

**29 May 2009**

**Weathering the Storm: economic crisis in focus**  
**By Richard Giragosian**

Despite the significance of Armenia's approaching municipal election set for 31 May, there was a flurry of activity in Yerevan this week devoted to the country's economic not political crisis.

The week opened with an important first-ever economic forum featuring a number of current and former Armenian economic officials, as well as several leading international economists, working together to assess the implications and formulate Armenia's possible policy responses to the global economic crisis (see ["Armenia brings together current and former economic policymakers"](#)).

Organized by the independent Washington-based group, Policy Forum Armenia, the event attracted a diverse audience who were provided with several objective presentations on the current state of the Armenian economy. Most notably, many of the experts warned that the Armenian government seemed far too ill-prepared to manage the effects of the economic crisis, with most of the most recent responses offering far too little, too late to adequately deal with the mounting economic challenges.

According to Policy Forum Armenia's co-founder, prominent economist David Grigorian, the forum sought to leverage "the expertise not only that has been accumulated in Armenia since independence in terms of economic policy making, but also distinguished guests from outside that have very relevant experience in terms of crisis management."

The forum's participants also sought to formulate a set of recommendations for the Armenian government, which they saw as urgently overdue in light of the crisis that many predicted would only worsen through the coming year. Much of the focus of the recommendations centered on the need for "systemic responses" and "structural and institutional reforms" to best address the declining Armenian economy.

Reporting on the state of the economy, Vache Gabrielian, the Vice Chairman of the Armenian Central Bank, only confirmed the severity of the crisis, reporting that the Armenian economy was now expected to decrease by between 7-8 percent, based on the bank's latest statistical analysis. Former Prime Minister Hrant Bagratian went further, arguing that according to more objective statistical findings, the Armenian economy has already sustained a steep contraction of 9.7 percent for the first four months of the year alone.

One of the proposed policy responses, crafted by Russian economist Abel Aghanbegyan, called on the government to "develop small and medium business," intended to serve as an engine for growth and job creation. But former premier Bagratian

pointed to the larger challenge of corruption and the structural distortion of the economy, contending that some 51 percent of the country's total production is actually controlled by a small elite who continue to refuse to pay their fair share of taxes and that exerts a stranglehold over Armenian imports.

In response to these deeper challenges, Bagratian recommended a new "anti-crisis program" that would be based on a further depreciation of the currency and would address the structural deficiencies of the economic system. But despite the high-level nature of the setting, it is far from certain whether the current Armenian government was receptive to such critical assessments and constructive proposals. It is also not clear if it was even listening

### **Transforming Economic Potential into Business Reality**

Only two days after the economic forum, VivaCell-MTS General Manager Ralph Yirikian, one of Armenia's leading corporate executives, delivered a speech at the Gyumri Information Technology Center (GITC). Yirikian's lecture, entitled, "VivaCell-MTS: A Business with a Mission," offered unique insight into the "operational processes and managerial culture" of Armenia's leading mobile operator company, and presented an overview of the state of mobile communications technology in Armenia.

What was most significant was the fact that Yirikian, as a leading advocate of "corporate social responsibility," whereby business should "give back" to the community, focused on one of the relatively few examples where Armenia actually demonstrates a capacity to transform economic potential into business reality. And VivaCell's executive stands virtually alone in following transparent corporate practices and pursuing a healthy competitive engagement of the market, rather than seeking to corner the market.

But he also stressed that "business should above all be the supporting tool of education," noting that for VivaCell, "any evolution is strictly connected to the level of education" and education offers "one of the means to create job opportunities and utilize local human potential to keep our young generation in our country and stop "brain drain" from Armenia."

### **Is Anyone Listening?**

Although the overwhelming need is to better manage the mounting economic crisis, judging by the events of this week, it is promising that there is a new, more serious focus on Armenia's economic crisis. But such presentations and lectures are not enough. What is really needed is for Armenian policy makers and government officials to listen. Thus, the imperative, as VivaCell's Yirikian understands, is to not only transform potential into reality, but to also translate crisis into response; before it is too late.

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