. Another buying holiday is the International Women’s Day on March 8. The Valentine’s day and its local equivalent in February are also becoming popular. Armenians also celebrate Orthodox Easter on a large scale.

Social Media

Facebook and Russian OK and VK are the most popular social media platforms and are widely used. Instagram, Tweeter, Whatsup and Telegram are popular among youth. Skype and Viber usage is also wide spread.

Trade Promotion & Advertising

Radio, television, internet and print media are widely available for advertisers, and creative businesses have adopted more modern means, such as painting the sides of public buses. Glass stands with flipping ad posters and billboards have become a common method of advertising. Television holds the majority of the advertising industry's market share. Advertising can be arranged through local advertising agencies, or directly with TV stations, radio stations, and the press. Telemarketing (advertising through TV, with call-in numbers to order directly) is also common. Cable and satellite television are expanding their reach and offer another advertising medium. Internet advertising has grown significantly over the past few years as the number of Internet users in Armenia has increased. Several internet companies specialize in designing web pages and advertising.

In 1996, Armenia adopted the Law on Advertising that sets advertising standards and principles, this includes a mandate making Armenian the official language for advertising. Armenian text may be accompanied by text in a foreign language, provided the latter appears in smaller script. This provision does not apply to newspapers, special publications, trademarks, etc..., that are issued or printed in foreign languages. An advertisement may be copyrighted under Armenian law.

The Ministry of Health's permission is necessary for advertising pharmaceuticals, medical equipment, or treatment methods. The law prohibits advertisements promoting the stimulating or relaxing effects of alcohol and cigarettes. Advertising for weapons (except sports and hunting weaponry) is prohibited. Specific restrictions apply to advertising banking, insurance, and other financial services and institutions. Unfair or inaccurate advertising is prohibited, and the Civil Code allows civil action for legal entities or persons whose rights have been violated as a result of unfair or false advertising.

Major media outlets in Armenia include:

Public TV Company of Armenia- (www.1tv.am)

Kentron- (www.kentron.tv)

Armenian TV-(www.armeniatv.am)

Shant TV-(www.shanttv.am)

Pricing

Prices are largely determined by supply and demand. When making pricing decisions, market entrants should consider:

- The population's low purchasing power;
- The high cost of transportation;
- Value-added tax of 20%; and
- The lack of competition or locally-manufactured products in many categories.

The market in Armenia is considerably price sensitive. The public is likely to recognize small price differences among various brands. High-priced items, such as automobiles, or apartments, traditionally are priced (and paid for) in dollars, though officially all prices should be indicated in, and all payments made, in local currency – the Armenian dram. There is no standard pricing formula, but normally the prices are comprised of self-cost plus taxes (VAT, excise tax) plus profit margin plus shipping. The use of reference pricing by the Armenian Customs Service can significantly impact profit margins on imported products and those produced from

imported raw materials. The State Commission for Protection of Economic Competition has on a few occasions intervened to prevent what seemed to be overpricing of certain consumer goods resulting from abuse of a dominant market position.

Sales Service/Customer Support

In Armenia, the concept of customer support for products and services is developing. Most stores, including brand name operations, are reluctant to allow returns of purchased items. There are an increasing number of companies, however, that provide explicit warranty services and consulting follow-up on the services rendered. Phone-based sales service or customer support is not common. In most cases, customers need to approach the vendor in person.

Protecting Intellectual Property

At present the legal field of intellectual property is regulated by laws and legal acts as well as the international agreements of the Republic of Armenia. The Intellectual Property Agency of the Republic of Armenia is responsible for patent, copyright, and trademark registration and was established in 2002. Armenia is a member of the World Intellectual Property Organization (WIPO), joining in 1993, and the Eurasian Patent Office (EAPO) since 1995. The Agency cooperates with the European Patent Office (EPO), other international and regional structures and foreign offices. Despite Armenia's efforts to meet the international standards, the weak enforcement of intellectual property rights (IPR) by the Government and judiciary can create impediments for investment or interest by businesses that rely on IPR protection.

Armenia has signed a number of major IPR treaties, such as the Paris Convention for the Protection of Industrial Property, the World Intellectual Property Organization (WIPO) copyright treaty, the Berne Convention for Literary and Artistic Works, the Madrid System for the International Registration of Marks, and the Patent Cooperation Treaty.

In any foreign market, including Armenia, companies should consider several general principles for effective protection of their intellectual property. For background, please link to our article on [Protecting Intellectual Property \(https://www.uscib.org/register-and-apply-ud-859/\)](https://www.uscib.org/register-and-apply-ud-859/) and Stopfakes.gov for more resources.

IP Attaché Contact for Armenia

U.S. Commercial Service
4 Igor Sikorsky Street
Kyiv, 04112, Ukraine
Office Phone: +380 44-521-5244

Due Diligence

U.S. companies are advised to perform due diligence prior to signing contracts with new partners. While Western-style legal consultancies exist to help find partners or perform due diligence, their capacity to act as responsible agents is limited, largely due to the lack of transparency in the business culture as a whole. Most successful foreign investors have Armenian partners who are familiar with the local business environment.

Local Professional Services

In Yerevan, there are offices of several major western accounting, legal, and consulting firms, blending the skills of Armenian and foreign professionals. Competent smaller firms also operate under Armenian or western management. U.S. firms should avail themselves of locally based specialists familiar with issues confronting western firms in Armenia. The U.S. Embassy in Yerevan maintains lists of local attorneys (<https://am.usembassy.gov/u-s-citizen-services/attorneys/>).

Principle Business Associations

The American Chamber of Commerce in Armenia (AmCham) was established in 2000 and has more than 100 member companies. Membership includes not only U.S.-registered companies but also those with business ties to the U.S., distributors of American products, etc. The organization is run by an executive director and 12 board members. AmCham has traditionally focused on improvement of the business environment in Armenia including the challenges for businesses in dealing with tax and customs administration. For more information about their mission, services and membership please visit their website (www.amcham.am).

Limitations on Selling US Products and Services

Armenian legislation does not limit the right to own and sell to only Armenian citizens or a sub-set of population in any industry. Both foreign and local competitors and enterprises in Armenia are subjected to the same laws and regulations.

Web Resources

[Government of Armenia- \(www.gov.am\)](http://www.gov.am)

[Law on Copyright and Related Rights- \(http://www.aipa.am/en/CopyrightLaw/\)](http://www.aipa.am/en/CopyrightLaw/)

[Law on Trademarks –\(http://www.aipa.am/en/legislation/12/#pin\)](http://www.aipa.am/en/legislation/12/#pin)

[Minsitry of Finance - \(http://www.minfin.am/hy/page/petakan_gnumneri_olort/\)](http://www.minfin.am/hy/page/petakan_gnumneri_olort/)

[Procurement System –\(http://gnumner.am/en/\)](http://gnumner.am/en/)

[E-Procurement System - \(http://www.armeps.am/epps/home.do\)](http://www.armeps.am/epps/home.do)

[US Embassy in Armenia: Legal Assistance List- \(https://am.usembassy.gov/u-s-citizen-services/attorneys/\)](https://am.usembassy.gov/u-s-citizen-services/attorneys/)

[Haypost- \(www.haypost.am\)](http://www.haypost.am)

[American Chamber of Commerce in Armenia –\(www.amcham.am\)](http://www.amcham.am)

[Ministry of Economic Development and Investments of the Republic of Armenia \(http://mineconomy.am/en/eng/index.html\)](http://mineconomy.am/en/eng/index.html)

[Intellectual Property Agency- \(http://www.aipa.am/en/\)](http://www.aipa.am/en/)

[National Institute of Standards- \(http://www.sarm.am/en\)](http://www.sarm.am/en)

[Development Foundation of Armenia- \(www.dfa.am\)](http://www.dfa.am)

[Small and Medium Entrepreneurship Development National Center – \(http://www.smednc.am/en/home/www.smednc.am/\)](http://www.smednc.am/en/home/www.smednc.am/)

[Electronic Register – \(https://www.e-register.am/en/\)](https://www.e-register.am/en/)

[Spyur Information System –\(http://www.spyur.am/\)](http://www.spyur.am/)

<https://armenia.travel/en>

[Translation Centre of the Ministry of Justice of the Republic of Armenia \(http://www.translation-centre.am/en/armlegalacts.html \)](http://www.translation-centre.am/en/armlegalacts.html)

[Business Armenia- \(https://www.businessarmenia.am/en/site/index\)](https://www.businessarmenia.am/en/site/index)

Leading Sectors for US Exports & Investments

Energy

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Table: Power Generation in Armenia; unit: Thousand U.S. Dollars

	2015	2016	2017	2018 (Estimated)
Total Local Production	547,864	553,221	535,869	550,732
Total Exports	81,143	61,835	61,240	65,835
Total Imports	7,285	10,843	12,311	12,500
Total Market Size	474,006	502,229	486,940	504,397
Exchange Rates	478	480	483	485

Data Sources: State Revenue Committee; National Statistic Committee: Yearbook 2017 and Social Economic Situation in Armenia 2017 January-December,

Armenia's energy sector has moved from a severe crisis in the early 1990s to relative stability. A combination of policy, legal, regulatory, and institutional reforms have had good results. Improvements in operating efficiency such as a decrease in technical and nontechnical line losses, and a nearly 100 percent collection rate, have helped create commercially viable service providers; however issues related to energy supply, subsidies and administration remain.

Armenia faces three principal challenges in its energy sector: (i) an emerging supply gap; (ii) the need to maintain energy supply reliability; and (iii) the need to maintain affordable tariffs. Armenia has limited energy resources and can meet only 35 percent of the total demand for energy from domestic resources. Armenia has no confirmed oil or natural gas reserves, and is thus highly dependent on imported energy resources. It imports oil and oil products from Georgia, Iran, Russia and Europe. Natural gas is imported from Russia through Georgia (with a limited volume of natural gas imported from Iran in a gas for electricity swap arrangement) and nuclear fuel is imported from Russia. Exacerbating the situation, Armenia has very low levels of energy efficiency compared to developed countries. Therefore, the government has adopted several laws focused on developing domestic, especially renewable, energy resources and widespread implementation of energy efficiency measures.

The Law on Energy regulates relations between legal entities involved in the energy sector and provides the legal basis for producing and delivering electricity, heating, and natural gas to consumers. The Law on Energy Efficiency and Renewable Energy seeks to identify mechanisms to improve energy efficiency and develop additional sources of renewable energy. The law facilitates the development of renewable energy resources, and specifies that all renewable energy produced is to be purchased by the electricity distribution company. The regulator for the power industry, the Public Service Regulatory Committee, has set attractive tariffs for newly constructed Small Hydro Power Plants (SHPPs), wind, and biomass plants. It has also stipulated that the electricity off-take and these tariff rates will apply for 15 years from the date of issue of an operating license for a new plant.

The Government amended the Law on Energy in 2017 in order to liberalize the market. The changes will be phased-in, and during the transition a hybrid model will continue. Energy supplies will be guaranteed based on existing power purchase agreements with any excess generated electric power able to be sold by generators to the wholesale market. Generators selling on the market will be obligated to pay the electric networks only for

distribution. New amendments in the law also provide for the introduction of competition among electricity suppliers, which had formerly been limited to the "Electric Networks of Armenia." Consumers will be able to purchase electricity from other suppliers. Another innovation relates to the entry of large wholesale consumers into the market, which will now be able to purchase electricity directly from generation facilities outside of Armenia, import it and use it for their own needs. However mechanisms to implement the law are still under development.

Armenia has sufficient electricity-generating capacity to meet current domestic needs, but electricity demand is projected to grow by two to three percent annually. Electricity in Armenia is generated by: 1) the Metsamor nuclear power plant, which generates 30-50% of the electricity needs, depending on plant uptime and ability to purchase nuclear fuel. Armenia is under international pressure to decommission this plant, which is considered to be unsafe. However, the Government is reluctant to close this plant and is in the process of obtaining an operation extension to 2028. The expected costs of the extension are about USD 300 million and will be financed through a Russian loan. Building replacement capacity for the ANPP remains a serious challenge facing the country in terms of energy stability; 2) hydro-electric plants, which generate about 20-40% of the country's needs, depending on rainfall, which exhibits a significant variation 3) thermal plants, which provide the remainder, from natural gas.

Armenia's thermal power plants are operated by two private companies (RazTES and Gazprom Armenia) and one government-owned plant (Yerevan TPC). RazTES operates Hrazdan TPP with an operating capacity of 400 MW (installed capacity of 1 110 MW), and an annual generation for the internal market of about 500 GWh, accounting for some 8 percent of domestic supply. Gazprom Armenia operates Hrazdan Unit 5 (commissioned in 2011) with an operating capacity of 440 MW (installed capacity of 467 MW), and an annual generation for the internal market of about 500 GWh (accounting for 8 percent of domestic supply). However, Hrazdan Unit 5 is more oriented towards exporting capacity. Yerevan TPC operates Yerevan CCGT (commissioned in 2010) with an operating capacity of 220 MW (installed capacity of 238 MW), and an annual generation for the internal market of about 950 GWh (accounting for 15 percent of domestic supply). The Yerevan CCGT is working under a gas-electricity exchange contract and exports about 500 GWh annually.

Since 2006, "Electric Networks of Armenia" (ENA) is the sole electric power distributor in the country. It is the biggest employer in Armenia and also one of the largest taxpayers. It serves approximately 985,000 electric utility customers. The company has 11 branches. 7 branches serve 0.4-110 kV electric networks in the regions of Armenia and 4 branches serve Yerevan, one of which is for 35-110 kV networks and the other three are for 6(10)/0.4 kV networks. Despite the recent change in law allowing competition in this sector, no new company has emerged to compete with ENA.

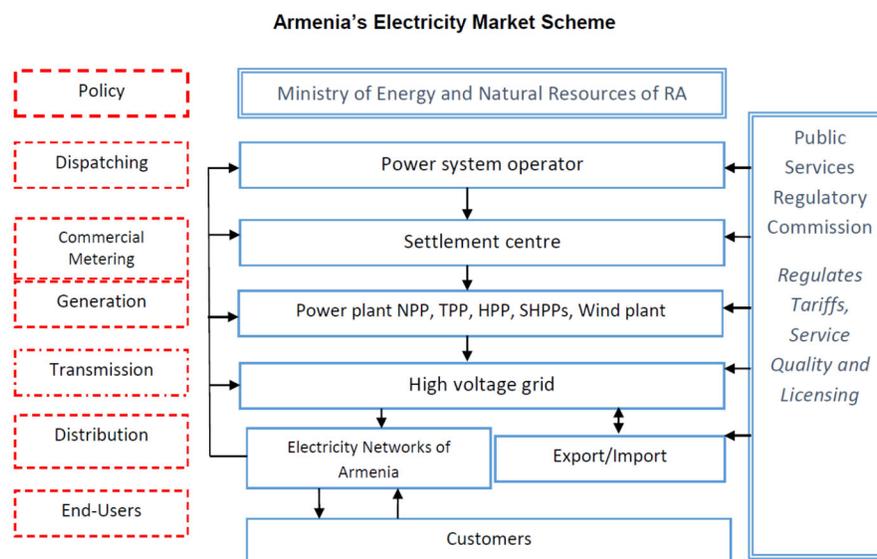
In 2015, the previous owner of ENA "Inter RAO", a Russian open joint stock company, sold it to Tashir Group—a Moscow-based group of companies controlled by a Russian billionaire of Armenian origin, Samvel Karapetyan. According to some independent estimates, the Armenian electricity distribution monopoly may have sold for as much as \$720 million. However, the final amount might have been determined by the company's outstanding debts as well as political considerations. Tashir Group announced that, in cooperation with international financial institutions, it will invest about \$900 million in upgrading the network infrastructure in the next few years.

The High Voltage Energy Network (HVEN) of Armenia is a state monopoly operated as a closed joint stock company. Its main goal is to secure the transmission of energy via 220-110kV electrical networks, including its service operation, maintenance, reconstruction, retooling and design works, as well as expansion of the network by the construction of energy facilities and high voltage transmission lines. According to Ministry of Energy and Natural Protection HVEN has 15 220kV substations, with 36 power transformers, the total installed power of which is 2561.0 MVA, and one "Agarak" 220kV Switching Point. The length of HVEN's open air high

voltage transmission lines is 1914.73km; including 330kV -127.62km long, 220kV-1366.51km long and 110kV-420.6km long according to design capacity. The energy system of Armenia is connected via interstate lines with the energy systems of Iran and the Georgia. The German infrastructure bank KfW is investing around \$250 million to construct a second high voltage transmission line between Armenia and Georgia which include also the following activities:

- Construction of the first 350 MW module of B2B substation and connect to 220 kV Alaverdi-Gardabani TL in 2015-2018. Electricity exchange – 220-230 MW.
- Construction of first circuit of 400 kV Hrazdan-Ayrum line and second 350 MW module – 2017-2021. Electricity exchange – 700 MW.
- Install third 350 MW module; construct second circuit of 400 kV Hrazdan-Ayrum line. Electricity exchange – 1,050 MW.

The “Electro Power System Operator” CJSC (EPSO) as the independent operator has a monopoly over the strategic functioning of the power system. It is responsible for the technical and economic coordination and control of the system. In addition, EPSO provides coordination and long term planning for the power system operations. This includes the production, import, export and delivery of electricity based on existing contracts and initial calculations. EPSO has an affiliate company “Settlement Center” which is responsible for overseeing the operational and process interaction of the power system and dispatch control.



Source: MENR

The Public Services Regulatory Commission (PSRC) establishes the procedures for setting and reviewing tariffs. According the Energy Law, the PSRC can either set the specific monetary value of the tariff or establish a clear formula for calculating the tariff based on parameters defined in the Energy Law. According to the Energy Law, a tariff should cover:

- Justified operation and maintenance costs
- Loan service costs
- Costs related to environmental standards
- Mothballing and preservation costs
- Costs of the safe keeping of the utilized nuclear fuel and requisite allocations to the Nuclear Plant Decommissioning Fund
- Technical and commercial losses.

- Other justified costs as provided by Legislation.

The tariff should also provide the operator with the opportunity to make a reasonable profit.

The PSRC or the Licensee can request a tariff review every six months. Once requested, a tariff review must be submitted within 90 days. The PSRC is authorized to set long term tariffs for more than six-months if it is considered necessary to provide investment security. Once a tariff is set, licensees cannot appeal the level of a tariff. The only recourse for altering an assigned tariff is to petition the PSRC's tariff methodology.

Leading Sub-Sectors

Armenia could reap sizable economic benefits from improved energy efficiency. While Armenia is one of the less energy-intensive economies in the region, largely due to a lack of significant industrial activity, the potential for further efficiency improvements is substantial. A 2008 World Bank study found that Armenia could save more than \$360 million annually, equivalent to 4 percent of GDP, through energy-efficiency investments. The study estimated that energy-efficiency investments in public facilities would have the highest returns, with paybacks of 2–10 years. The implementation of energy-efficiency programs has been hampered by informational, technical, financing, and legal obstacles. Improvements in energy efficiency could contribute to addressing the energy sector challenges.

The electric power system of Armenia is considered to have significant potential for sustainable energy because of the presence of hydroelectric and other renewable energy sources. According to Western experts, if Armenia can increase production of renewable energy and reduce its cost, the dependence on expensive natural gas can be reduced.

The most advanced renewable energy technology in Armenia is found in the hydropower sector, both in the use of large-scale power (e.g. - waters of Lake Sevan) and the more recent installation of small, run-of-the-river hydropower plants (SHPPs) throughout the country.

Total capacity of all hydropower systems is 1,032 MW. Plants on the Hrazdan and Vorotan rivers generate the majority of the country's hydroelectric power. The Sevan-Hrazdan cascade consists of six power plants with a total capacity of 560 MW. The Vorotan cascade consists of three power plants with a total capacity of 404 MW. In 2015 the Armenian government approved the sale of the Vorotan Cascade Hydro Power Plant to U.S. company ContourGlobal and the deal was finalized in July 2015. The company will invest 70 million USD in upgrading and refurbishing the facilities over the next few years.

Tashir Group will invest in the construction of the Shnokh HPP, a 76 MW power station which will provide 6% of the total electricity consumption in Armenia. The Shnogh project will be located on the Debed River in the Lori region. A tripartite framework agreement on the design, construction, financing, construction, management and ownership of the project was approved by the government in August 2017 and signed by the government, Debed Hydro as the developer and the Investors Club of Armenia as a sponsor (both belonging to Tashir Group). The project will cost about \$ 200 million. The program will also involve the American company The Robbins Company and the World Bank's International Finance Corporation. The construction is planned to be completed within four years. A memorandum of cooperation between The Robbins Company and the Debed Hydro's Charter Capital (Tashir Group company) was signed in November 2017. According to the memorandum, The Robbins Company will invest in Debed Hydro's Charter Capital, providing a 22-km-long water tunnel drilling machine, as well as local training for machine operation and technical assistance throughout the tunnel drilling.

There are currently about 170 private small HPPs (under 30 MW), which were generally constructed during the last ten years. Their installed capacity is about 300 MW, and annual generation is approximately 700 GWh (covering about 11 percent of domestic supply). Dzoraget HPP is the largest, with 10 mini-hydro units having 26 MW of installed capacity. Hydropower could provide an even greater percentage of Armenia's electrical

needs over the next decade, as about 23% of the annual generation potential of SHPPs is still unrealized and many of the installations are inefficient.

According to Wind Energy Resource Atlas of Armenia developed by NREL(National Renewable Energy Laboratory) in 2003, the economically justified potential of wind energy is about 450 MW. Feasibility studies for Wind Power Projects (WPPs) with total capacity of 195 MW and a generation capacity of 0.55 GWh per year have been conducted. The national target for wind power is 500 MW of grid connected capacity by 2025. The main perspective sites are located in Zod pass, in Bazum Mountain (Qaraqhach and Pushkin passes), in Jajur pass, in the territory of Geghama Mountains, in Sevan pass, in the region of Aparan, in highlands between Sisian and Goris, in the region of Meghri. Small hydropower and wind power generation are less expensive than thermal electricity generation. However, there are a number of emerging problems which could slow future growth. These include inconsistencies and omissions in the legal/regulatory framework, technical shortfalls, and continuing business/commercial barriers. The main technical problem with SHPPs in Armenia has been the lack of automation and utilization of modern control technologies. Other factors include poor performance and low reliability of imported Chinese and Iranian equipment, metallurgical and materials problems resulting from the re-use of salvaged piping from irrigation systems, substandard engineering design and poor quality control during construction, as well as abandoned hydro facilities that are no longer operational.

Armenia has significant solar energy potential. The average annual amount of solar energy flow per square meter of horizontal surface is about 1720 kWh (the average in Europe is-1000 kWh). One fourth of the country's territory has solar energy resources at a level of 1850 kWh/m².

According to the Ministry of Energy, currently, eight heliostations are under construction with a planned total installed capacity of 8 MW. The Ministry of Energy plans to put them into operation before the end of 2018. Last year, three solar power plants started operating in the market – one each in Kotayk, Armavir and Aragatsotn regions. Their total installed capacity is 2.5 MW. At the same time, the upper limit of the renewable energy generation by autonomous stations has increased to 500 kW/h from the previous 150kW hour.

The Ministry of Energy plans to build industrial-grade solar stations with a capacity of up to 110 megawatts. Of the six surveyed areas, the Spanish consulting company Aries Engineering has already submitted feasibility studies for two projects. The studies' sites are in the localities of Masrik, Gegharkunik region and Dashtadem, Aragatsotn region. Feasibility studies on the remaining four localities continue. In Masrik, there is already an international tender winner, the Dutch Fotowatio Renewable Ventures (FRV) and the Spanish FSL Solar SL, who offered the lowest tariff from the future solar generating facility - \$ 0.0419 of electricity without VAT or 20.11 AMD per 1 kWh of electricity, that is, 20% cheaper than from small hydropower facilities in Armenia (equal to 23.8 drams per 1 kWh of electricity). According to the Ministry of Energy, since the proposed tariff in the new Dashtadem project was in fact lower than expected, the government is considering to liberalize the market for all newcomers and provide permit without holding a tender to fix the tariff. The Fotowatio Renewable Ventures (FRV) and FSL Solar S.L are interested in building a larger solar installation in the same Masrik area.

Since 2015, the Ministry of Energy has carried out measurements and an assessment of Armenia's solar power potential. Four meteorological stations measured and estimated the solar resource. As a result, the Ministry has completed a "solar map", which is accessible online. However, despite this research and government attention, Armenia only generates 70 MW of electricity from solar energy facilities by policy choice, as the government is concerned over a possible negative impact on the system from the potential increase in electricity tariff and seasonal fluctuations. The Ministry of Energy will monitor both the introduction of new technologies and their impact on the market, as well as the security and reliability of the system with the goal of increasing the share of solar power to 150 megawatts. As a result, by 2030 the share of RES (hydro and other renewable energy sources) in the energy balance of the country should be about 70%.

Solar water heaters have been installed on the roofs of many buildings, such as kindergartens, houses, and medical centers by international donors and charitable organizations. Photovoltaic demonstration modules have been installed in small capacities. Assistance from the World Bank and the Global Environmental Facility Trust Fund (GEF) was used to create the “Fund for Renewable Energy and Energy Efficiency of Armenia”. This organization examines the potential for creating a photovoltaic (PV) industry in Armenia and has prepared a Renewable Energy Investment Plan.

The Government of Armenia has taken steps to develop the country’s geothermal resources, as they can become an affordable source of base-load electricity generated from indigenous resources, thus contributing to the country’s energy security. The total potential for geothermal power in Armenia is currently estimated to be at least 150 MW. Of the known areas, the Karkar field was assessed to be the most promising site; however, further studies are needed to make sure it is a commercially viable project. Development of the Karkar geothermal site was one of the projects included in the World Bank’s Scaling-Up Renewable Energy Program (SREP) Investment Plan (IP), which identified geothermal power, utility-scale solar photovoltaics (PV), and solar heating as priority areas for support and future scale-up.

Also considered in Armenia’s national electricity strategy is the use of landfill gas, particularly from the Nubarashen landfill site serving Yerevan. International donors are working to improve Armenia’s landfills in the coming years, which may delay any immediate prospects to utilize landfill gas for electricity generation.

Italian construction firm Renco is planning to build a \$300 million worth thermal power plant unit for the existing Yerevan thermal power plant, which will be completed in the next 25-28 months. According to the government, when built the unit will generate an additional 250 MW of electricity. The program will be implemented by Siemens in cooperation with international financial institutions.

Opportunities

Armenia’s renewable energy resources already compete with conventional resources in the generation of electricity. Most of the viable projects are in the hydropower sub-sector. Among the large rivers, the Debed River along with its tributaries the Dzoraget Stream and Araks River are still untapped in terms of energy generation. The Government is looking for partners for the construction of the following HPPs:

- Meghri HPP /about 130 MW capacity and around 800 million kWh annual electricity generation on Araks River
- Loriberd HPP / about 66 MW capacity –and around 200 million kWh annual electricity generation on Dzoraget River.

For more details please visit the [Ministry of Energy and Natural Resources website](#).

US engineering businesses can also sell their services and equipment to Armenian energy sector companies.

A state-owned Russian company, RusHydro, has reaffirmed its intention to sell off Armenia’s second most important hydroelectric complex Sevan-Hrazdan Cascade. Sevan-Hrazdan Cascade was commissioned during 1940 and 1962 and is operated by the International Energy Corporation. It consists of seven HPPs - Sevan (34 MW), Hrazdan (81 MW), Argel (224 MW), Arzni (70 MW), Kanaker (102 MW), Yerevan1 (44 MW) and Yerevan3 (5 MW), with an overall operating capacity of 552 MW (installed capacity of 560 MW). The annual generation is around 450 GWh, thus covering about 6 percent of domestic supply. Several upgrades were done on the Cascade’s power plants during the last fifteen years. At present, the Yerevan HPP is under reconstruction with investment costs of USD 40 million.

Armenia has proven experience in PV technologies and has significant deposits of raw materials for developing a whole PV chain locally.

Energy-efficiency investments are another potential area for consideration, for which financing from international donors may be available.

The Government of Armenia is planning a construction of a new nuclear power plant and has shown interest in small modular reactors (SMRs).

“Electric Networks of Armenia” is planning a \$900 million investment program and is looking for partners to implement it. The Investment Program to be implemented by Electric Networks of Armenia JSC comprises two parts. The first part has been approved by the Public Services Regulating Commission within the limits of USD 201 million. This project mentioned was launched in early 2016, and the sources of funds were EBRD, ADB and own assets of the Company. The cost of the second part has been estimated at USD 515mln, and currently all the appropriate works on adjustments of cost estimates and volumes assessments are in progress, upon the completion of which the Company will submit the results to the Public Services Regulating Commission for approval. The investment program details are provided below in millions U.S. Dollars:

	Projects	part I	part II	Total
1	Improvement and replacement of equipment in 6(10)/0,4 kV networks	38,2	184,9	223,1
2	Rehabilitation and improvement of electric power transmission lines in 35 - 0,4 kV networks	26,8	198,2	225
3	Expansion of the network and works on new subscribers connection	44,5	50,2	94,7
4	Other emergency and rehabilitation works and reconstruction operations of non-routine character	5,5	7,5	13
5	Installation of Electric Power Automated Recording System in 0,4 kV voltage networks	75	69,6	144,6
6	Installation of automated recording and registration systems and implementation of international operational standards	2,3	2	4,3
7	Other Investments	9	2,4	11,3
	Total	201,2	514,8	716,0

Web Resources

Ministry of Energy Infrastructures and Natural Resources of the Republic of Armenia

[\[http://www.minenergy.am/en\]](http://www.minenergy.am/en)

Energocredit [\(http://www.energocredit.am/\)](http://www.energocredit.am/)

R2E2 [\(http://r2e2.am/en/\)](http://r2e2.am/en/)

Invest in Armenia [\(http://www.investmentprojects.am/\)](http://www.investmentprojects.am/)

Development Foundation of Armenia [\(http://www.dfa.am/ \)](http://www.dfa.am/)

Business Armenia- [\(https://www.businessarmenia.am/en/site/index\)](https://www.businessarmenia.am/en/site/index)

Agricultural Sector (Example Sector)

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Table: Agriculture produce; unit: Thousand U.S. Dollars

	2015	2016	2017	2018 (Estimated)
Total Local Production	2,096,732	1,945,747	1,937,483	1,950,000
Total Exports	409,460	519,024	644,418	650,500
Total Imports	663,400	630,169	755,765	760,500
Imports from the US	21,818	11,358	18,180	19,500
Total Market Size	2,350,672	2,056,892	2,048,830	2,250,000
Exchange Rates	478	480	483	485

Data Sources: National Statistic Committee: Yearbook 2017, Social Economic Situation in Armenia 2017 December-January, and the Ministry of Agriculture.

Agriculture is one of the most important sectors of the Armenian economy. Armenia was one of the first countries to privatize land after the collapse of the Soviet Union. Investments by both private sector and international organizations have improved the situation in the agro-processing industry. The industry is still adapting to a market economy, and efforts are focused on improving efficiency, competitiveness of products, and diversification of production. Some local companies are competing both in domestic, as well as in international food markets and are making investments to scale up production. Increased demand for Armenian agricultural products for export provided local farmers with an incentive to improve the efficiency of their operations and increase production.

In 2017, agriculture contracted by about 4% because of unfavorable weather and the continuing effects of poor infrastructure in the sector (e.g., irrigation). The sector accounted for about 15% of the country's gross domestic income. When the agro-processing industry is included, the sector's share of the economy increases to up to 21%. Agriculture is expected to be the back to growth in 2018. If the weather remains favorable, agriculture would grow over the next few years. The continued support from the government and measures to promote access to subsidized credit, the development of value chains and the enhancement of the productivity and efficiency of farming, such as establishing cooperatives, should spur expansion. Also greater interest from the private sector in agriculture using greenhouses could contribute to growth.

According to the data from the National Statistical Committee, the gross value of agricultural products in 2017 was \$1,937 million including \$969.7 million from plant products and \$907.6 million from livestock breeding as well as \$60.1 million from fisheries. In 2016, it was \$1,945 million, registering 5.2% decline. However in 2015 it registered record 11.2% growth. In 2014, it was \$2,393 million exceeding the 2013 indicator by 7.2%.

Livestock breeding is a central component of the Armenian agricultural sector. Over the last few years almost 40% of the country's gross agricultural product has come from livestock breeding: 95% of milk and almost 55% of meat in Armenia are produced locally; 93% of the cattle raised in Armenia are milk and beef category Brown Caucasians which are well adapted to the local climate conditions. Holstein, Brown Swiss, Simmental, and Black species are also bred in Armenia. Annually about 18 tons of mutton is produced in Armenia. Armenia has the capacity to export annually 180-200 thousand head of sheep.

Swine breeding is one of the major branches of animal husbandry in Armenia and is more developed in Armavir and Ararat marzes. In the northern part of the country, in Tavush and Lori marzes free stall mountain and forest housing system is used. Commercial pig breeding farms mostly raise Landras, Petren, and Duroc breeds, which are used also for commercial interbreeding. Annually 17-18 thousand tons of pork is produced in the country (live weight).

Armenia has favorable climatic conditions for year-round commercial fish farming, particularly salmonidae and acipenseridae. At present annually 13-14 tons of commercial fish are raised in the country, the greater part of which is trout. Due to its high quality, the trout is in high demand in the Russian Federation, as well as in other countries and as a result about 20% of fish products are exported. The main fish species produced in Armenia for commercial purposes are carp, silver carp, white and black amur, Sevan summer trout, Gegarkuni, golden trout, red-finned-fish (karmrakhayt) and acipenseridae. At present there are 250 fish farms in the country out of which 83% are located in the Armavir and Ararat marzes. Total water surface of fish farms in the country is 3,542 ha out of which 2,479.4 ha or almost 70% is located in Ararat marz and 956 ha or about 27% in Armavir marz. According to water basin surface the 4 biggest fish ponds together occupy 2,000 ha water surface or 56.5% of total water surface. The total surface of fish farms is 1,542 ha or average surface of each farm is almost 3,0 ha.

Poultry breeding is one of the most automated segments of animal husbandry in Armenia, and utilizes modern technologies. At present there are more than 10 medium-size and large poultry enterprises in the country producing eggs and poultry meat. The largest egg producing companies are "Araks Poultry" OJSC, "Lusakert Pedigree Poultry" OJSC and "Arzni Pedigree Farm" OJSC producing about 40% of eggs produced in the country: "Araks Poultry" OJSC is the country's leading poultry meat producing enterprise. Due to selection works carried out by the Armenian scholars, the Yerevan breed of hens was developed with its black and white types. This breed is well adapted to the local climatic conditions and is mostly raised in residential backyards. Around 650-700 million eggs and 7-8 tons of poultry meat is produced in the country per annum.

According to the Ministry of Agriculture the croplands occupied 332.76 hectares. In recent years, there has been a steady growth in the amount of land under cultivation, which is likely to continue for the foreseeable future. Many vegetable, nut, fruit, and berry varieties are found in Armenia, including green pea, caper, black and red pepper, carrot, pumpkin, hornbeam, daylily and other wild plants, almost all the berry varieties as well as pomegranate, quince, plums, crab cherry, cherry, green walnut, dog rose, mulberry, apricot, peach, apple, pear, walnut, pistachio, hazelnut, current, raspberry, blackberry, strawberry etc. Since 2011, production of almost all crops has increased.

According to data from the Ministry of Agriculture there are currently approximately 1,600 food-producing companies in Armenia out of which:

- 35 are fruit and vegetable processing companies- of which 8 are comparatively large companies. Total production capacity of processed fruits and vegetables per annum is about 250 tons. Average number of employed people according to the staff list is 1413.
- 350 produce dried fruits and spices- of which 6 are medium-sized. Annual total production capacity of processed fruits and spices is 15.0 tons. Average number of employed people according to the staff list is 880.
- 50 are grape processing companies –of which 12 are comparatively large. Annual total production capacity of processed grapes is about 265 thousand tons. Average number of employed people according to the staff list is 2200.
- 65 are milk processing companies –of which 12 are comparatively large. Annual total production capacity of processed milk is about 490 tons. Average number of employed people according to the staff list is 1720.
- 68 are meat processing companies –of which 15 are comparatively large. Annual total production capacity of processed meat is about 50 thousand tons. Average number of employed people according to the staff list is 2177.
- Slaughteries- about 20 small slaughteries. In addition, 5 slaughteries built within the frame of UN Food and Agriculture Organization in Vayots Dzor, Lori and Kotayk marzes will be soon commissioned with

total capacity of 109 heads of big cattle and 384 heads of small cattle per shift. Average number of employed people according to the staff list is 90.

- 8 are fish production companies – out of which 5 are comparatively large. Total annual production capacity of fish products is about 5 thousand tons. Average number of employed people according to the staff list is 79.
- Bread baking- more than 500 companies out of which 25 medium-size companies. In total 500 tons of bread is produced per annum. Average number of employed people according to the staff list is 4,328.
- Confectionary and pasta production –about 135 enterprises out of which 12 are of medium size. Total annual production capacity is about 40 thousand tons of confectionary and pasta. Average number of employed people according to the staff list is about 4200.
- 50 are mineral, drinking water and nonalcoholic beverage production companies – of which 12 are medium- size. Total bottling capacity per annum is 300,000 thousand liters of mineral, drinking and nonalcoholic beverages. Average number of employed people according to the staff list is about 1,700.
- 7 beer production companies – out of which 3 are comparatively large. Total annual production capacity is about 150,000 thousand liters of beer. Average number of employed people according to the staff list is about 930.
- 30 are coffee and tea processing and packaging companies – of which 5 are medium sized while the remainder are small companies. Total annual production capacity of processing and packaging is about 25 tons of coffee and tea. Average number of employed people according to the staff list is about 359.

Large disparities remain in the rural poverty levels between Armenia’s regions. In the mountain communities, rural poverty incidence grows with altitude: 34.7 percent above 1,700 meters, as opposed to 27.1 percent below 1,300 meters or 29.5 percent in the 1,300–1,700 meter range. Access to sufficient land resources is a key factor.

Some 335,000 farms operate in the sector, with an average landholding of around 1.4 hectares per household. This does not allow for an efficient and diversified production system, involving both crops and livestock. The agro-processing subsector is the main employer in rural areas. The livestock sector is facing serious challenges, such as unsustainable pasture management and underutilization, persistent livestock diseases, processing and marketing constraints, and reduced productivity. Additionally, there are huge fluctuations in the supply of dairy products, with most milk produced in the summer months and almost none produced in winter and spring. These challenges limit Armenia’s capacity to exploit opportunities arising from increasing domestic demand. Imported meat now accounts for half of meat consumption nationally, due to low productivity in the livestock sector and the unreliable supply of meat and milk. The dairy and meat sectors are competitive in the domestic markets, however, and there is scope for strengthening their competitive position by addressing productivity and supply constraints.

The Armenian government implements programs to adopt modern technologies on model farms, and is promoting high value livestock and technologically advanced breeding programs. Sheep exports to the Middle East increased in recent years and the U.S. Department of Agriculture continues assistance to veterinary training programs.

In 2011, Armenia adopted a strategy and action plan to bring its food safety system into line with EU standards. Armenian food legislation includes the Law “On Food Safety,” the Law “On Veterinary Medicine,” the Law “On Animal Feeding,” the Law “On Phytosanitary Measures,” the Law “On Trade and Services,” the Law “On Ensuring Sanitary and Epidemiological Safety of the Population,” the Law “On Ensuring Uniformity of Measurements,” the Law “On the Protection of Consumer Rights,” the Law “On Standardization,” and the Law “On Conformity Assessment.”

Three institutions are mainly responsible for food control in Armenia:

- The Ministry of Agriculture, with its State Service for Food Safety (SSFS), is the state authority for food control. SSFS has three inspectorates: the Veterinary Inspectorate, the Phytosanitary Inspectorate, and the Food Safety and Quality Control Inspectorate
- The Ministry of Health, with its State Health Inspectorate; and,
- The Ministry of Economy, with its National Institute of Standards.

The main public agencies involved in organic agriculture are the Ministry of Agriculture. The Law “On Organic Agriculture”, adopted in 2008, is based on the Codex Alimentarius organic guidelines and EU organic regulations. The law dictates the process of organic production and the main provisions on labelling requirements for organic products. The certification body ECOGLOBE is one of two certification bodies in the whole EECCA region that has achieved international recognition (acceptance in both EU and U.S. markets). ECOGLOBE is accredited by DAkkS1 according to EN45011 and EU regulations 834/2007 and 889/2008. ECOGLOBE is also an Accredited Certifying Agent of the U.S. National Organic Program. In addition, there are several non-governmental organizations (NGO) in Armenia that promote and support organic agriculture.

Since January 1, 2015, Armenia has been a signatory to the Eurasian Economic Union (EEU), which along with an expected improvement in export opportunities has also brought some changes and uncertainty into export processes. As an example, businesses are often unaware of expected changes in procedures affecting the actual export flow to Russia or other EEU markets. Since 2018, the EEU export procedures and agricultural production requirements have tightened after a transition period. In particular:

- Provision of certifications (at present, certificates are required for each batch of imported and exported products);
- In addition to phytosanitary certification, additional mandatory sanitary requirements for vegetables and flowers were introduced (which implies corresponding documentation requirements as well);
- Stricter food safety requirements were introduced for exported products, and particularly, a new mandatory requirement to introduce the HACCP (Hazard Analysis and Critical Control Points) system in production.

While improved access to the Russian market is positive, exporting firms in Armenia incur additional costs and expenditures of time due to EEU export procedures, which ultimately decreases their competitiveness in external markets. In particular:

- Border crossing and customs formality procedures at the Georgian-Russian Lars border crossing point are complicated and unpredictable (which also include informal facilitation fees);
- Some problematic procedures pertaining to applying the VAT on exported goods.

Leading Sub-Sectors

Armenia has a fast growing food processing sector with excellent export potential based on ecologically friendly “green” agro-products. As one of the country’s most developed sectors, and the second in terms of export volumes (14% of the total), food processing plays an important role in the economy. The most important products are canned food production, and alcoholic beverage production, especially wine and brandy made from locally grown grapes. Armenia’s principal food processing exports are alcoholic beverages, fish, cheese, canned fruits, jams, coffee, and mineral water. Some exporters also ship frozen fruits and vegetables. Armenia’s soil and climate conditions, high altitude, and limited use of chemical fertilizers account for flavorful produce. This produce can be successfully introduced to international markets with modern processing and packaging

technologies that are currently used to export such Armenian products as soft drinks, mineral water, alcohol, canned fruits and vegetables, milk and dairy products, meat, and meat products.

Greenhouse crop production in Armenia is an economic sector with both high production and export growth potential and is, therefore, attractive for investors. It has demonstrated and continues to demonstrate a high growth rate and profitability. The subsector development has gathered great momentum especially over the last four to five years. According to expert estimation, establishment of a high-tech glass greenhouse installed on metal frame requires 150-200 USD investment per square meter – so establishment of 1 hectare of sophisticated greenhouse farm requires an investment amount of \$1.5-2M. There are also technologically equipped plastic greenhouse farms in the market; the amount of investments required for establishment of a square meter of greenhouse is \$80-100 (or \$0.8-1 million per ha).

The introduction of advanced irrigation systems, particularly drip irrigation systems, is becoming widespread in agriculture. Drip irrigation systems are imported from different countries, such as Korea, EU countries, Israel, and China.

A large portion of vegetable seeds used for agricultural production in Armenia is imported. The country produces less than 10 percent of about 24 tons of total vegetable seeds used annually. The geographic scope of vegetable seed imports is wide and diversified, including EU countries, Russia, the United States, and Turkey. The main local producer of seeds is the Scientific Center of Vegetable, Melon and Industrial Crops (SCVIC), a state non-commercial organization (SNCO), which produces 500-800 kg of seeds annually (tomato, cucumber, beans, and pepper). The SCVIC also produces 3 million seeds in open fields and 200,000 seedlings in greenhouses annually.

Armenian farmers use mostly imported fertilizers and pesticides. In general, the assortment of imported fertilizers is wide, and the geography of imports is broad, including the EU countries, USA, China, and Russia. Nearly a dozen importers offer their services in the Armenian market. Armenia allows import of state registered fertilizers and pesticides only. To obtain state registration, substances undergo documentary analysis, chemical and other types of testing and other procedures, to attest their safety and effectiveness.

Opportunities

Though not large in terms of population and buying power, Armenia could be an interesting market for American agricultural product exporters in specific fields.

Some producers are experimenting with organic crops. There are opportunities for manufacturing high-value and organic products, processed and unprocessed fruits and vegetables with modern packaging and which comply with international food safety standards.

Armenia is a net food importer of wheat, vegetable oil, and other key foodstuffs. Domestic agriculture cannot entirely satisfy demand for a range of items such as meat and poultry, sugar, flour, soft drinks, wine, rice, vegetable oils, and high-value grocery products. Current import tariffs are generally low (up to 10%). Following Armenia's accession to the Russian-led Eurasian Economic Union Armenia has successfully negotiated temporary customs tariffs exemptions for a number of key imported goods, including foodstuffs, to minimize inflation risks and social discontent for the next five years. Product safety and quality certification processes and import procedures are based on new EAEU standards.

Greenhouses are expanding and there is increasing demand for greenhouse technologies especially for the small and medium sized ones. Exemptions for the import of greenhouse complexes from VAT since the beginning of 2015 is a positive development that will contribute to steering investments into the greenhouse sector.

Expansion and modernization of irrigation systems is another important area which can be of interest to U.S. manufacturers by selling appropriate technologies like drip irrigation and the application of GPS apps to agricultural planning.

Technologies and equipment to build cold storage facilities for collection, handling, and storing of fresh products may also be in demand in the Armenian agriculture sector.

Web Resources

[Ministry of Agriculture of the Republic of Armenia](#)

[State Service for Food Safety](#)

[Center for Agribusiness and Rural Development Foundation](#)

[Fund for Rural Economic Development of Armenia](#)

[Ecoglobe](#)

[National Institute of Standards](#)

[AgroCredit](#)

[Invest in Armenia](#)

[Development Foundation of Armenia](#)

[AmeriaGroup, “Industrial Agriculture in Armenia: Development Trends” 2014:](#)

http://www.ameria.am/img/Industrial_Agriculture_presentation_arm.pdf

[Greenhouses: Construction, Utilization and Crop Cultivation Principles” BSC Business Support Center, 2015.](#)

http://www.bsc.am/site_files/pages/greenhouses_guidebook_6237.pdf

[Rosselkhoznadzor \(Federal Service for Veterinary and Phytosanitary Surveillance of the Russian Federation\):](#)

<http://www.rosselkhoznadzor.ru/fsvps/importExport>

[Business Armenia- \(https://www.businessarmenia.am/en/site/index\)](https://www.businessarmenia.am/en/site/index)

Mining and Minerals

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Table: Mining Sector in Armenia, unit: Thousand U.S. Dollars

	2015	2016	2017	2018 (Estimated)
Total Local Production	462,682	534,255	699,303	550,500
Total Exports	476,900	470,900	692,300	480,500
Total Imports	639,300	591,200	647,800	595,500
Total Market Size	650,082	654,555	654,803	665,500
Exchange Rates	478	480	483	485

Data Sources: National Statistic Committee: Yearbook 2016, Social Economic Situation in Armenia 2017, January – December; Central Bank of Armenia, Press Release on the Current Account Balance Statement, 2017 January-December.

Armenia’s industrial-scale metal production began in the early 19th century with the opening of the Alaverdi and Kapan copper mines. Economic development began to rely more on mining in the early 1950s with the development of the Zangezur Copper Molybdenum Combine, which exploited the world-class Kajaran deposit (among the ten largest in the world), and produced around 3% of the world’s annual molybdenum output. After independence, Armenia’s minerals sector was hindered by a number of factors including its geographical

location and difficult conditions for transporting products to the world market. The industry was also crippled technologically. This, together with a legal and regulatory framework that lagged behind international best-practices, created the main obstacles to the government's efforts to attract foreign investment in the mining sector. Reform began in early 2000's with the revision of the regulatory framework, the liberalization of contractual mechanisms, and restructuring, through privatization, of the major mining companies. Armenia's current mining legislation, the Mining Code, establishes the regulatory framework governing mining and concessions.

Currently the mining sector is regulated by the following legal acts:

- Mining Code of RA, 2011
- Law on Environmental and Natural Resources Using Fees, 1998
- Law on Environmental Supervision, 2005
- Law on Waste, 2004
- Law on Promoting of State Regulation of Technical Security, 2005
- Law on Environmental Impact Assessment and Environmental Expertise, 2014
- Civil Code of RA, 1998
- Water Code of RA, 2002
- Land Code of RA, 2001
- Code on Administrative Offences, 1985

The World Bank supports the government in upgrading mining sector legislation in line with international best practices through budget support operations coupled with technical assistance. The follow-up assistance on the Law on Environmental Impact Assessment (EIA) and the Law on Waste Management helped to set standards for responsible mining to better align the industry with global environmental practices. The World Bank funded a Strategic Mining Sector Assessment focused on the key challenges and opportunities in the sector, with an emphasis on the regulatory environment that both promotes sustainability and attracts investment. The Ministry of Energy has adopted new secondary legislation to meet the requirements of the Eurasian Economic Commission on the provision of information about the underground resources subject to restriction for foreign trade and issuing licenses for exporting those types of mineral resources. The government also works with the World Bank and other donors for the amendments in the Land Codex, Law on State Duties, and Codex on Administrative Offences.

In 2017, Armenia became the 52nd country to join the EITI - Extractive Industries Transparency Initiative as a candidate country. EITI promotes open and accountable management of oil, gas, and mineral resources.

The Mining Agency within the Ministry of Energy and Natural Resources is responsible for administering the sector, issuing licenses, monitoring exploration and production operations. The license covers the exploration and production phases of a project. License holders must submit work programs to the Ministry for approval, and licenses can be withdrawn if minimum work requirements are not met.

The mining sector is one of the largest contributors to GDP and exports. In 2016, the mineral industry made up 17.9% of total industrial production and grew by 8.3% from the previous year reflecting expansion in 2014 at the Teghut copper mine, the country's second largest mine. Mining of metal ores dominated the mineral industry, accounting for around 98% of the production value in this sector. In 2016, the country's mining sector exports were valued at \$480 million and were down by 1.3% than in 2015. Mineral commodities constituted a significant percentage of the country's exports. The main export commodities are cut diamonds, energy, nonferrous metals, pig iron, unwrought copper, and other mineral products. Overall, exports of minerals accounted for around 25% of the country's export revenue. Armenia's main export partners were Russia and China. More than 90 percent of Armenia's imports of mineral products consist of natural gas and petroleum.

Over 850 construction material and aggregate mineral mines are registered in the state balance sheet of the Mineral Resources, including 38 base metal and precious metal mines, 45 underground fresh water mineral

mines and 25 underground mineral water mines. 497 licenses were provided for the extraction/production of mineral resources, including 27 licenses for metallic minerals, 442 for non-metallic minerals and 29 for underground mineral waters. There are 87 licenses provided to geological exploration of the lithosphere for the extraction of mineral resources, including 53 licenses for metallic deposits, 33 for non-metallic deposits, 1 for underground water, and 3 licenses for the detection of natural gas and oil.

Among base metal and precious metal deposits located in Armenia, there are 8 copper-molybdenum mines, 3 copper mines, 13 gold and gold-polymetallic mines, 2 poly metal lie mines, 2 iron ore mines, 1 aluminum and 1 magnesium silicate and chromite rock mines.

The Ministry of Economy estimates reserves of a few hundred million tons of iron ore deposits, a few million tons of copper, lead, and zinc reserves, a few hundred thousand tons of molybdenum, and a few thousand tons of gold and silver deposits. The largest copper reserves are concentrated in copper and molybdenum (Kajaran, Agarak, Lichk and Teghut), copper-pyrite (Kapan, Alaverdi, and Shamlough), and in gold-polymetallic (Shahumyan, Armanis) deposits. There are considerable gold resources in gold root (Sotk, Megradzor, Lichkvaz-Tey) and complex gold-polymetallic (Shahumyan, Armanis, Azatek, Gladzor, Marjan) deposits. There are valuable reserves of rare metals in gold-polymetallic, copper-molybdenum, and copper pyrite deposits. Besides metals, Armenia produces other industrial minerals, which include cement, diatomite, gypsum, limestone, and perlite.

Armenia also has indigenous construction material resources, such as basalt, granite, limestone, marble, and tuff. The country also produces aluminum foil from aluminum imported from Russia, ferromolybdenum, molybdenum metal, and rhenium salt (potassium perrhenate) from local ores. Armenia has both semiprecious stones, such as agate, jasper, and obsidian and other nonmetallic minerals, such as bentonite, diatomite, perlite, and zeolites. It has also developed a diamond-cutting industry based on imported diamonds. The country has almost no domestic fuel production. Around 90 percent of Armenian's natural gas is imported from Russia. Since 2006, Armenia has also imported natural gas from Iran through a direct pipeline between the two countries, in addition to liquefied natural gas (LNG) transported in tanker trucks.

Leading Sub-Sectors

Armenia has significant deposits of copper, molybdenum and gold, as well as smaller deposits of zinc, lead and silver. Some copper-molybdenum and polymetallic ore deposits are rich in elements such as bismuth, tellurium, selenium, gallium, indium, thallium, rhenium and germanium. Armenia also has significant deposits of construction materials, such as granite, basalt, travertine, gypsum, diatomaceous earth, limestone and raw materials for cement production. There are currently 10 major mining and metallurgical companies in operation out of registered 27, mainly concentrated in two provinces, most of them either extracting and processing copper, molybdenum ores or gold. The total value of metal and minerals production in 2017 increased by 13.9% and was at 699 million USD, or approximately 5% of GDP.

The resources of the most high quality and of the greatest amount of swelling rocks (perlites, obsidians, other) in the world exist in Armenia. Armenia has confirmed reserves of 150 million m³ Aragats-perlite, with possible additional unconfirmed reserves of up to 3 billion m³.

The leading producer of copper and molybdenum concentrates in Armenia is the Zangezur copper-molybdenum complex (ZCMC) followed by the Vallex Grup and the Agarak copper-molybdenum mining and processing complex (ACMC). ZCMC is part of the Germany based CRONIMET group of companies.

Since 2007, Lydian International has invested \$420 million in the development of the greenfield "Amulsar" gold deposit. It is expected to be one of the largest gold deposits, estimated at \$3-5 billion in the country. Lydian is planning to start production in 2018.

Opportunities

Armenia is likely to continue developing facilities for processing copper, gold, and molybdenum. Several new gold and iron ore mining projects are underway and will be operational in the next 3 to 5 years. Some Armenians, however, are beginning to voice concerns about the potential effects of mining projects, and companies' environmental practices are coming under increased scrutiny. Proximity to Sevan Lake or other environmentally sensitive areas is likely to slow down the permitting process and make approvals both lengthy and costly. The success of mining and mineral processing projects in Armenia, generally, will depend on the ability of the Government to provide a solid legal basis for reconciling the often contradictory goals of economic development and environmental protection. In response to recent protests, the Government has committed to conduct environmental assessments of all current mining projects with the wide community and civil society involvement. As of the writing of this Commercial Guide (in July 2018), environmental protesters have been permitted to block the roads and access to one (foreign-owned) mine, which has cost the mining operation millions in unanticipated expenses.

The Ministry of Energy and Natural Resources is open to and encourages discussion with interested investors about the possibility of introducing new, efficient, environmentally friendly technologies in the mining sector.

There are 21 tailings in Armenia built to store the left over materials of the mining industry: 11 in the Syunik Province, 7 in the Lori Province, 2 in the Aragatsotn Province, 1 in the Ararat Province. These sites cover a total of 700 hectares and contain large amounts of useful metals that have not yet been processed.

Many of these tailings and ponds originate from the Soviet era, given this and the current technological level of most local companies, these tailings and ponds still contain relatively high levels of polymetals and could be profitable if reprocessed.

Other opportunities for investors exist in deposits of industrial minerals, including stone and mineral-water resources, for which both domestic and regional markets exist, with a number of currently untapped sources. Armenia was the largest producer of perlite in the former Soviet Union.

Multinational enterprises can be successful offering modern equipment and technologies for exploration, production, and processing of mining products.

Web Resources

[Ministry of Energy Infrastructure and Natural Resources of the Republic of Armenia](#)

[Ministry of Nature Protection of the Republic of Armenia](#)

[Ministry of Economic Development and Investment of the Republic of Armenia](#)

[Invest in Armenia](#)

[Development Foundation of Armenia](#)

Information Technology

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

ICT Sector in Armenia; Unit: Thousand U.S. Dollars

	2015	2016	2017	2018 (Estimated)
Total Local Production	457,309	462,900	484,053	495,500
Total Exports	130,500	173,100	210,100	211,500
Total Imports	34,300	23,600	26,900	27,500
Total Market Size	361,109	313,400	300,953	315,500
Exchange Rates	478	480	483	485

Data Sources: National Statistic Service: Yearbook 2017, Social Economic Situation in Armenia, 2017, January-December and Central Bank of Armenia.

Armenia has maintained its competitive advantage in technology development as a known hub for software development, industrial computing, electronics, and production of semiconductors. The sector has remained significant in the Armenian economy due to a competitive labor force, its share of GDP, constant growth in the number of companies, and total turnover. According to Armenian National Statistics Service the Information and Communication Technology (ICT) Sector in 2017 grew by 5.3%. However, within the sector, IT services grew by 27.3% from the previous year and volume was \$170,092 million in 2017.

According to data by the the Enterprise Incubator Foundation (EIF) 2017 report, the number of actively operating ICT companies reached almost 650 (800, if start-ups are included), which indicates that Armenia maintained an annual 10 percent growth rate in the ICT sector. Based on the EIF 2017 report in Armenia, 17,700 people currently work in the IT Sector, made up of 31% international and 69% local companies. The annual profits comprised \$765 mln. (36.8% growth), whereas IT workers earn on average \$3,300 per month (25% growth). From 2007 through 2017, an estimated average of 43 ICT companies were established each year. For comparison, in 2017, export of IT products from Armenia increased by 57.8% reaching to \$338.5 mln., with the main sources of investment coming from the USA and Canada (36.4%), the EU (28.5%), Russia and CIS (15.5%). The highest registered demand in 2017 stemmed from Australia and Asian countries. Armenian ICT companies specialize in embedded software development and semiconductor design, customized software and outsourcing, financial software, multimedia, web design, information systems, and system integration. Armenia has made significant gains in semiconductor design, which are registered as Intellectual Property.

Per the EIF report, around 202 ICT companies with foreign ownership operate in Armenia, constituting about 36% of the industry total. The U.S. companies constitute the majority of foreign companies (52%) operating in Armenia. European companies, or companies with a European and Russian share, make up 21% of companies each. The majority of foreign branches were purely development centers for the parent companies. These were usually established as small development centers that first formed effective teams, began to increase their employee numbers, and then moved on to activities of greater value to Armenia. It has been a common practice to eventually move the entire cycle of a company's technical activities to Armenia, including R & D, design, coding, testing, and other functions. In addition, some companies have begun to relocate portions of their business-related functions, such as marketing and customer support, to Armenia. The practice of sending local professionals to customer sites outside of Armenia to provide implementation and customer support was also prevalent.

The workforce is one of the most important competitive advantages of the Armenian ICT sector. The relatively low cost combined with high levels of productivity of Armenian IT specialists make Armenia attractive to foreign investors. In 2017, the share of the workforce employed in the IT sector grew about 21% over 2015, reaching 17,700, which is around 2.5% of the total employment in Armenia. The number of technical specialists such as software engineers, analysts, developers, IT project managers, and others reached 12,400. Among local

companies, the average monthly salary of a junior technical specialist amounts to 300 to 400 USD, while the salary of a senior specialist may be as high as 3,500 USD a month. Foreign-owned companies pay technical specialists from 400 to 3,500 USD. From 2016 through 2017, more than 2,700 well-paid ICT sector jobs were created for technical specialists, and the number of new jobs increases each year. Armenian educational institutions are working to meet the demand. In 2016-2017, over 7,000 students enrolled in Armenian higher education institutions offering specializations in information and high technologies.

Leading Sub-Sectors

The industry's domestic turnover volumes have increased significantly during the last five years. The reason is the growing demand for IT sector services in other industries. There is a growing demand for IT services in the domestic market; however, this is a slow process due to a number of factors, including low margins, low wages as well as low demand for productivity enhancement tools, financial constraints, high software piracy rates, and other factors. The majority of software packages sold on the domestic market include accounting and financial software for large enterprises and banks. Other products and services with the largest demand were enterprise resource planning solutions, e-commerce, web development services, tools for the healthcare industry, and distance learning programs.

The number of Armenian ICT companies that develop their own products and invest in Research and Development (R&D) increases every year. This indicates that Armenia's ICT sector has been transforming from an outsourcing destination for foreign companies to a hub for technology development.

In 2014, the Armenian government adopted a bill providing tax privileges for new IT companies until 2020. The bill gives newly established IT companies a 10 percent income tax break and exempts them from profit tax. These incentives are offered to new companies with fewer than 30 employees and for a period of three years or less. Individual entrepreneur startups are fully exempt from income tax. A five-member certifying commission determines eligibility for the tax privileges. At the same time, as approved under the 2016 tax legislation and effective from 2018, the implementation of R&D activities corresponding to criteria defined by the RA Government will be considered a VAT-exempt transaction.

In 2010, the Government of Armenia established the e-Governance Development Strategy. The Government has since initiated and implemented several projects to modernize e-governing, financed through both the State Budget and financial aid by international organizations (i.e. EU, UN and The World Bank). The goal is to ensure effective communication between citizens, businesses and the Government (www.e-gov.am). In 2017, the Digital Armenia Foundation was established to create a unified digital environment across all public administration areas based on contemporary information technologies. The future of the Foundation is in some doubt with the change in government in May 2018.

Several large-scale projects have been carried out with multinational IT companies to promote innovative ideas in the ICT field, increase access to venture funding and investment, and improve training for technical personnel. The projects involved collaboration between the government, educational institutions, international donors, and multinationals companies such as "Microsoft", "D-Link", "National Instruments", "Synopsis", "Mentor Graphics", "Intel", "Cisco", "IBM", "GFI", ORACLE, VMWare and others.

In November 2014, Cisco Systems acquired Memoir Systems Armenian Company and are planning to open an office in Armenia. The acquisition will enable the company to increase manufacturing of affordable and high-speed memory for existing ASIC-Cisco switches and circuits.

On June 20, 2014, U.S. based multinational computer technology company Oracle announced that it signed an agreement to acquire LiveLOOK to strengthen Oracle Service Cloud with leading co-browse functionality to

improve customer experiences through connected real-time engagements. Following the acquisition, Oracle announced it planned to keep the LiveLOOK office in Yerevan and grow it into a 200-300 person R&D center.

The PicsArt mobile photo editing application, developed in Armenia, was included in Forbes Magazine's 2015 Hottest Startup list, ranking fifth in the standings. The estimated valuation of the startup is 250 million USD. At the same time, Google Play recognized the application as one of 2015's best applications. PicsArt is an American brand, designed by Silicon Valley-based company Open Soft Consult, but the programming and marketing are carried out in Yerevan.

Shadowmatic, an iOS application developed by Yerevan-based Triada Studio, won the prestigious Apple Design Award during Apple's World Wide Developers Conference in San Francisco in June 2015. Triada Studio is a computer graphics and animation studio with over 20 years of industry experience. Shadowmatic is the company's first project that bridges its vast computer graphics experience with an experimental in-house 3D engine.

ViaSphere Technopark was established in 2002. It provides business incubation services and created a fertile business environment for the development of already thriving technology companies and for start-ups.

The Teamable online platform, which helps companies quickly find employees by creating teams from groups of existing employees, received a five million USD venture investment from True Ventures in 2017. Teamable cooperates with a number of well-known American companies, including Uber, Facebook, Lyft, Hipanalytics, Stripe, Oracle, Intuit, and others.

The TUMO Center for Creative Technologies is a free of charge digital media learning center established in 2011 in Yerevan. The center has provided thousands of students aged 12–18 an open environment where they can use the latest in digital tools, learn from media professionals, and explore the intersection of technology and art (www.tumo.org).

During the Armenia Investment Forum 2016 in New York, the RA Government and National Instruments signed a Memorandum of Understanding to establish the Engineering City Technopark in Armenia.

The World Congress on Information Technology (WCIT) is the largest and among the most high-profile international gatherings of worldwide IT leaders. Armenia was approved as the hosting country for WCIT 2019 during the meeting of the WITSA's board of directors at WCIT 2014 Mexico. It is expected 2,000-2,500 delegates from more than 80 countries of the world will attend the Congress in Yerevan in 2019. WCIT 2019 will be the first Congress held in Europe since 2010.

EIF organizes the annual ArmTech congresses intended to highlight growth in the segments of the high-tech industry that have strategic importance for the Armenian economy; to promote international collaboration in order to attract investments; foster cooperation between IT specialists; and increase the international visibility of Armenia's high-tech industry. The annual forum is alternately organized in Armenia and the United States.

UATE conducts annual DigiTec Expo aimed to create a favorable environment for communication between high-tech companies, business consumers, and the general public. The expo aims to provide experts and sector participants with a clear picture of the sector in Armenia; facilitate market entry for IT companies; and exhibit companies' new offerings.

Opportunities

There is an increased demand for IT services in the domestic market, however the small size of the domestic market, low wages, low demand for productivity enhancement tools, financial constraints, high software piracy rates, and other factors make growth in this sector a slow process. Relatively small domestic demand creates

insufficient inducement for companies to develop software packages or offer new and quality services domestically. However there are opportunities for selling standard software packages in the domestic market including accounting and financial software for large enterprises and banks. Other products and services with the largest demand are enterprise resource planning solutions, e-commerce, web development services and tools for the healthcare industry.

Armenia is a favorable country for foreign direct investments in ICT. It offers the following competitive advantages relative to other countries of the region:

- World-class R&D capabilities in engineering, computer science, physics, and mathematics;
- Well-educated and talented workforce with technical skills and English language proficiency;
- Strong university programs with specializations in IT and related sciences;
- Highly competitive cost of labor and low operating costs;
- Solid government support to the sector and commitment to improve the investment climate;
- Sustainable and continuous growth of the IT sector;
- Extensive experience with large multinational companies;

The Armenian government has actively supported Armenia's growing IT industry. With the support of the World Bank, the Ministry of Economy established the Enterprise Incubator Foundation (EIF) to improve the competitiveness of Armenian IT firms in the global marketplace and to assist Armenian firms in attracting investors.

Web Resources

[Enterprise Incubator Foundation](#)
[Armenian ICT Sector 2015 Report](#)
[Guide to Armenian Information Technology Companies](#)
[Ministry of Economic Development and Investments of the Republic of Armenia](#)
[Gyumri Technological Center Establishment Program](#)
[Vanadzor Technological Center Establishment Program](#)
[Armenian-Indian Center for Excellence in ICT](#)
[Microsoft Innovation Center](#)
[Armenian National Engineering Laboratories \(ANEL\)](#)
[IBM Innovative Solutions and Technologies Center](#)
[Digitec Expo](#)
[ArmTech Congress](#)
[Armenian IT Industry Report \(http://www.eif.am/eng/researches/report-on-the-state-of-the-industry\)](http://www.eif.am/eng/researches/report-on-the-state-of-the-industry)
[Tumo Center www.tumo.org](http://www.tumo.org)
[The World Congress on Information Technology \(http://wcit2019.org/\)](http://wcit2019.org/)
[Business Armenia- \(https://www.businessarmenia.am/en/site/index\)](https://www.businessarmenia.am/en/site/index)

Travel and Tourism

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Table: Tourism Sector in Armenia; Unit Thousand U.S. Dollars

	2015	2016	2017	2018 (Estimated)
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Tour Operators Services	28,183	25,038	31,364	35,364
Hotel Services	46,291	47,835	52,642	55,113
Travel Exports	935,800	967,700	1,120,200	1,220,200
Travel Imports	995,800	1,067,200	1,269,800	1,369,800
Exchange Rates	478	480	483	485

Data Sources: National Statistic Service: Yearbook 2017, Social Economic Situation in Armenia 2017 January-December, and Central Bank of Armenia

While admittedly a niche tourism market, Armenia has not realized its full tourism potential. Most international visitors are either Diaspora Armenians or business travelers. That said, the number of visitors to Armenia increased for the last several years. Services for tourists and travelers are reasonably good in Yerevan and developing in the rest of the country. According to the Ministry of Economic Development and Investments in 2017, around 1,494,779 people entered Armenia as tourists, an increase of 18.7% compared to 2016. The number of incoming tourist arrivals to Armenia in 2018 January-March comprised 683,759 or 14% growth for the same period in 2017.

According to 2018 World Travel Tourism Council Report, in Armenia:

- The direct contribution of Travel & Tourism to GDP was \$477.7 mlln, 4.4.% of GDP in 2017, and is forecast to rise by 8.5% in 2018.
- The total contribution of Travel & Tourism to GDP was \$1,720 million (15.7% of total GDP) in 2017 and is forecast to rise by 8.0% in 2018.
- Travel & Tourism directly supported 44,500 jobs (3.9% of total employment) in 2017. This is expected to rise by 2.9% in 2018.
- Visitor exports generated \$1,092.4mn, 29.2% of total exports in 2017. This is forecast to grow by 9.2% in 2018.
- Travel & Tourism investment in 2017 was 4.6% of total investment (USD108.9mn). It should rise by 6.2% in 2018.

However, according to the World Economic Forum's Travel and Tourism Competitiveness Report 2017, Armenia was ranked 84th from 136 countries. According to its assesment Armenia has a long way to go before it is competitive in the international tourism market; however, on the safety and security indicator Armenia ranked 34th and for the overall business tourism environment ranked 39th out of 136 countries. According to the report in 2017, the international inbound tourism receipts were \$935.8 million (\$785.1 average receipts per arrival).

Armenia has more than 700 possible tourist attractions - mostly ancient churches and monasteries - but the majority of them are underdeveloped and difficult to reach. Stunning natural vistas and adventure tourism are a potential attraction throughout Armenia, but the lack of knowledge of English, international-standard hotels, restaurants and other services in the regions, as well as poor access deter many tourists. Limited and inconveniently-scheduled international flight connections also impede the development of the tourism industry. However, in late 2013 the Government of Armenia liberalized the civil aviation sector. This has already attracted new carriers and significantly increased the number of flights, while reducing prices on more competitive routes. Further improvements to the frequency and time-tables for flights are likely.

Leading Sub-Sectors

Armenia is a unique tourism destination with a rich and diverse cultural heritage that provides dynamic opportunities for developing tourism markets. The country features an abundant variety of cultural, natural, and historical sites, six UNESCO World Heritage sites, medieval monasteries, churches, and fortresses. Over 2,000 hospitality companies work in Armenia, including hotels, B&Bs, restaurants, transportation companies, tour operators, and travel agencies. Armenia's key geographical markets are France, Germany, Russia, Iran, and the United States.

The State Tourism Committee of Armenia was established in 2016 as the policy making agency for tourism in Armenia. It has adopted a strategy for tourism promotion which highlights the different areas of tourism within Armenia including recreational, rural, spiritual, and cultural. Over the past five years, Armenia has seen considerable growth in its tourism sector as a result of a more focused government policy toward tourism development as well as through numerous private sector initiatives. In 2017, the government established the Armenian Tourism Development Foundation, which is the Government's tourism programs implementing authority of Armenia.

In 2018 Smithsonian Folklife Festival's landmark program featured Armenia: Creating Home, offering a glimpse into Armenian culture, greatly influenced by its surroundings, heritage, and ongoing exchange with its many Diasporas. It is anticipated the nearly 800,000 visitors to the Festival will be potential new tourist visitors to Armenia.

The Tatev Revival Project implemented through a public-private partnership, between the Armenian Government and the Ruben Vardanian and Veronika Zonabend (RVVZ) Foundation is one of the key projects in the tourism sector. The Project includes restoration and preservation of the thousand year-old Tatev monastic complex and the establishment of infrastructure based on local community needs to enable tourism promotion.

Opportunities

Armenia still has several picturesque regions with quality tourist destinations that lack modern accommodations, restaurants, and services. The Government has developed investment master plans around strategic corridors. Of special interest may be the scenic but underdeveloped (for tourism and travel) southern region of Syunik, boasting the Tatev monastery, and the Vayots Dzor region, just south of Yerevan. A large-scale revitalization project has been launched in Tatev. The opening of the world's longest cable car which crosses the Vorotan River to the Tatev monastery has already boosted tourism in the region. However, the supply of quality, affordable accommodations is still lacking and presents a good niche for SME business.

The World Bank recently launched a 55 million USD "Local Economy and Infrastructure Development" Project to support the increased contribution of tourism to the local economies of selected regions. The project will take an integrated approach which will include infrastructure investment, urban regeneration, cultural heritage restoration, skills development, tourism product development and diversification, and attracting private sector investment. The project will help create and build tourism circuits that connect multiple sites in the selected regions called Corridors (Garni- Geghard- Khor Virap-Areni- Jermuk- Sisian- Tatev- Goris- Meghri), which crosses four regions (Kotayk, Ararat, Vayots Dzor and Syunik) combining several scenic cultural and natural attractions; traditional farms, mountains including Mount Ararat; carpet production; wine tourism; and traditional cuisine. Two World Heritage Sites in the Northern Corridor, Haghpat and Sanahin, will also be restored and developed.

Well-known western franchises, particularly restaurants, are in demand in Armenia and the sector is showing signs of growth. Although the only current U.S. food franchises in Armenia are Cinnabon, Pizza Hut, Burger King, Tutti Frutti, and KFC, new pizzerias, restaurants, and sandwich bars have been appearing every month. High-priced restaurants serving foreign cuisine are also finding success in niche markets. The restaurant

business is an attractive investment and partnership opportunity for U.S. firms. There are several major hotel chains operating in Armenia such as Marriott, Hyatt, Radisson, Hilton, and Best Western.

Franchise offers from well-known American chains are likely to attract substantial interest, both from customers and from local investors.

Web Resources

[Ministry of Economic Development and Investments of the Republic of Armenia](#)

[Development Foundation of Armenia](#)

Armenia Official Tourist Website- <https://armenia.travel/en>

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

[Armenian Directory](#)

[World Bank – Local Economy and Infrastructure Development Project](#)

[World Travel & Tourism Council](#)

[Travel & tourism economic impact 2018 armenia](#)

<https://www.wttc.org/-/media/files/reports/economic-impact.../armenia2018.pdf>

[World Economic Forum’s Travel and Tourism Competitiveness Report 2017](#)

<https://www.weforum.org/reports/the-travel-tourism-competitiveness-report-2017>

[Invest in Armenia](#)

[Business Armenia- \(https://www.businessarmenia.am/en/site/index\)](https://www.businessarmenia.am/en/site/index)

Fast Moving Consumer Goods (FMCG)

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Table: Retail trade in Armenia; Unit Thousand U.S. Dollars

	2015	2016	2017	2018 (Estimated)
Total Trade	4,774,604	4,653,320	5,387,437	5,957,836
Retail Trade	2,748,950	2,590,755	2,756,513	2,996,879
Foodstuff Imports	314,900	332,000	378,200	452,000
Textile Imports	164,500	224,800	270,600	295,500
Total Imports from the U.S.	107,500	88,100	136,300	145,200
Exchange Rates	478	480	483	485

Data Sources: National Statistic Service: Yearbook 2017, Social Economic Situation in Armenia 2017 January-December, and Central Bank of Armenia.

According to the National Statistical Service, Armenia’s domestic trade in 2017 increased by 14% to about \$5.4 billion with money transfers from abroad picking up again. The biggest contributor to Armenia’s domestic trade volume is retail trade, at about \$2.8 billion in 2017. According to the Central Bank data, private remittances to Armenia in 2017 sent via banks increased by 12.4% to about \$1.495 billion USD. About 76% of that amount came from Russia.

AT Kearney's 2015 Global Retail Development Index (GRDI) ranked Armenia 10th globally for retail opportunities, a drop of four spots compared to 2014 due to weak economic performance. AT Kearney notes that Armenia still has an unsaturated retail market which is shifting rapidly to modern formats. In Yerevan, the country's capital and home to about 80 percent of the country's retail sales, shoppers spend almost \$100 million monthly on consumer goods, primarily food. Home improvement, clothing, and furniture are the top non-food categories. Armenia ranks between its neighboring countries on retail trade share of GDP, higher than Turkey but lower than Georgia. The size of the Armenian market is relatively small, but the potential for retail trade is considered to be high.

Retail trade is moving from small and medium stores to large trade centers, including supermarkets. Currently, there are several malls and large stores operating in Yerevan involved in trade of food and consumer products. Supermarkets are the most frequently used stores for FMCG purchases in Yerevan with 369.5 thousand customers daily. Small shops have nearly a third fewer customers. However the market share of large supermarkets is still only about 39 percent of total value of FMCG trade in Yerevan. The Yerevan Mall opened in February 2014; its major tenants include Inditex Group brands and a Carrefour hypermarket, which finally made its entry into Armenia after working to do so for several years. This development is a solid sign of improvement for the market, whose high levels of corruption and local monopolism have previously hampered the entry of international players. In 2016, a new "Rossia" Mall opened in Yerevan city center. The entire cost of the project was around 15 million USD. The mall is home to the largest jewelry center in Yerevan. In 2017 another shopping center, RIO Mall, opened in Yerevan. In 2018, Carrefour announced that it will open a new supermarket in the Rossia Mall. Construction of several other malls is underway. FMCG retail trade sector developments in Armenia follow the overall global trend: which is the gradual change to large-scale stores (supermarkets, hypermarkets).

Leading Sub-Sectors

According to AT Kearney's report the main challenges for Armenia are the small population and strong monopolies in certain sectors. Carrefour's delayed entrance into the market highlights these difficulties. However, the Government which came to power in May 2018 has announced that all administrative and customs barriers existing previously were removed for new entrants and now encourages all international players to come into Armenia. International retailers can benefit from a market that is shifting towards a western style business management, and from the Government's efforts to attract international investments. International retailers began moving in when the first western style mall opened in 2012.

The growing number of western franchises in Armenia and the prevalence of copycat shops and restaurants – together with a general premium on name recognition – suggest that U.S. franchises could be successful, especially in Yerevan. Despite the generally low incomes of the population, many entrepreneurs have enough capital to provide startup funds for franchising.

Opportunities

Well-known Western franchises, particularly restaurants, are in demand in Armenia and the sector is showing signs of growth. Although the only current U.S. food franchises in Armenia are Pizza Hut, KFC, Burger King, Tutti Frutti, Nathans and Cinnabon, new pizzerias, restaurants, and sandwich bars appear regularly. High-priced restaurants serving foreign cuisine are also finding success in niche markets. The retail business is also an attractive investment and partnership opportunity for U.S. firms. There are several retail outlets selling U.S. brand clothes such as Calvin Klein, Tommy Hilfiger, Polo, GAP, etc. In addition two big fitness chains "Gold's

Gym” and “Orange” have been operating in Yerevan for several years. Franchise offers from well-known American chains might attract substantial interest, both from customers and local investors.

Web Resources

[Ministry of Economy and Investments of the Republic of Armenia](#)

[Development Foundation of Armenia](#)

[Armenia](#)

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

[AT Kearney's 2015 Global Retail Development Index](#)

[Business Armenia- \(https://www.businessarmenia.am/en/site/index\)](https://www.businessarmenia.am/en/site/index)

Customs, Regulations & Standards

Trade Barriers

There is still a lack of clarity in many areas such as import licensing, customs procedures, and IPR enforcement which now fall under the jurisdiction of the EAEU. Because of this U.S. companies may face a number of tariff and non-tariff trade barriers, including reference pricing on customs duties, when exporting to Armenia. Another potential issue is the EAEU's complex system of standardization, which is based on Russia's standardization regime and is extremely complex, lacks clarity, and is highly redundant. U.S. companies are encouraged to obtain appropriate legal advice or assistance from experienced distributors or consultants on all aspects of Eurasian Economic Union requirements.

Membership in the EAEU, is forcing Armenia to apply stricter standardization, sanitary, and phyto-sanitary requirements in line with Russia's requirements. Companies have to comply with EAEU technical regulations. Prior to this date, Armenian companies and importers are only required to comply with the relevant national legislation. For most goods manufactured in the Eurasian Economic Union, which are subject to safety requirements, the two-year transitional period begins on January 1, 2016. For some products, such as furniture or wheeled vehicles, the new requirements will go into effect in 2019 and 2022 respectively. After the end of the transitional period all goods circulating in the territory of the EAEU must meet EAEU requirements. However, the Armenian Government recommends importers and exporters begin using EAEU technical regulations as quickly as possible. Companies should consult with the [Armenian conformity assessment body \(http://www.sarm.am/en\)](http://www.sarm.am/en). They can also seek advice at the [Eurasian Economic Commission \(http://www.eurasiancommission.org/\)](http://www.eurasiancommission.org/).

Based on the Eurasian Economic Union requirements the Armenian Customs Code is in line with WTO requirements. Nevertheless, improper implementation of the Customs Code remains a barrier to trade. According to the Doing Business 2017 study by the World Bank, Armenia stands at 48 in the ranking of 190 economies on the ease of trading across borders. The study found that, on average, time required to import was 41 hours for border compliance and 2 hours for documentary compliance, and the costs for the border and documentary compliances were each at \$100. Armenia made trading easier by introducing self-declaration desks at customs houses and warehouses, investing in new equipment to improve border operations and introducing a risk management system. The country has also reduced the time and cost for documentary and border compliance for trade with the Russian Federation by joining the Eurasian Economic Union. However both local and foreign businessmen indicate that cumbersome and ambiguous laws and procedures as well as their poor and inconsistent administration are major obstacles in dealing with the customs authorities, which

frequently results in extortion or unofficial payments. However, since the new Government came to power in May 2018, significant improvements are reported and most agree that a sound knowledge of the laws and procedures helps to avoid corrupt practices.

While the Customs Code facilitates export transactions with much less documentation than for customs clearance of imports, most exporters report minor hassles in the customs houses. One of these is the informal requirement to submit a special permit issued by the head of the customs house to the customs officer. To get such a permit, exporters must petition the head of the appropriate customs house in writing. Although there are no reported cases of rejection, this practice is not in line with the existing legal framework.

Certification of origin is a complicated and costly procedure for exporters. Exporters must present a certificate of origin from the Armenian Chamber of Commerce and Industry (ACCI), after ArmExpertiza LLC has examined the exports. The ACCI applies a complicated and expensive mechanism for issuing certificates; ArmExpertiza – a specially created sub-division of the ACCI must specifically study samples of goods to be exported. Exporters, especially those that export goods in relatively modest quantities, are confused and discouraged by the procedures and complicated fees. The process was supposedly simplified after the government handed them over to a quasi-governmental institution designed to help promote exports. In 2002, the government also abolished the state fee for obtaining the certification in an attempt to simplify the procedure and lower the cost to business. However, ArmExpertiza has since raised its fees considerably, justifying the higher cost by arguing that they use more expensive experts.

For more information and help with trade barriers please contact:

International Trade Administration (<http://trade.gov/enforcement/>)

Enforcement and Compliance

(202) 482-0063

ECCcommunications@trade.gov

Import Tariff

Armenia's accession to the Russian-led Eurasian Customs Union and the EAEU on January 2, 2015 has resulted in increased customs tariffs for the majority of imports. Armenia was required to harmonize its customs tariffs with those of the EAEU, with temporary exemptions for up to five years, for around 500 key imported goods (including foodstuffs). The common external tariff (CET) for the EAEU largely corresponds with Russian tariff rates. The Eurasian Economic Commission (EAEC) is the multilateral entity established by EAEU member countries to manage the Union. The EAEC handles the harmonization of all issues such as tariffs, tariff rate quotas, and licensing and certification between the member countries. However, implementation so far has been uneven and national governments still retain some discretion.

Current information on the harmonized tariffs of the Eurasian Union can be found in Russian [here](http://www.eurasiancommission.org/ru/act/trade/catr/ett/Pages/default.aspx) (<http://www.eurasiancommission.org/ru/act/trade/catr/ett/Pages/default.aspx>).

The full list of the goods for which Armenia negotiated temporary customs tariffs exemptions and their timing is available in the Annex 4 of the Treaty on Armenia's joining the Eurasian Economic Union. The text of the treaty with the Annex 4 can be found in Russian [here](http://www.eurasiancommission.org/docs/Download.aspx?IsDlg=0&print=1&ID=5731):

<http://www.eurasiancommission.org/docs/Download.aspx?IsDlg=0&print=1&ID=5731>).

Import tariffs on goods are classified pursuant to the international Harmonized Commodity Description and Coding System (HS). For exempt goods local tariffs are 0 or 10% in ad valorem terms and levied on Cost, Insurance, and Freight (C.I.F.) values.

Though the existing Customs Code still follows WTO rules, the application of market value (“reference pricing”), rather than transaction value, in the valuation of goods has been until recently a common practice, creating an unpredictable and intimidating environment for international traders as well as for domestic firms. At the same time, customs officials complain that importers systematically under-report the transaction value of goods to avoid tariffs, Value Added Tax (VAT), and excise taxes. To have an invoice calculated by transaction value method, the importer should submit a valid invoice for goods procured in the exporting country together with a customs declaration. The present Government has shown political will to implement post clearance audit to avoid the artificial reference pricing practices.

There are no duties on temporary imports, or imports made on credits to the government or pursuant to other international assistance. Armenia has no export tax. Customs authorities calculate and collect VAT (20%), road tax and environmental payments at the point of entry. However, after accession to the EAEU, products imported from Union member countries are exempt from this provision and importers instead have 20 days to make VAT payments. In addition, there are excise taxes on crude oil and derivative products, alcohol, and tobacco. For more information on payments see the [Armenian Customs website \(http://www.customs.am/\)](http://www.customs.am/).

Import Requirements & Documentation

After joining The EAEU harmonized tariffs (CET), the unified Customs Code requirements entered into force in Armenia. EAEU regulations now deal with trade in the integrated customs zone. Despite this effort at harmonization, customs clearance remains one of the main issues for foreign companies working in the Armenian market. While the main function of customs is control and statistics, Armenia still uses customs as a budget cash flow generator.

According to EAEU requirements customs clearance, as a general rule, should be performed in the jurisdiction of the respective participants in foreign economic operations. For example, goods transiting to Armenia and/or Kazakhstan from foreign suppliers through Russia are customs cleared at the EAEU’s external frontier in Russia. This is the same procedure for items entering Armenia and Kazakhstan destined for other countries within the EAEU. Armenia does not have common border with and EAEU members, all goods must transit through Georgia, adding complications which have yet to be fully resolved.

Customs requires importers to present a customs declaration form with a commercial invoice indicating the specifications, quantity, and value of goods being imported. In addition, to ensure that imports will be valued by the transaction method of valuation, documentation must meet the requirements enumerated in the Import Tariffs section of this guide. The State Customs Committee has implemented an on-line declaration process (Direct Trader Input or “DTI”) which reduces personal contact between customs officials and importers.

Armenia maintains a national inquiry point on standards and conformity assessment matters in the Department for Quality Infrastructure of the Ministry of Economic development and Investments (<http://www.mineconomy.am/en/84>). It is responsible for provision of all relevant information on standards and technical regulations. For more information see the Standards section in this guide

Labeling/Marking Requirements

Imported food products’ labels must have the manufacturer’s name, contents, weight, and “best before” data. Armenia has recently adopted language requirements for imports of some (mainly food) products. The complete list may be obtained from [National Institute of Standards and Quality, SARM \(http://www.sarm.am/en\)](http://www.sarm.am/en). Companies wishing to obtain bar codes for their products should apply to

SARM. Armenia is a member of the ISO and aims to harmonize its systems of standards in compliance with ISO requirements within the next few years.

U.S. Export Controls

A relatively small percentage of total U.S. exports and re-exports are controlled or require a license from the Department of Commerce's Bureau of Industry and Security (BIS). License requirements are dependent upon an item's technical characteristics, the destination, the end-user, and the end-use. You must determine whether your export requires a license. For more information please visit the [Department of Commerce \(DOC\) Export Controls website \(https://www.bis.doc.gov/index.php/regulations/commerce-control-list-ccl\)](https://www.bis.doc.gov/index.php/regulations/commerce-control-list-ccl).

As an aid to industry in conducting electronic screens of potential parties to regulated transactions, a list that consolidates eleven export screening lists from the Departments of Commerce, State and, Treasury into a single search is available [here \(http://developer.trade.gov/consolidated-screening-list.html\)](http://developer.trade.gov/consolidated-screening-list.html).

Temporary Entry

The list of goods for temporary entry with full relief from customs duties and taxes as well as terms of such relief is regulated by the Eurasian Economic Union.

For further information, please refer to the [Eurasian Economic Union website \(http://www.eurasiancommission.org/\)](http://www.eurasiancommission.org/).

Foreigners who temporarily enter Armenia can bring one vehicle with its trailer duty free on the condition that it is taken with them when they leave. If the foreigner does not re-export the car, all proper duties must be paid.

Prohibited & Restricted Imports

The Government of Armenia prohibits, except in specially-licensed cases, the import of:

- Weapons, explosives, army equipment, components for their production, and army uniforms;
- Narcotics, psychotropic substances and devices intended for their use;
- Pornography;
- Transit through Armenian territory of any nuclear material or substances emitting ionizing radiation.

Customs Regulations

As a member of the World Customs Organization, the Convention of Temporary Imports and the International Convention on Harmonized Commodity Description and Coding System, Armenia is obligated to adhere to internationally accepted customs regulations and practices.

The new Customs Code developed by the Eurasian Commission has been ratified by the EAEU member countries and has entered into force on January 1, 2018. Armenia has made changes in the Custom code and adopted the law on Customs regulations to incorporate the unified Customs Code of the Eurasian Economic Union and the Law on Customs Regulation since 2015.

State Revenue Service

3 Movses Khorenatsi Street, Yerevan 0015, Armenia

Tel.: +374 (60) 544 444
e-mail: secretariat@customs.am

Standards for Trade

Overview

After Armenia joined the Eurasian Economic Union (EAEU), sanitary and phyto-sanitary standardization requirements have become more stringent in order to match Russian requirements. However, Armenian companies will have two years to comply with the technical regulations of the EAEU. Before the deadline, companies will still have to comply with the relevant national legislation. For most of the goods manufactured in the EAEU, which are subject to safety requirements, the two-year transitional period began on January 1, 2016, and for some products, such as furniture or wheeled vehicles, the new requirements will be mandatory beginning in 2019 and 2022 respectively. The Armenian Government recommends that exporters and importers begin using EAEU technical regulations as soon as possible. After the end of the transitional period all the goods circulating in the territory of the EAEU must meet the union's mandatory requirements. Companies should consult with the Armenian conformity assessment body for details. They can also seek advice from the Eurasian Economic Commission (<http://www.eurasiancommission.org/>).

The National Institute of Standards (SARM) is a Closed Joint Stock Company operating under the Ministry of Economy and is the main standards organization in Armenia. SARM maintains a list of standards of the Republic of Armenia which includes International (ISO), Interstate (GOST), Regional (EN), Armenian (HST) and other standards. Currently, certificates of quality/safety issued or accepted by SARM are required for most food products, tobacco products, alcoholic drinks, and petroleum products. Armenia has cooperation agreements in the field of standardization with Georgia, Belarus, Turkmenistan, Kazakhstan, Kyrgyzstan, Ukraine, Russia, China, India, Slovakia and Iran.

Standards

As the main standards organization in Armenia, SARM is a member of the International Organization for Standardization (ISO) since 1997. It participates in technical standardization activities of 13 ISO technical committees and 17 subcommittees. It is a partner standardization body (PSB) of the European Committee for Standardization (CEN) since 1 January 2007, affiliate member since 1 January 2008 and participates in standardization activities of several CEN technical committees.

As a Member of the World Trade Organization (WTO), Armenia is required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO all proposed technical regulations that could affect trade with other Member countries. You can follow regulations that Armenia and other WTO Members notify through NotifyUS, which is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online [here \(http://www.nist.gov/notifyus/\)](http://www.nist.gov/notifyus/).

Testing, inspection and certification

SARM has conformity assessment procedures in Armenian on [its website \(http://www.sarm.am/en\)](http://www.sarm.am/en). The creation of EAEU has given the EAEU's supranational regulatory body, the Eurasian Commission, wide authority over unified macroeconomic, labor and social policies. It also ensures that technical regulations of all

EAEU member countries are consistent. Information about new technical regulations can be found on the Eurasian Commission's website (<http://www.eurasiancommission.org/en/>).

In recent years there has been a substantial movement toward the adoption of common international wording and usage on product standards and certification procedures. In 2016, SARM adopted and registered 208 international and European standards in Armenia pertaining to energy, construction and environmental sectors as well as conformity assessment. While there have been some improvements, some old Soviet GOST standards are still in use.

Due to Armenia's membership in the EAEU, the process for obtaining certification documents will be changed. As a result, manufacturers may now obtain unified certificates and declarations of conformity for all member countries. The full set of documents, including the unified list of accredited bodies and laboratories that governs this process, is published on the EAEU website (<http://www.eurasiancommission.org/en/>). A unified list of products subject to certification of conformity and declarations of conformity is also available. Any product not listed on the EAEU website should follow the national standards for conformity of the destination country.

The Certificate of State Registration was established for all products requiring a sanitary certificate. Products which need a Certificate of State Registration are listed in part II of the "Unified list" approved by the Customs Union (Since 2015 EAEU) Commission on May 28, 2010, No. 299 (last edition No. 456 dated November, 11, 2010). The procedure for obtaining a Certificate of State Registration is also outlined on the website. For a complete list of products (except pharmaceuticals) subject to certification and certification procedures, please see the Armenian Customs website (<http://www.customs.am/index.php?lng=2>) or contact the Department for Quality Infrastructure of the Ministry of Economic Development and Investments of Armenia (<http://www.mineconomy.am/en/84>). Companies need also to consult with Armenia's conformity assessment body (<http://www.sarm.am/en>) and the State Service for Food Safety (<http://www.snund.am/>) for guidance on complying with the new EAEU requirements and exemptions for Armenia.

Imported vitamins and other pharmaceutical products are subject to certification by the Ministry of Health (<http://www.moh.am/>).

SARM has been accredited as a certification body for products, services and quality management systems (ISO 9000), as well as a products certification body within the system of the Russian Federation. It also carries out conformity assessment work in the above-mentioned fields and tests a large number of items. Test certificates from foreign laboratories are not always accepted.

Publication of technical regulations

SARM publishes new technical regulations in Armenian, Russian and English. However before adoption they are posted on Ministry of Justice's Unified Website for Publication of Legal Acts' Drafts (<https://www.e-draft.am/en>) for public comments. After adoption the Ministry of Justice publishes them in their official journals as well as electronic legal database- www.laws.am.

"Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce."

Contact Information

Department of Quality Infrastructure (<http://www.mineconomy.am/en/84>)
Ministry of Economic Development and Investments of the Republic of Armenia
M. Mkrtchyan 5
Yerevan, 375010
Tel: (374 -10) 56 69 25
Fax: (374-10) 52 65 77
Email: sarm@sarm.am

Economic and Commercial Section
U.S. Embassy, American Avenue 1, Yerevan 0082, Armenia
YerevanBusiness@state.gov

Trade Agreements

Armenia has been a member of Russian-led Eurasian Economic Union since 2015 and has free trade agreements with CIS countries. Armenia also has a Free Trade Agreement with its neighboring Georgia.

Armenia also qualifies to export its products under the EU's Generalized System of Preferences (GSP) and the U.S. Generalized System of Preferences (GSP) program.

More information can be found under the WTO Regional Trade Agreements System database (<http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>).

Licensing Requirements for Professional Services

Many types of businesses are required to have a license. A list of activities subject to licensing is provided in Chapter VII, article 43 of the Law on Licensing -

(http://www.parliament.am/law_docs/270601H0193eng.pdf).

The law provides for two types of licenses: Simple and compound (automatic and non-automatic). Generally, service providers requiring professional capability such as physicians, lawyers, bankers, financial brokers and auditors require compound licenses. Armenia has carried out significant reforms to simplify requirements and procedures to obtain permits. Additional Information about licensing can be obtained online.

For working as a senior accountant in an organization whose financial accounts are subject to publication, a qualification certificate issued by Ministry of Finances is required. The necessary information regarding qualification procedure, including downloading and filling in the corresponding application is available here.

<http://minfin.am/en/page/accountant/>

Web Resources

Ministry of Economy and Investments of the Republic of Armenia

(<http://www.mineconomy.am/eng/45/gortsaruyt.html>)

Customs Service of the Republic of Armenia (<http://www.customs.am/default.aspx>)

State Service for Food Safety (<http://snund.am/>)

Ministry of Health (<http://www.moh.am/>)

Law on Licensing (http://www.parliament.am/law_docs/270601H0193eng.pdf).

Export.gov

[WBG Open Knowledge Repository –\(https://openknowledge.worldbank.org/handle/10986/25420\)](https://openknowledge.worldbank.org/handle/10986/25420)

[Translation Centre of the Ministry of Justice of the Republic of Armenia \(http://www.translation-centre.am/en/armlegalacts.html\)](http://www.translation-centre.am/en/armlegalacts.html)

<http://www.translation-centre.am/en/eaulegalacts.html>

Investment Climate Statement

Executive Summary

Armenia is an increasingly welcoming place for U.S. and foreign investment, scoring well on international indices. In 2015, Contour Global acquired the Vorotan Hydroelectric Cascade, a major U.S. investment in Armenia's energy generation sector. In 2016, Lydian International benefited from the largest U.S. private equity investment in Armenia from Orion Mine Finance and Resource Capital Fund for its Amulsar gold project. In 2017, new U.S. investors in the energy, pharmaceutical, IT, and mining sectors entered or acquired assets in Armenia. However, Armenia's investment climate poses several challenges and risks through its small market (Armenia has a population of less than three million), its relative geographic isolation due to closed borders with Turkey and Azerbaijan, its per capita gross national income (GNI) of about USD 3,800, and through artificial limits on competition due to corrupt influences. It has been three years since Armenia formally entered the Eurasian Economic Union trading bloc, a single economic market of about 180 million people between Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. In May 2015, Armenia signed a Trade and Investment Framework Agreement (TIFA) with the United States. The TIFA establishes a United States-Armenia Council on Trade and Investment to discuss bilateral trade and investment and related issues and examine ways to strengthen the trade and investment relationship between the two countries. In November 2017, Armenia signed a Comprehensive and Enhanced Partnership Agreement with the European Union, aimed in part on improving the investment and business climate in Armenia.

Armenia does not limit the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, and management or technical service fees. The banking system in Armenia is sound and well-regulated, but Armenia's financial sector is not highly developed. Foreign individuals who do not hold special residence permits cannot own land, but may lease it; companies registered by foreigners in Armenia as Armenian businesses have the right to buy and own land. There are no restrictions on the rights of foreign nationals to acquire, establish or dispose of business interests in Armenia. IT, energy and mining sectors have traditionally attracted significant investments in Armenia. The U.S.-Armenia Bilateral Investment Treaty (BIT) provides that if a dispute arises between an American investor and the Republic of Armenia, the investor may choose to seek remedy through binding international arbitration. Although Armenian legislation complies with the Trade Related Aspects of Intellectual Properties (TRIPS) Agreement and offers protection of intellectual property rights (IPR), enforcement efforts and recourse through the courts still require improvement.

Major sectors of Armenia's economy are controlled by well-connected businesspeople enjoying government-protected market dominance. Overall the investment climate is improving; however, corruption remains a problem in critical areas such as the judiciary and tax and customs operations. The health, education, military, and law enforcement sectors continue to lack transparency in procurement and often use selective enforcement to elicit bribes. Tax and customs procedures, while having recently improved with a reduction in the use reference pricing and elimination of pre-clearance customs procedures, still suffer from manipulation of the classification of goods and demands for pre-payment of taxes. The court system lacks independence, making it an unreliable forum for resolution of disputes.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	107 of 180	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of Doing Business"	2018	47 of 190	http://www.doingbusiness.org/rankings
Global Innovation Index	2017	59 of 127	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country (\$M USD, stock positions)	2016	1 million USD	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2016	3,770 USD	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness to and Restrictions upon Foreign Investment

Policies Toward Foreign Direct Investment

The Armenian Government officially welcomes foreign investment; the country has achieved respectable rankings on some global indices measuring the business climate. Armenia's investment and trade policy is relatively open; foreign companies are entitled by law to the same treatment as Armenian companies (national treatment). Armenia has strong human capital and a well-educated population, particularly in the Science, Technology, Engineering and Math (STEM) fields. The high-tech and information technology (IT) sectors have particularly attracted foreign investment. Many international companies have established branches or subsidiaries in Armenia to take advantage of the country's pool of qualified specialists and trade preferences with Russia and the Eurasian Economic Union. However, Armenia's investment climate poses several challenges as a result of its small market (Armenia has a population of less than three million), its relative geographic isolation due to closed borders with Turkey and Azerbaijan, its per capita gross national income (GNI) of about USD 3,800, and high levels of corruption.

Major sectors of Armenia's economy are controlled by well-connected businessmen enjoying government-protected market dominance, creating barriers to new entrants and preventing a level playing field for all businesses. The Armenian government has also on occasion deployed government agencies, including the tax and customs services, for political motives. Foreign businesses, especially SMEs, may encounter non-transparent tax and customs procedures that increase costs and business risks. The open legislative framework and the government's visible effort to attract more foreign investment are complicated by instances of unfair tender / procurement processes and practices and preferential treatment. The investment climate is also tainted by the failure to properly enforce or to selectively enforce intellectual property rights. The lack of an independent and strong judiciary has undermined the government's assurances of equal treatment and transparency and reduced businesses' recourse in the instances of contract or tax disputes. However, in 2011, the Republic of Armenia became the first country among the Commonwealth of Independent States (CIS) to accede to the WTO's Government Procurement Agreement (GPA 1994). Armenia joined the GPA 2012 version in June 2015. Currently, the Armenian Government has submitted to Parliament a new draft Law on Foreign Investment, which would strengthen protections for foreign investors.

The Development Foundation of Armenia (DFA) is Armenia's national authority for investment and export promotion; the DFA provides services and information to foreign investors related to the business climate, investment opportunities and legislation. It also provides support for investors' visits as well as a liaison with governmental institutions. More information about the legislation, procedures and registrations can be obtained from the DFA (E-mail: info@dfa.am; www.dfa.am; <https://www.facebook.com/DFArmenia/>). The Armenian Government established the Center for Strategic Initiatives to advance essential reforms, increase exports, and attract long-term and sustainable foreign investments into Armenia through public-private partnership (<http://www.reforms.am/en>). Investment projects promoted by the Armenian Government could be found at <http://investmentprojects.am/>.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are no limitations on foreign ownership and control of commercial enterprises. There are also no sector specific restrictions.

The Armenian government does not screen foreign direct investments.

Other Investment Policy Reviews

Armenia has not undergone Investment Policy Reviews by either the Organization of Economic Cooperation and Development (OECD) or U.N Conference on Trade and Development (UNCTAD). The World Trade Organization (WTO) conducted a Trade Policy Review in 2010, which can be found at http://www.wto.org/english/tratop_e/tpr_e/tp328_e.htm.

Business Facilitation

Armenia has traditionally ranked well in the World Bank's Ease of Doing Business report. Companies can register businesses electronically at <http://www.e-register.am/en/>. This single window service was launched in 2011 and allows individual entrepreneurs and companies to obtain name reservation, business registration, and tax identification services at a single location and at the same time. The legal time limit for the process is two working days, but the application may be dealt with in one day. However, an electronic signature is needed in order to be able to register online. Foreign citizens can obtain an e-signature and more detailed information from the e-signature portal at <https://www.ekeng.am/en/>. A foreign company is not required to seek investment approval. Companies in Armenia are free to open and maintain bank accounts in foreign currency and there are no minimum capital requirements for foreign or domestic companies.

Outward Investment

The Armenian Government does not restrict domestic investors from investing abroad.

Bilateral Investment Agreements and Taxation Treaties

Basic provisions regulating American investments are set by the U.S.-Armenia Bilateral Investment Treaty (BIT), which has been in force since 1996, and by the 1994 Law on Foreign Investment. The U.S.-Armenia BIT sets forth conditions for investors of each party to be no less favorable than for national investors (national treatment) or for investors from any third state (most favored nation) and also provides the option of international arbitration in the case of investment disputes. Armenia has BITs in force with 36 countries: the U.S., Argentina, Austria, Belarus, Belgium, Bulgaria, Canada, China, Cyprus, Egypt, Finland, France, Georgia, Germany, Greece, India, Iran, Italy, Israel, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, The Netherlands, Luxembourg, Romania, Russia, Spain, Sweden, Switzerland, Syria, Ukraine, the United Kingdom, Uruguay, and Vietnam. According to the U.N. Conference on Trade and Development (UNCTAD), Armenia has also signed BITs with Iraq, Jordan, Kazakhstan, Qatar, Tajikistan, Turkmenistan, and United Arab Emirates, but these agreements have not yet entered into force. Armenia is a signatory of the CIS Multilateral Convention on the Protection of Investor Rights.

Armenia became a member of the Russia-led Eurasian Economic Union (EAEU) in January 2015, together with Russia, Belarus, Kyrgyzstan and Kazakhstan. As an EAEU member, Armenia is currently engaged in negotiations on temporary free trade agreement between the EAEU and Iran, as well as a trade agreement between the EAEU and China. Armenia also entered into a Comprehensive and Enhanced Partnership Agreement with the EU in November 2017; while it will not affect customs or tax rates, it will, over time, align Armenia's regulatory system and standards with that of the EU's, as much as is possible under Armenia's EAEU obligations.

There is no free trade agreement between the U.S and Armenia; however, the U.S. includes Armenia in its Generalized System of Preferences program. Also, in May 2015, Armenia signed a Trade and Investment Framework Agreement (TIFA) with the United States. The TIFA established a United States-Armenia Council on Trade and Investment to discuss bilateral trade and investment and related issues and examined ways to strengthen the trade and investment relationship between the two countries.

Tax Treaty: Armenia does not issue foreign tax credits and does not recognize the existing 1973 double taxation treaty signed by the Union of Soviet Socialist Republics (USSR) and the United States. The United States considers Armenia a party to this treaty by virtue of state succession to treaties, and Armenia's declaration of its commitment to fulfill the international treaty obligations of the former U.S.S.R. as expressed in the Alma Ata Declaration of 1991. The Armenian Government has expressed interest in negotiating a new double taxation treaty with the United States, but there is no strong evidence at this time of a U.S. company being subject to double-taxation or that the lack of such an agreement deters new investments.

According to Armenia's new Tax Code, starting from January 1, 2017 foreign individual investors will pay a higher dividend tax of 10% compared to 5 % dividend tax for local individual investors, which became effective in January 2018.

Legal Regime

Transparency of the Regulatory System

The Armenian regulatory system is still not implemented in a sufficiently transparent manner. A small cadre of businesses dominates particular sectors and utilize government assistance to suppress full competition. Despite some improvements in customs with regard to import procedures and the application of reference prices, the inconsistent application of tax, customs (especially with respect to valuation and classification), and

regulatory rules (especially in the area of trade) undermines fair competition and adds risk for less politically-connected businesses, particularly small-and medium-sized businesses and new market entrants. Armenia's legislation on protection of competition has recently been improved with clear definitions of limitation of competition and newly introduced concepts on price manipulation, imposition of fines on economic agents as a percentage of revenue vs. previous fixed amounts, and penalties for state officials for fixing tenders. However, the State Commission for the Protection of Economic Competition (SCPEC) lacks investigative powers and operates based on document studies, often provided by competing claimants. The efforts of the SCPEC alone are not enough to ensure a level playing field because of the roles of other state institutions, which affect competition, like courts, tax and customs agencies, and law enforcement agencies. Banking supervision is relatively well developed and largely consistent with the Basel Core Principles. The Central Bank of Armenia is the primary regulator for all segments of the financial sector, including banking, securities, insurance and pensions.

Safety and health requirements, most of them holdovers from the Soviet period, generally do not impede investment activities. Bureaucratic procedures can nevertheless be burdensome, and discretionary decisions by individual officials still provide opportunities for petty corruption. Despite persistent problems with corrupt officials, both local and foreign businesses assert that a sound knowledge of tax and customs law and regulations enables business owners to deflect the majority of unlawful bribe requests, which is easier for big companies than for SMEs. The unified online platform for publishing draft legislation was launched in March 2017, available at <https://www.e-draft.am/>. The proposed legislation is available for everybody to view and the registered users can send feedback and get a summary of comments on draft legislation. However, the time period devoted to public comments in Armenia is often not sufficient for proper feedback. The results of consultations have not been reported by the government in the past.

International Regulatory Considerations

Armenia is a member of the Eurasian Economic Union (EAEU) and adheres to the technical regulations adopted within the EAEU. Armenia is also a member of the WTO and the Armenian Government notifies draft technical regulations to the WTO Committee on Technical Barriers to Trade. Armenia is a signatory to the Trade Facilitation Agreement and had already implemented all category "A" requirements. Notification on implementation of category "B" requirements will be submitted to the WTO in April 2018 and the Armenian Government is working with international donors on potential assistance for the implementation of category "C" requirements.

Legal System and Judicial Independence

Armenia has a hybrid legal system that includes elements of both civil and common law. Although Armenia is developing an international commercial code, the laws regarding commercial and contractual matters currently are set forth in the civil code. Thus, because Armenia lacks a commercial court, all disputes involving contracts, ownership of property, or commercial matters are resolved by litigants in the courts of general jurisdiction, which handle both civil and criminal cases. However, the courts which handle civil matters are overwhelmed by the volume of cases before them and are seen by the public as corrupt. Despite the ability of courts to use the precedential authority of the Court of Cassation and the European Court of Human Rights, many judges do not do so, making civil court decisions unpredictable.

Many Armenian courts suffer from low levels of efficiency, independence, and professionalism, creating a need to strengthen the Armenian judiciary. Very often in cases when additional forensic expertise is requested during the judicial proceedings, the court may suspend the process until the forensic opinion is received, which may take months. Litigants are wary of turning to Armenian courts for redress because of the lack of judicial independence. Many judges at the court of general jurisdiction are reluctant to make a decision without getting

advice from high court judges. Thus, decisions may be influenced by factors other than the law and merits of the cases. In general, the government honors judgments from both arbitration and Armenian national courts.

Due to the nature and complexity of commercial and contractual issues and the caseload of the civil courts, many matters involving investment/commercial disputes take months or years to work their way through the civil courts. In addition, because of the inherent inefficiencies and institutional corruption of the courts, matters are often delayed and outcomes are not predictable. Even though the Armenian Constitution provides investors the tools to enforce awards and their property rights, there is little predictability in what a court may do.

Laws and Regulations on Foreign Direct Investment

The Development Foundation of Armenia (DFA) is Armenia's national authority for investment, and export promotion that provides services and information to foreign investors on business climate, investment opportunities and the legislation, support for investors' visits, as well as liaison with governmental institutions. More information about the legislation, procedures and registrations can be obtained from DFA (E-mail: info@dfa.am ; www.dfa.am).

Competition and Anti-Trust Laws

The State Commission for the Protection of Economic Competition reviews transactions for competition related concerns. The law, regulations, commission decisions, and more information can be found at <http://www.competition.am/?lng=2>

Expropriation and Compensation

Under Armenian law, foreign investments cannot be confiscated or expropriated except in extreme cases of natural or state emergency, upon obtaining an order from a domestic court. In all cases, proper and fair compensation is owed to the property owner. The U.S. Government is not aware of any confirmed cases of expropriation.

Dispute Settlement

ICSID Convention and New York Convention

Armenia is a state member of the ICSID convention and a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Under Article 5 of the Armenian Constitution, international treaties are a constituent part of the legal system of the Republic of Armenia. When an international treaty is ratified, if it stipulates norms other than those present in the domestic laws, the guidelines of the treaty shall prevail.

Investor-State Dispute Settlement

According to the 1994 Foreign Investment Law, all disputes that arise between a foreign investor and the Republic of Armenia must be settled in Armenian courts. A law on Commercial Arbitration was enacted in 2007, which provides investors with a wider range of options for resolving their commercial disputes. The U.S.-Armenia BIT provides that in the event of a dispute between an American investor and the Republic of Armenia, the investor may take the case to international arbitration. As an international treaty, the BIT supersedes Armenian law, a point which Armenia's constitution acknowledges and which holds in actual practice. While there have been a few investment disputes involving U.S. and other foreign investors, there is no evidence of a pattern of discrimination against foreign investors in these cases.

International Commercial Arbitration and Foreign Courts

Commercial disputes may be brought before an Armenian or any other competent court, as provided by law or in accordance to party agreement. Commercial disputes are heard in courts of general jurisdiction. The specialized administrative courts adjudicate cases brought against state entities. Final judgments may be appealed to the Court of Appeal and Court of Cassation, the highest judicial authority in Armenia.

The Law on Arbitration Courts and Arbitration Procedures provides rules governing the settlement of disputes by arbitration. Armenia is a member state to the International Center for Settlement of Investment Disputes (ICSID Convention) and convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). The stipulations of the New York convention have been incorporated into Article 5 of the Armenian Constitution which requires domestic courts to recognize foreign arbitral awards.

Armenia intends to develop an alternative dispute resolution (ADR) mechanism that will include mediation and arbitration. ADR could be used not only in commercial matters, including those involving mobile property and secured transactions, but also in cases involving family and labor disputes. While ADR options are available for those who seek alternatives to litigation, they currently are not widely used or trusted.

Bankruptcy Regulations

According to the Law on Bankruptcy adopted in 2006, the creditors, equity and contract holders (including foreign entities) have the right to participate and defend their interests in the judicial proceedings of a bankruptcy case. Creditors have the right to access all materials relevant to the case, submit claims to the court in relation to the bankruptcy, participate in creditors' meeting, and nominate a candidate to administer the case. Monetary judgments are usually made in local currency. The Armenian Criminal code defines penalties for false and deliberate bankruptcy, for concealment of property or other assets of the bankrupt party, or for other illegal activities during the bankruptcy process. Armenia amended its bankruptcy law in 2012 to clarify procedures for appointing insolvency administrators, reducing the processing time for bankruptcy proceedings, and regulating asset sales by auction.

According to the World Bank's 2018 Doing Business Index, resolving insolvency takes 1.9 years on average and costs 11 percent of the debtor's estate, with the most likely outcome being that the company will be broken up and sold. The average recovery rate is 36.4 cents on the dollar. Globally, Armenia stands at 97 in the ranking of 190 economies on the ease of resolving insolvency in the World Bank's Doing Business 2018 Report (<http://www.doingbusiness.org/rankings>; <http://www.doingbusiness.org/data/exploreeconomies/armenia#resolving-insolvency>).

Industrial Policies

Investment Incentives

Armenia currently offers incentives for exporters (no export duty, VAT refund on goods and services exported) and foreign investors (income tax holidays, the ability to carry forward losses indefinitely, VAT deferral and exemptions from customs duties for investment projects). On January 1, 2018, the Armenian Government started to exempt the imports of capital investment-related goods from VAT payments at the border. In 2015, the Armenian Government exempted from customs duties investment-related import of equipment and raw materials from non-Eurasian Economic Union member countries. VAT and customs duties exemptions are implemented based on Government's decision made on a case-by-case basis. Also, in accordance with the Law on Foreign Investment, several *ad hoc* incentives may be negotiated on a case-by-case basis for investments targeted at certain sectors of the economy and/or of strategic importance to the economy.

Foreign Trade Zones/Free Ports/Trade Facilitation

In June 2011, Armenia adopted a Law on Free Economic Zones (FEZ), and developed several key regulations at the end of 2011 to attract foreign investments into FEZs; these regulations include exemptions from VAT (value added tax), profit tax, customs duties, and property tax. The “Alliance” FEZ was opened in August 2013, and currently has thirteen businesses taking advantage of its facilities. The focus of “Alliance” FEZ is on high-tech industries which include information and communication technologies, electronics, pharmaceuticals and biotechnology, architecture and engineering, industrial design and alternative energy. In 2014, the government expanded operations in the Alliance FEZ to include industrial production as long as there is no similar production already occurring in Armenia. In 2015, another “Meridian” FEZ, focused on jewelry production, watch-making, and diamond-cutting, opened in Yerevan, with seven businesses operating in it. The investment programs for these companies must still be approved by the government. The Armenian Government approved the program to construct the Meghri free economic zone at the border with Iran, which was formally opened in 2017. A revision of legislation on free economic zones, which simplifies and brings more transparency in customs procedures, is currently in the Parliament pending approval.

Performance and Data Localization Requirements

There are no performance requirements for investment in terms of mandating local employment. The processes for obtaining visas, residence or work permits, etc. are quite simple. There are no government imposed conditions on permission to invest, including tariff and non-tariff barriers.

Armenia does not follow any policy which would force foreign investors to use domestic content in goods and technology. There are no requirements for foreign IT providers to turn over source code or provide keys for encryption. There are also no requirements to store data within the country.

Protection of Property Rights

Real Property

Armenian law protects secured interests in property, both personal and real. Armenian legislation provides a basic framework for secured lending, collateral and pledges, and provides a mechanism to support modern lending practices and title registration. In the World Bank’s Doing Business 2018 report Armenia ranked 13th among 190 economies on the ease of registering property. Lack of clear title to land in Armenia is not an issue.

Intellectual Property Rights

Armenia has a strong intellectual property rights (IPR) framework. Domestic legislation, including the 2006 Law on Copyright and Related Rights, provides for the protection of IPR on literary, scientific and artistic works (including computer programs and databases), patents and other rights of invention, industrial design, know-how, trade secrets, trademarks, and service marks. The Intellectual Property Agency (IPA) in the Armenian Ministry of Economy is responsible for granting patents and for overseeing other IPR related matters. Armenia requires no state registration for copyright. The collective management organization ARMAUTHOR manages authors’ economic rights. Trademarks and patents require state registration by the IPA. There is no special trade secret law in Armenia, but protection of trade secrets is partially covered by patent registration. Formal registration is easy and transparent, the database of IPR registrations is public, and applications to register intellectual property are published online for two months for comments by third parties.

Armenia's legislation is in compliance with the Trade Related Aspects of Intellectual Properties (TRIPS) Agreement. In 2005, Armenia created an IPR Enforcement Unit in the Organized Crime Department of the Armenian Police, which does not, however, have *ex-officio* rights and acts only based on complaints from right holders.

Despite the existence of relevant legislation and executive government structures, the concept of IPR remains unrecognized by a large part of the local population. The onus for pursuing IPR complaints remains with the offended party. The police assert that the majority of cases are settled through out-of-court proceedings. While the GOA has made some progress on IPR issues, strengthening enforcement mechanisms remains necessary.

A new Law on Copyright has been drafted and circulated within the Government. It includes provisions from new international agreements and provides additional detail on many of the provisions in the current law. Copyright contract rights are better defined and examples of contracts between the user and the right-holder are included. Phonogram producers' rights are harmonized with copyright holders' rights and are extended to 70 years. The new legislation also includes specific provisions from the Marrakesh and Beijing Treaty, regulating the rights of disabled artists and orphan works. In 2017, Ministry of Justice initiated a review of the Chapter of the Civil Code on IPR by including the main provisions on IP rights, eliminating redundancies with other IPR legislation, as well as highlighting provisions on trade secrets. This new legislation was submitted to the Parliament for approval in March 2018.

The Armenian customs authorities track statistics related to the seizure of counterfeit goods, but the reports are not periodically updated. The latest relevant information can be found at: <http://www.customs.am/Content.aspx?itn=csVLCustomsHousesReg> and the descriptions of smuggling cases can be found in Armenian at: <http://www.customs.am/Content.aspx?itn=csVLDepFightAgainstSmug>

Armenia is not listed in USTR's Special 301 Report or the Notorious Markets Report.

The American Chamber of Commerce in Armenia can be contacted at info@amcham.am. A list of local lawyers can be found at U.S. Embassy Yerevan's web-page at: <https://am.usembassy.gov/u-s-citizen-services/attorneys/>

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Financial Sector

Capital Markets and Portfolio Investment

The banking system in Armenia is sound and well-regulated, but Armenia's financial sector is not highly developed. IMF estimates suggest that banking sector assets account for about 90 percent of total financial sector assets. Financial intermediation is poor. Because Armenian banks charge service and other fees, the actual interest rate paid by the customer may be higher than the nominal interest rate quoted by the banks. Nearly all banks require collateral located in Armenia, and large collateral requirements often prevent potential borrowers from entering the market. This remains the main barrier for SMEs and start-up companies.

The Armenian Government welcomes foreign portfolio investments and there is a system in place and legal framework for investments. However, Armenia's securities market is not well developed and has only minimal trading activity through the NASDAQ-OMS exchange. Liquidity for the transfer of large sums can be difficult due to the small size of Armenia's financial market and overall economy. The Armenian Government is hoping that as a result of the 2014 pension reform, which brought two international asset managers (Amundi and C-Quadrat) to Armenia, the capital market will play a more prominent role in the financial sector of the country. Armenia respects IMF Article VIII by refraining from restrictions on payments and transfers for current international transactions. Credit is allocated on market terms and foreign investors are able to access credit locally.

Money and Banking System

The banking sector is healthy; non-performing loans are less than 10 percent which is within acceptable international standards. The top three Armenian banks by assets are Ameriabank - 677.7 billion AMD (1.4 billion USD), Armbusinessbank - 574.9 billion AMD (1.2 billion USD) and Ardshinbank - 568.2 billion AMD (1.1 billion USD) and. The Central Bank of Armenia has initiated consolidation in the banking system; as of January 1, 2017 the minimum capital requirements for banks increased from the 5 billion AMD (10.4 million USD) to 30 billion AMD (62.5 million USD). This is intended to allow the banks to issue bigger loans at lower interest rates and will further strengthen the Armenian banking system. There are no restrictions for foreigners to open bank accounts. Foreign banks and branches are allowed to establish operations in the country, being subjected to the same prudential measures and regulations as local banks.

Foreign Exchange and Remittances

Foreign Exchange Policies

Armenia has no limitations on the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, or management or technical service fees. Most banks can transfer funds internationally within two to four days. Armenia maintains the Armenian dram (AMD) as a freely convertible currency under a managed float. The Central Bank of Armenia (CBA) sought to maintain the AMD through intervention in the foreign exchange market and through administrative measures in November–December 2014 to prevent market panic and drastic devaluation in the currency market. As a result, a 17% depreciation of the Armenian dram was roughly on par with the widespread decline of many currencies against the dollar over the same period. The AMD/USD exchange rate as of March 2018 fluctuated around 480 AMD to the USD.

According to the 2005 law on Currency Regulation and Currency Control, prices for all goods and services, property and wages must be set in AMD. There are exceptions in the law, however, for transactions between resident and non-resident businesses and for certain transactions involving goods traded at world market prices. The law requires that interest on foreign currency accounts be calculated in that currency, but be paid in AMD.

Remittance Policies

Armenia has no limitations on the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, lease payments, private foreign debt or management or technical service fees.

Sovereign Wealth Funds

Armenia does not have a sovereign wealth fund.

State-Owned Enterprises

Most of Armenia's state owned enterprises (SOEs) were privatized in the 1990s and early 2000s; yet SOEs are still active in geodesy/cartography and the energy sector. SOEs in Armenia operate as state-owned closed joint stock companies that are managed by the Department of State Property of the Armenian Government and state non-commercial organizations (schools, universities, forest enterprises). There are no laws or rules that ensure a primary or leading role for SOEs in any specific industry. Armenia is a party to the WTO's Government Procurement Agreement (GPA) and SOEs are covered under that agreement. SOEs in Armenia are subjected to the same tax regime as their private competitors, and private enterprises in Armenia can compete with SOEs under the same terms and conditions. A public list of state-owned closed joint stock companies can be found

at:

[\(http://spm.am/am/projects/%D4%B8%D5%B6%D5%AF%D5%A5%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/\)](http://spm.am/am/projects/%D4%B8%D5%B6%D5%AF%D5%A5%D6%80%D5%B8%D6%82%D5%A9%D5%B5%D5%B8%D6%82%D5%B6%D5%B6%D5%A5%D6%80/)

Armenian state owned enterprises adhere to the OECD Guidelines on Corporate Governance for SOEs. The enterprises owned by the state are providing public services, like geodesy or nuclear power generation, and hence do not impact the competitive environment in the country.

Privatization Program

Most of Armenia's state owned enterprises were privatized in the 1990s and early 2000s. Many of the privatization processes for Armenia's large assets were reported to be neither competitive nor transparent, and political considerations in some instances prevailed over a fair tender processes.

The Department of State Property Management publishes the announcements on tenders and auctions on its web-page. In the past, there have been reports that the process of privatization tenders and auctions is not always competitive and transparent enough.

Responsible Business Conduct

There is not a widespread understanding of responsible business conduct (RBC) in Armenia, but several larger companies with foreign ownership or management are introducing the concept. It is rare to see examples of Armenian companies that contribute to their local community through charity, employee service days, or other similar programs, but those RBC programs which do exist are viewed favorably. There are no NGOs that actively promote or monitor responsible business conduct. Armenia joined the Extractive Industries Transparency Initiative (EITI) in March 2017 as a candidate country. Armenia does not adhere to the OECD Guidelines for Multi-National Enterprises (MNEs) or the UN Guiding Principles for Business and Human Rights, which address generally-accepted CSR principles.

Domestic laws related to labor, employment rights, consumer protection, and environmental protection are not always enforced effectively. These laws and regulations cannot be waived to attract foreign investments.

Corruption

Corruption remains a significant obstacle to U.S. investment in Armenia, particularly for SMEs. The government introduced a number of legislative reforms over the last few years, including simplification of licensing procedures and civil service reform amendments to the Criminal and Criminal Procedural Codes to criminalize illicit enrichment, a law on whistleblower protection, and the introduction of a national anti-corruption strategy. Many of these laws are in their initial stages of implementation and have not yet been tested through enforcement or prosecution. Nevertheless, corruption remains a problem in critical areas such as the judiciary, tax and customs operations. The health, education, military, corrections and law enforcement sectors lack transparency in procurement and often use selective enforcement to elicit bribes. The Special Investigative Service is responsible for carrying out preliminary investigation of alleged criminal conduct, including corruption cases, by government officials of all branches of government, with the Prosecutor General's Office responsible for prosecution. While market capture and petty corruption remain widespread, neither is routinely prosecuted. The new Corruption Prevention Body, to take effect in spring 2018 in place of the Commission on Ethics of High Ranking Officials, will be vested with broader powers of scrutinizing asset declarations, but lacks any investigative power. Armenia's ability to counter, deter, and prosecute corruption is hindered by the lack of independent, empowered anti-corruption body with both investigative and prosecutorial powers, the lack of a strong and independent judiciary, and the lack of robust enforcement of

official disclosure laws to prevent the entrance and retention of corrupted officials in positions of authority and influence. Anti-corruption legislation is limited in scope and not applied consistently, does not address beneficial ownership, and permits family members to hide allegedly corrupt officials' assets and income. As part of its Extractive Industries Transparency Initiative (EITI) membership aspirations, the Government of Armenia adopted the roadmap to disclose beneficial ownership in the metal ore mining industry in March 2018.

In 2016, the Armenian government initiated legislation on criminal penalties for noncompliance or filing of false declarations and illicit enrichment, which were approved and enacted by the Parliament in late 2016. A new law adopted in June 2017 set up the Corruption Prevention Commission which is set to take full force in the spring of 2018. The new body will replace the Commission on Ethics of High Ranking Officials and will have a separate budget and support staff to perform corruption prevention and public education functions. While the new body does not have prosecutorial functions, it is empowered to institute administrative proceedings against officials violating reporting requirements and to refer *prima facie* cases of corruption to the Prosecutor General's Office for investigation. According to the new legislation, a larger number of public officials are subject to the Commission's scrutiny of financial and interest disclosures.

According to current practice, income, gifts or assets from undisclosed sources are not considered evidence of corruption, nor do they represent sufficient grounds for launching an investigation, although the law allows for it.

The Government of Armenia adopted the Unified Tax Code in late 2016, which became effective in January 2018. This document vouches for a unified approach to taxpayers and more simplified tax administration procedures. Also, both the Ministry of Finance and State Revenue Committee have established public-private dialog councils that include representatives of civil society organizations (CSOs), professional organizations, private sector and academia. These fora allow engaging public into tax related legal, administrative and operational issues discussions. Together with the passage of the Unified Tax Code, the creation of councils and automated electronic filing and e-services allowed for improved transparency and reduced opportunities for corruption.

The State Revenue Committee (SRC) opened a monitoring center in April 2017 equipped with a state-of-the-art electronic control system, which is supposed to improve and upgrade the process of identification and risk analysis carried out by the SRC to trigger audits or closer investigation of customs and tax filings. The center is expected to implement expanded and centralized analysis, monitoring of turnover declarations, payment processing and products, import, transport and so on, facilitating the process of identification of risks and improve surveillance. The targeted monitoring will allow the SRC to conduct fewer inspections and minimize the interaction of tax officers with the taxpayers. This has the potential of reducing opportunities for corruption. With increased capacities of risk management, the SRC is planning to move focus from pre-clearance customs verification process to post clearance control, which implies that the management of risks at the border, not linked to security, should be gradually moved to a post-clearance control phase, expectedly bringing to simplification of the operations at the border. An advance decision on classification of goods is possible under Eurasian Economic Union regulations for a fee of \$63 USD and valid for three years.

The Law on Civil Service, in force since 2002, as well as the Laws on Municipal Service (2005) and on Local Self-government (2002), prohibits participation of civil and municipal servants, as well as local government elected officials (mayors and councilors) in commercial activities. However, powerful officials at the national, district, or local levels often acquire direct, partial, or indirect control over private firms. Such control is exercised through a hidden partner or through majority ownership of fully private parent companies. This involvement can also be indirect, e.g., through close relatives and friends. These practices promote protectionism, encourage the creation of monopolies or oligopolies, hinder competition, and undermine the image of the government as a facilitator of private sector growth. Because of the strong interconnectedness of political and economic

spheres, Armenia is unable to differentiate between the two and introduce legislation to encourage strict ethical codes of conduct and the prevention of bribery in the business field.

According to the 2017 Transparency International (TI) 2017 Corruption Perception Index (CPI) report, Armenia with a score of 35 out of 100 ranked 107th among 180 countries.

No specific law on NGOs dealing with anti-corruption investigation exists. The government, in close coordination with civil society, approved new legislation on Public Organizations in December 2016. The new law gives NGOs the right to engage in economic activities, providing these organizations with mechanisms for sustainability. The law replaced the 2001 law on NGOs that covered all aspects of the relationship between the GOA and non-governmental organizations

Western companies seeking to invest in Armenia are typically large enough that they do not, to our knowledge, need to get involved in corruption or bribe officials to facilitate their business. They follow the rule of law and are transparent in their dealings and demand the same of the government.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Armenia is a member of the UN Anticorruption Convention. While not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Armenia is, however, a member of the OECD Anti-Corruption Network for Eastern Europe and Central Asia, and has signed the Istanbul Action Plan. Armenia was included in the third round monitoring mission in 2014 and the report that came out in 2015 highlighted the absence of a truly independent body responsible for anti-corruption policy implementation with the power to prosecute. A round of monitoring is ongoing in the spring of 2018 with a report expected out by August 2018. Armenia has also joined the global Open Government Partnership initiative.

Resources to Report Corruption

For investigating corruption:

Investigation Department of Corruption, Organized and Official Crimes
Special Investigation Service of Armenia
13A Vagharsh Vagharshyan Street
Yerevan, Armenia
[+374 11] 900 002
press@investigatory.am

For prosecuting corruption:

Arsen Simonyan
Head of Department for Combating Corruption
and Economic Crimes
RA Prosecutor General's Office
5 V. Sargsyan Street
Yerevan, Armenia
(37410) 511-655
info@prosecutor.am

For financial and asset declarations of high level officials:

Siranush Sahakyan
Chairperson
Ethics Commission
26 Baghramyan Street

Yerevan, Armenia
374 10 524689
siranush.sahakyan@president.am

Watchdog organization:
Varuzhan Hochtanyan
Executive Director
Transparency International (Armenia)
164/1 Antarayin Street
Yerevan, Armenia
374 10 569589
varuzh@transparency.am

Political and Security Environment

Armenia has a history of political demonstrations, with some that have turned into violent confrontations between the police and protesters; however, the frequency of protests has decreased in recent years. In the fall of 2014 and early 2015, violence against civic and political activists resulted in detentions and injuries. None of these incidents caused any damage to projects or installations nor did they impede the functioning of businesses in the country. On July 17, 2016, the armed group Sasna Tsrer stormed and occupied a police compound in Yerevan, killing three officers and taking police personnel hostage. During the two-week standoff that followed, Sasna Tsrer took additional police and medical personnel hostage, demanding political changes. During the standoff, numerous protests and demonstrations in support of Sasna Tsrer took place in Yerevan and other parts of the country. Law enforcement officers engaged in illegal detentions, disproportionate and excessive use of force toward peaceful demonstrators, abusive treatment of journalists, and other serious human rights abuses, especially on the night of July 29, when police forcefully dispersed a protest supporting Sasna Tsrer's political demands. These clashes did not pose any damage to businesses and generally do not increase Armenia's political risk.

The Armenian Government has been known to use tax audits, money laundering investigations, and other official mechanisms to retaliate against business people who support the political opposition, including members of Parliament. At the same time, the Armenian Government has used economic and administrative resources to reward political loyalists, provide them with political protection, and keep them above the law. This, in turn, has led to monopolies in many areas and a strong interconnection between the political and business spheres.

The state of war between Armenia and Azerbaijan, including the regular exchanges of fire along the international border and the disputed territory of Nagorno-Karabakh presents some political risk to investors and business. A cease-fire with Azerbaijan has been in effect since 1994 for the conflict surrounding the disputed region of Nagorno-Karabakh. However, intermittent gunfire along the cease-fire line and along the border with Azerbaijan continues, often resulting in injuries and/or deaths. There was an increase in violence along the Line of Contact and Armenian-Azerbaijan international border April 2-5, 2016. The heavy clashes led to the highest death toll since the signing of the 1994 cease-fire agreement. There have been no threats to commercial enterprises from skirmishes in the border areas. It is unlikely that civil disturbances, should they occur, would be directed against U.S. businesses or the U.S. community. The Government of Azerbaijan has suspended the importation and operations of U.S. companies in Azerbaijan if the companies' products or services are provided in Nagorno-Karabakh and has banned the entry into Azerbaijan of some persons who

have visited Nagorno-Karabakh. Because of the existing state of hostilities, consular services are not available to U.S. citizens in Nagorno-Karabakh.

Labor Policies and Practices

Armenia's human capital is one of its strongest resources. The labor force is generally well educated, particularly in the Science, Technology, Engineering and Math (STEM) fields. Almost one hundred percent of Armenia's population is literate. According to official information, enrollment in secondary school is over 90 percent, and enrollment in senior school (essentially equivalent to American high school) is about 85 percent. The official unemployment level is about 18 percent, but according to various expert estimations, the real unemployment level is closer to 30 percent.

Much of the new foreign investment in Armenia has occurred in the high-tech sector. High-tech companies have established branches or subsidiaries in Armenia to take advantage of the country's pool of qualified specialists in electrical and computer engineering, optical engineering, and software design. There is a shortage of workers with vocational educations qualified in professions like welders and plumbers. About 20 percent of the non-agricultural workforce is employed in the informal economy, primarily in the services sector. Armenian law protects the rights of workers to form and to join independent unions, with exceptions for personnel of the armed forces and law enforcement agencies. The law also provides for the right to strike, with the same exceptions, and permits collective bargaining. The law stipulates that workers' rights cannot be restricted because of membership in a union. It also differentiates between layoffs and firing with severance. Labor organizations remain weak because of employer resistance, high unemployment, and poor economic conditions; collective bargaining is not common in Armenia. Labor unions are generally inactive with the exception of those connected with the mining and chemical industries. Unions are tied closely to the government. Labor laws are not waived to retain or attract investments.

The current Labor Code is considered to be largely consistent with international standards. The law sets a standard 40-hour work week, with 20 days of mandatory annual paid leave. However, there are consistent reports that many private sector employees, particularly in the service sector, are unable to obtain paid leave and are required to work more than eight hours a day without additional compensation. Treatment of labor in free economic zones is no different than elsewhere in the country. Employers are generally able to adjust employment in light of fluctuating market conditions. Severance in general does not exceed 60 working days. Benefits for workers laid off for economic reasons, like unemployment insurance and social safety net programs, are mostly limited to offering qualification trainings to the unemployed and assistance in job search.

Individual labor disputes can usually be resolved through courts; however, the courts are often overburdened, causing significant delays. Collective labor disputes should be resolved through collective bargaining. The newly formed Health Inspection Body (HIB) under the Ministry of Health has a mandate to monitor health and occupational safety issues, but the enforcement has been halted by continuous restructuring of the body and absence of a legal framework and regulations in support of the HIB functions.

Amendments into Labor Code of Armenia entered into force in 2015 clarified the procedures of making changes in labor contracts, and the content of labor contracts, including the requirement to reflect probation period and duration of vacation in labor contracts, introduced the order of calculation of average hourly wage.

The current legal minimum wage is AMD 55,000 (USD 115) per month. Most companies also pay an unofficial extra-month bonus for the New Year's holiday. Wages in the public sector are often significantly lower than those in the private sector.

OPIC and Other Investment Insurance Programs

Since 1992, Armenia has had in place an agreement with the Overseas Private Investment Corporation (OPIC). OPIC mobilizes private capital to help solve critical development challenges, providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. OPIC has been involved in several projects in Armenia, including expansion of the Yerevan Marriott, expansion of operations of First Mortgage Company and loans to FINCA Universal Credit Organization which is part of a multi-country, seven-year USD 45 million loan to FINCA Microfinance Holding for micro-lending. Armenia is also a member of the World Bank Group's Multilateral Investment Guarantee Agency (MIGA).

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

		Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data		Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)		2016	\$10.57	2015	\$10.55	www.worldbank.org/en/country
Foreign Investment	Direct	Host Country Statistical source*	USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other	
U.S. FDI in partner country (\$M USD, stock positions)		2015	\$175.7	2015	\$1	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)		n/a	no data	2014	\$2	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP		2015	\$36.4	2014	\$56.7	

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	4,169	100%	Total Outward	228	100%
Russia	1,921	46%	Latvia	56	24.6%
Argentina	247	5.9%	Bulgaria	36	15.8%
UK	244	5.8%	United States	1	0.4%
Lebanon	243	5.8%			
United States	223	5.3%			
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio investment data is not available for Armenia.

Contact for More Information on the Investment Climate Statement

ECONOMIC OFFICER

U.S. Embassy, American Avenue 1, Yerevan 0082, Armenia

+374-10-49-42-00

YerevanBusiness@state.gov

Trade & Project Financing

Methods of Payment

Payment methods and terms vary depending upon the U.S. company's business model and relationship with its Armenian trading partner. Requesting advance payment for goods and services from an Armenian customer may be a prudent course for new-to-market companies, until both parties establish a positive record of payment. Once a U.S. firm has established a strong relationship with an Armenian trading partner, it may

consider extending short and eventually longer term credit as a way to bolster sales volume. This should be done with caution and only after careful evaluation and establishment of successful payments.

Large Armenian banks service foreign trade transactions. Methods of payment generally include a letter of credit or advance payment. To carry out transactions through banks, buyers and sellers must have a written contract. Domestic or international company-to-company sales are primarily made by bank transfer (especially in the state sector), letter of credit, or on a barter basis. In March 2010, ACBA Credit-Agricole Bank became the first American Express Representative in Armenia and performs a wide variety of transactions with American Express Cards and Traveler's Cheques.

While some establishments accept cash only, credit cards are increasingly accepted at hotels, restaurants and stores.

Armenia has one licensed credit bureau, the [Armenian Credit Reporting Agency \(ACRA\)](http://www.arca.am/) (<http://www.arca.am/>). There is no licensed collection agency.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at www.Export.gov/TradeFinanceGuide.

Banking Systems

Armenia's economy is still largely cash-based. Most retail transactions are in cash but credit cards are increasingly accepted. The large role of remittances and reliance on foreign partners has increased the significance of bank transfers. The use of debit and credit cards is increasing as the network of Automatic Tellers (ATMs) and point-of-sale (POS) terminals expands. Armenian banks provide a range of standard banking services, including bank transfers, lending programs, corporate deposit accounts, plastic card operations, trade finance (including LOC, collections and guarantees) as well as trust operations, dealer/broker transactions and others.

The banking system is currently undergoing significant consolidation and restructuring as the Central Bank of Armenia increased equity capital requirement for banks from 5 to 30 billion AMD or 72.1 million USD. Banks have already increased their capital and few banking mergers took place.

Foreign Exchange Controls

Armenia has a liberal regime of foreign exchange regulation. Armenian residents and foreign nationals can hold foreign currency accounts, and import, export and exchange foreign currency relatively freely in accordance with the Central Bank of Armenia's Regulations and the Law on Currency Control available [here](http://www.parliament.am/law_docs/211204HO135eng.pdf?lang=eng) (http://www.parliament.am/law_docs/211204HO135eng.pdf?lang=eng).

US Banks & Local Correspondent Banks

The Central Bank of Armenia maintains [a list of Armenian Banks](https://www.cba.am/en/SitePages/fscfobanks.aspx) (<https://www.cba.am/en/SitePages/fscfobanks.aspx>) that includes their SWIFT information and correspondent banking relationships. There are no U.S. banks in Armenia.

Project Financing

Private Banks limit their lending operations to short-term loans in local currency at relatively high rates of interest. There are additional fees charged by the banks, such as: an account servicing one-time fee, a non-utilization fee, a prepayment fee, a default charge, a default interest rate, and a covenant breach fee. These fees add additional costs to the actual interest. Banks usually demand collateral of adequate or higher market value (houses, cars, gold, etc.). Project financing is very limited unless implemented through subsidized loan programs funded by foreign governments and multilateral financial institutions, and aimed at private business development for specific categories of organizations. Even semi-guaranteed loans tend to have annual interest rates that are higher than internationally. A number of governmental agencies provide project financing, export financing and insurance services to investors in Armenia. Most projects financed by international institutions such as the World Bank, EBRD or ADB are contracted on a tender basis.

U.S. organizations:

The Small Business Administration (SBA) offers financing packages specifically targeted to assist U.S. exporters expand overseas by funding export transaction costs or financing for the export of goods or services. SBA programs can provide the liquidity needed to accept new orders, enter new markets, and compete more effectively in the international marketplace. Examples include: Export Express Loan Program, Export Working Capital, International Trade Loans, and SBA and EX-IM Bank Co-Guarantee program.

Ex-Im Bank provides a framework for financing the purchase of U.S. exports. For more information regarding types of export finance available, contact: Export-Import Bank of the United States, 811 Vermont Avenue, N.W., Washington D.C. 20571 Tel: (800) 565-EXIM or (202) 565-3946 Fax: (202) 565-3380.

U.S. Trade and Development Agency's (TDA) primary activity is the funding of feasibility studies performed by American firms that examine the technical, economic, environmental, and financial aspects of major development projects. TDA helps U.S. companies pursue overseas business opportunities through: funding of feasibility studies, orientation visits, specialized training grants, business workshops and various forms of technical assistance. For more information on TDA programs and application procedures, contact: U.S. Trade and Development Agency, Room 309, SA-16, Washington DC 20523-1602, Tel: (703) 875-4357, Fax: (703) 875-4009, E-mail: info@tda.gov.

Overseas Private Investment Corporation (OPIC) is a U.S. government agency that encourages U.S. businesses to invest in developing countries and emerging market economies, creating U.S. jobs and exports. OPIC assists American investors through three principal programs: (1) financing investment projects through direct loans and loan guarantees (project finance), (2) insuring investment projects against a broad range of political risks, and (3) providing a variety of investor services. OPIC participation per project can range from as low as 2 million USD to as high as 200 million USD. For further information on OPIC's regular finance program, contact: Finance Department, Overseas Private Investment Corporation, 1100 New York Avenue, N.W., Washington, DC 20527, Tel: (202) 336-8480, Fax: (202) 408-9866

Multilateral Development Banks:

The International Finance Corporation (IFC) finances project investments and insurance in Armenia.

Arman Barkhudaryan
Senior Investment Officer
Tel: +374 10 54 52 41/42/43
E-mail: abarkhudaryan@ifc.org
Local Office: 9 Grigor Lousavorich Street, Yerevan 0015, Armenia

The Asian Development Bank's (ADB) - <https://www.adb.org/> private sector operations are steadily expanding in Armenia, and it still supports public sector projects. In March 2010 ADB approved its first private sector infrastructure investment in the country.

[ADB Armenia Resident Mission \(https://www.adb.org/countries/armenia/main\)](https://www.adb.org/countries/armenia/main)

10 V. Sargsyan Street, 3rd Floor, Offices 79-81, Piazza Grande, Yerevan 0010, Republic of Armenia

Tel.: (374-10) 10 546370 / 546371 / 546372 / 546373

The European Bank for Reconstruction and Development (EBRD) also actively supports public and private sector development in Armenia.

Yerevan Resident Office (<https://www.ebrd.com/armenia.html>)

Piazza Grande Business Centre,

2nd floor, rooms 95-97,

10 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia

Tel: 00 374 10 590901

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, Asian Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the [European Bank for Reconstruction and Development](#), the [Asian Development Bank](#) and the [World Bank](#).

Financing Web Resources

[Commercial Liaison Office to the European Bank for Reconstruction and Development](#)

[Commercial Liaison Office to the Asian Development Bank](#)

[Commercial Liaison Office to the World Bank](#)

[Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade](#)

[Administration's Industry & Analysis team](#)

[Export-Import Bank of the United States](#)

[OPIC](#)

[Trade and Development Agency](#)

[SBA's Office of International Trade](#)

[USDA Commodity Credit Corporation](#)

Business Travel

Business Customs

Armenians are hospitable. Foreigners should be aware that large meals and lengthy toasts might accompany many of their business and social contacts. It is also common to give gifts and to take visitors to historical sites. Armenians unacquainted with Western Business norms might view refusals of traditional Armenian hospitality such as lengthy meals or all-day outings as disrespectful.

Due to differences in interpretation and understanding of some business terminology some of which is very new for Armenia, U.S. businessmen are strongly encouraged to make absolutely sure that the content of their communications, negotiations, and agreements with Armenian partners is thoroughly understood.

Corruption is a factor in the majority of state organizations in Armenia, including enforcement bodies such as the police, tax, and customs departments. Though foreigners are sometimes exempt from petty corruption, there may be cases where officials will delay a process, hinting that a good "tip", or hiring a certain company to assist, may fix things immediately. When this happens, U.S. businessmen are encouraged to consult with the U.S. Embassy's Economic Section. The Foreign Corrupt Practices Act (<https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act>) prohibits American companies from making corrupt payments to foreign officials for the purpose of obtaining or keeping business.

Travel Advisory

There is no U.S. State Department travel advisory in place for Armenia; however U.S. citizens should always exercise caution overseas.

For more information, click [here](#).

<https://travel.state.gov/content/passports/en/country/armenia.html>

Holders of U.S. passports taking up permanent residence in Armenia should register with the U.S. Embassy's Consular Section to facilitate timely dissemination of security messages. Citizens of the United States can [register online](#).

<https://travelregistration.state.gov/>

Visa Requirements

As of January 1, 2015, U.S. citizens do not need visas to enter Armenia. Persons arriving with the intention to work must obtain special work permits.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

[State Department Visa Website - https://travel.state.gov/content/visas/en.html](https://travel.state.gov/content/visas/en.html)

[U.S. Embassy in Armenia - Visas - http://armenia.usembassy.gov/visas.html](http://armenia.usembassy.gov/visas.html)

Currency

The Armenian Dram (AMD) is the currency unit for Armenia and is used for all official transactions within the country. The average currency rate against 1 USD was 478 AMD in 2015. It has remained relatively stable throughout the year. As of April 29, 2016 the average rate for calendar year 2016 was 477 AMD for one U.S. Dollar.

The issuance and service of payment cards in Armenia is carried out via the ArCa unified cards payment system, which was created and introduced at the initiative of the Central Bank and commercial banks operating in Armenia. Currently, member banks of the system issue and service local ArCa cards and international cards such as Visa and MasterCard. In service now are international cards Diners Club and Amex as well as cards of the HSBC Group. Apart from cash withdrawal, cardholders now can use the ATMs to pay for public utility services (gas, water, phone, electric energy), check the balance of the card account, and pay for mobile phones

charge cards. Armenian banks are servicing smart cards of Visa and MasterCard systems in the network of both POS terminals and ATMs. The use of debit and credit cards is increasing as the network of Automatic Tellers (ATMs) and point-of-sale (POS) terminals expands.

In Armenia, traveler checks are not accepted in retail outlets and service centers as a means of payment. These usually can be withdrawn only at banks. Some banks accept traveler checks such as Visa, American Express, Thomas Cook, Citicorp, and provide cash in either dram or foreign currency to a check-holder. Some other banks in Armenia accept checks drawn on foreign banks, the payment against which is normally made once the check is collected and the payment from the foreign bank is received.

Telecommunications/Electronics

Beeline (Veon) and UCom provide land-line telecommunication services in Armenia. For information on long-distance service options contact: Beeline, Long Distance Telephone Exchange, Azatutian Avenue, Yerevan, 375044, Armenia: Tel: (374-10) 28-81-51, 15-10-02, Fax:(374-10) 15-13-33.

UCOM Telecommunications

40/1 Sayat-Nova Street, 0025, Yerevan, Armenia

Tel: (+374 60) 444 444

Fax: (+374 60) 444 441

E-mail: info@ucom.am.

Armenia has three mobile telephone providers. In addition to Beeline, both Vivacell and UCom provide mobile and internet service:

VivaCell (K-Telecom CJSC)

Argishti, 4/1, Yerevan, Armenia

Tel: (374 -10) 568 777

Fax: (374-10) 569 222

E-mail:info@vivacell.am.

UCOM Telecommunications

40/1 Sayat-Nova Street, 0025, Yerevan, Armenia

Tel: (+374 60) 444 444

Fax: (+374 60) 444 441

E-mail: info@ucom.am.

To subscribe to international telex services, contact the Ministry of Transportation and Communication, Union Bldg., Republic Square, Yerevan 375010; Tel: (374-10) 52-66- 32, Fax: (374-10) 15-14-46.

Various providers offer Internet and e-mail services:

ARMINCO LLC, 28 Isahakyan St. PO OX 10, Yerevan, 0009, Armenia;

Tel: +374 60 27 00 00

Fax: +374 60 27 11 11, +374 10 54 45 90

E-mail:support@arminco.com, administration@arminco.com (offer practically full coverage in Yerevan)

UCOM Telecommunications

40/1 Sayat-Nova Street, 0025, Yerevan, Armenia

Tel: (+374 60) 444 444

Fax: (+374 60) 444 441

E-mail: info@ucom.am.

Transportation

Armenia's public transportation system includes a system of crowded minibuses and a modest one-line subway in Yerevan. Taxis are widely available through numerous taxi agencies or in the streets. Not all taxis are metered. Taxis with yellow license plates are owned by private companies and will most likely be metered. Taxis with regular white license plates are owned by individual drivers and most likely will not be metered. Foreigners should expect to pay 1,200 – 2,000 Armenian dram (around \$3-\$5 at current exchange rates) for a taxi fare within Yerevan, and 3,000 – 3,500 Armenian dram (about \$8-\$9) to the airport. Aerotaxi is the official taxi of the airport, but drivers frequently leave the meter off (200 Armenian dram per km) and passengers have to negotiate the price, which is usually around 6000 Armenian dram. A car and driver cost about \$100 per day including gasoline.

Language

Armenian is the official language of the country and is used for all official documents. The majority of the population speaks Russian as well. English is a mandatory third language in many schools, and local universities produce an increasing number of English language specialists. Finding an interpreter or translator is usually not difficult.

Health

The Consular Section of the U.S. Embassy keeps a [list of doctors \(https://am.usembassy.gov/u-s-citizen-services/doctors/\)](https://am.usembassy.gov/u-s-citizen-services/doctors/).

For more information you may call the Consular Section directly at (374 10) 49-46-86.

Local Time, Business Hours and Holidays

Armenia is in a single time zone, no daylight saving - GMT+4 throughout the year.

National public holidays are as follows:

New Year	December 31-January 2
Christmas	January 6
Armenian National Army Day	January 28
Women's International Day	March 8
Armenian Genocide Memorial Day	April 24
Labor Day	May 1
Victory and Peace Day	May 9
First Republic Day	May 28
Constitution Day	July 5
Independence Day	September 21

Temporary Entry of Materials or Personal Belongings

Armenian and foreign citizens can import duty free articles valued up to \$300, with some exceptions. A \$100 or 20 kg exemption applies to goods not personally carried across the border. Persons arriving in Armenia for permanent residence can import certain numbers of personal belongings duty free. There is no limit on hard currency imports to Armenia.

Travel Related Web Resources

[The government of the Republic of Armenia](#)

[Ministry of Foreign Affairs of the Republic of Armenia](#)

[Department of State: Visas](#)

[U.S. Embassy in Armenia - Visas](#)

[DFA](#)

[U.S. Embassy list of doctors \(https://am.usembassy.gov/u-s-citizen-services/doctors/\)](https://am.usembassy.gov/u-s-citizen-services/doctors/)

[Business Armenia- \(https://www.businessarmenia.am/en/site/index\)](https://www.businessarmenia.am/en/site/index)