

## THE ROLE AND IMPORTANCE OF ARMENIA IN THE EURASIAN INTEGRATION

**K.A. Nersisyan, N.V. Balayan**

*Shushi University of Technology*

---

*The article examines and analyzes some important economic indicators of the Republic of Armenia for more than 2.5 years after the country's accession to the EAEU, in particular, the dynamics of foreign trade, its structure, the volume of foreign investment and transfer inflows into the country. In the article is calculated the indicator of the openness of the country's economy, on the basis of which, based on the favorable geographical location and favorable geopolitical events, are substantiated the role and importance of the country in the region, especially in the context of the possible cooperation between the EU and the EAEU.*

**Key words:** *EAEU, regional cooperation, competitive advantages, foreign trade turnover, foreign investments, transport and energy corridor North-South, unified digital territory.*

### **Introduction**

It is accepted throughout the world that, for some economic or political reasons, friendly countries are entering into certain integration formations in order to achieve sustainability and synergy of their activities. In the case of economic integration the purpose of the union is the use of raw materials availability in one country and methods of processing - in another, a significant mutual export-import of these countries, and an increase in labor productivity. Today, the most "young" model of economic integration is the model of the Eurasian Economic Union (EAEU).

The Eurasian Economic Union is a regional organization of economic integration established on the basis of the Treaty on the Eurasian Economic Union on May 29, 2014, which entered into force in January 1, 2015, whose goal is to strengthen and modernize the economies of the member states of the Union, strengthen ties between them, enhance competitiveness of states in the world market. This is an economic union, but within the framework of the union cooperation is expected not only in economic, but also in political, social, financial, medical, environmental, cultural and other fields. In this sense, it is important to assess the mutual benefit of the EAEU as an integration unit, in particular for the member states of the union, as well as the current state of cooperation. It is necessary to mention that unlike the Customs Union, it sets not only trade rules, but also the most important economic aspects and standards, including tax, customs, etc. The members of the Union are Russia, Kazakhstan, Belarus, Armenia and Kyrgyzstan, which are obliged to release certain goods from customs duties imported from third countries outside the EU, to impose duties at a single rate (thus regulating trade relations between member states of the union and third countries).

### **Conflict settings**

Armenia, having become a full-fledged member of the EAEU since January 2, 2015, has been actively working within the framework of this structure for more than 2.5 years. Unfortunately, membership coincided with international economic processes (in particular, the imposition of economic sanctions on Russia), which had a negative impact on the country's economy, therefore, Armenia's accession to the EAEU was mixed by economists, political scientists and the general public. To date, some of them are categorically against cooperation with the EAEU and this issue is considered only from the negative side, while others ignore the negative consequences, and see great prospects. Initially, as a negative factor, was assumed the loss of Armenia's political independence, despite the fact that the structure has economic, not political character. The next negative factor is

related to the possible increase in the prices of imported goods from European countries in connection with the introduction of a new customs regime.

Nevertheless, in fact, membership in the EAEU provides Armenia with new opportunities, including expansion and modernization of production, import of fuel at prices cheaper than market prices, an increase in local production, as well as investments in member countries, the formation of new trade and economic relations with countries BRICS and the Shanghai Organization, the break of the economic blockade with the creation of the North-South corridor. Having joined the EAEU, Armenia has not only access to a capacious and protected market, but also provides the EAEU countries with environmentally friendly, exquisite, elite products and intellectual resources. After all, Armenia, like no other country of the union, has three main competitive advantages: the genetic predisposition to knowledge, ethnic, cultural values and network characteristics associated with the existence of the Armenian diaspora. The most vivid example of the above is the recently held Armenia-Diaspora forum in Armenia, an important achievement of which was readiness and commitment to the creation of an Co-Armenian council, as well as discussion of issues on increasing investment inflows to Armenia, political and economic support to Armenia from The Diaspora. According to the famous Russian economist, dean of the economic faculty of the Moscow State University Alexander Auzan, the Armenian economy can and should grow faster than the more complex and developed economies in the world, based on the historical role of the Armenian diaspora in the world economic development [1]. Of course, including the opportunities and potential of the Armenian diaspora in the positive process of integration of the EAEU will become a real new chance for the union.

The sixth Russian-Armenian forum held in Yerevan on October 6 this year also underlined to Armenia's important role in the EAEU, which, according to the director of the EAEU Institute Vladimir Lepekhin, underscored the need for further development and strengthening of Eurasian economic integration and Armenia's participation in it as one from its most active links [2], and now, as adviser to the Russian President Sergey Glazyev noted on the margins of the Sixth Russian-Armenian Interregional Forum of the Eurasian Partnership, Russia expects from Armenia to be actively promoted to the Eurasian integration [3].

Armenia can also become a link between the 180 millionth market of EAEU and Iran in the process of developing trade and economic relations, which can be facilitated by the activities of the free economic zone in the southern part of the Syunik region, which, being on the border of the two states, will serve Armenian and Iranian entrepreneurs and become an important component in strengthening international cooperation. Armenia can really become the shortest route for Iran, connecting the country through the Black Sea with the European Union, as well as a good corridor linking the Persian Gulf and the Black Sea. The strategic geographical position of Armenia can contribute to the creation of an effective regional and international transport and communication hub ensuring reliable trade and economic ties between the countries of the EAEU, the Persian Gulf, South and South-East Asia. Being the only country of the EAEU that has a land border with Iran, Armenia can become a bridge for these countries, as well as for the EU and the EAEU countries.

Armenia has been actively developing relations with the countries of the Persian Gulf over the past ten years, and especially with the United Arab Emirates, where they are well acquainted with Armenians and their business skills, which creates favorable conditions for the development of economic relations. The emirates highly appreciate the opportunities of Armenia as a member state of the Eurasian Economic Union. As the Extraordinary and Plenipotentiary Ambassador of Armenia to the United Arab Emirates Gegham Gharibjanyan said, the indicators of trade turnover for January-July of this year compared with the same period in 2016 are encouraging: this volume increased 2.5 times [4]. There are great opportunities for cooperation in the spheres of industry, jewelry and especially food production.

Armenia has every opportunity to enter major markets, and this is attractive not only for foreign investors, but also for representatives of these markets.

The country is historically at the crossroads of the Silk Road and important trade routes and has always been active in international trade. In this regard, Armenia must seriously apply the Chinese initiative "One Zone, One Way", create a professional team that will follow the developments and provide results to the government, organize a special program within which Chinese businessmen will be offered an Armenian cheap labor and, in case of production in Armenia, it will be possible to sell the results to the countries of the EAEU.

In fact, even now it is possible to say with a great degree of certainty that Armenia has its place in the global Chinese project "The Economic Belt of the Silk Road" in any scenario.

It turns out that the way that China will build from the Persian Gulf to the Black Sea ("Sea Silk Road of the XXI Century") passes through Armenia, which has no access to the sea, but has such a geopolitical location that is very attractive for the Chinese people in the case of the promotion of goods to the European market through the Middle East and South Caucasus, through Iran, as well as Armenia and Georgia [5].

### **Research results**

Armenia, the only country in the region with a surplus in electricity generation, can actively join the creation of a unified grid of the EAEU, which, according to preliminary data, will be activated by the summer of 2019. Also, until 2018, the republic will be able to export gasoline at the zero customs rate, and to the unified tariff of the EAEU it will be transferred starting from 2020. Already by 2025 it is planned to form a single gas market, a single market for services, and a single financial market. As for the trade and economic relations of the member countries, by this year the countries of the EAEU can switch to mutual settlements in a single currency, especially in the trade in strategic goods, and abandon the peg to the dollar, which will allow intensifying mutual settlements in national currencies and reducing the dollarization of economies. Meanwhile, the desire to form a ruble zone does not correspond to the economic reality, since the ruble dominates only in bilateral transactions involving Russia, while in transactions between other states the dollar is prevailing, and the ruble does not fulfill the function of a universal measure of value and mutual settlements.

Armenia's foreign trade issues are of great importance for the development of the Armenian economy, especially given the fact that Armenia has adopted an export-oriented economic policy, and the export and import structures have suffered serious changes after organizing cooperation within the framework of the EAEU, since a year after joining the EAEU, a sharp decrease in export and import was recorded at 26.5% and 3.9%, respectively.

At first glance it seems that such a decline is related to membership in the EAEU, but in fact, the decline in export was mainly due to a decrease in domestic demand for domestic products, and a reduction in import - a decrease in domestic demand and export problems, as well as devaluation of the exchange rate [6].

According to the data of the last decade, Armenia's trade turnover amounted to 4,970.5 million US dollars. At the same time, in 2016, Armenia's trade turnover amounted to \$ 5,075.3 million, an increase of 7% compared to the previous year, mainly due to export growth. Export increased by 20% compared to the previous year, which led to an improvement in the trade balance.

In 2016, the volume of exports from Armenia amounted to a record amount for the period of independence of 1,782 million dollars. If this trend persists following the results of 2017, this indicator may approach the level of 2 billion US dollars. According to the data of 2016, the share of the four main commodity groups of exports - mining, precious stones and metals, food and agricultural raw materials - was 69.9%, which is quite large.

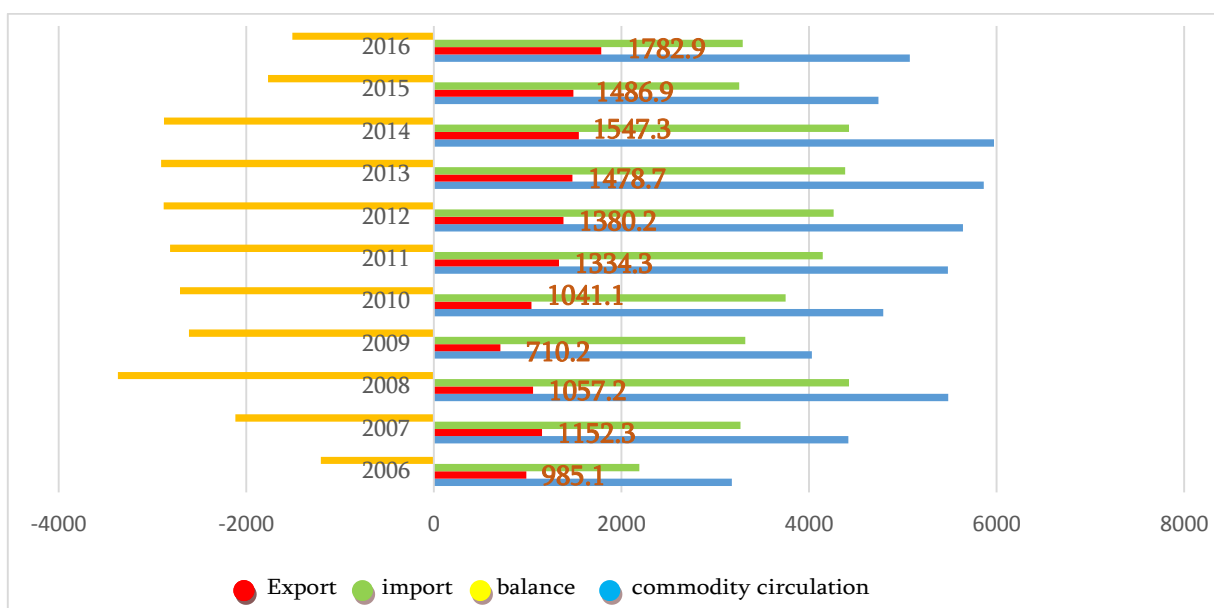


Figure 1. Foreign trade of Armenia (million dollars)<sup>1</sup>

From this we can conclude that the export of goods from Armenia should be diversified and cover more commodity groups, which will reduce the country's economic vulnerability due to sharp fluctuations in prices for certain goods in foreign markets, as well as structural changes in international markets. In 2015, the decline in prices for gold, molybdenum and copper in the world market had a big impact on Armenia's export status, as the share of these goods in Armenia's exports was quite high.

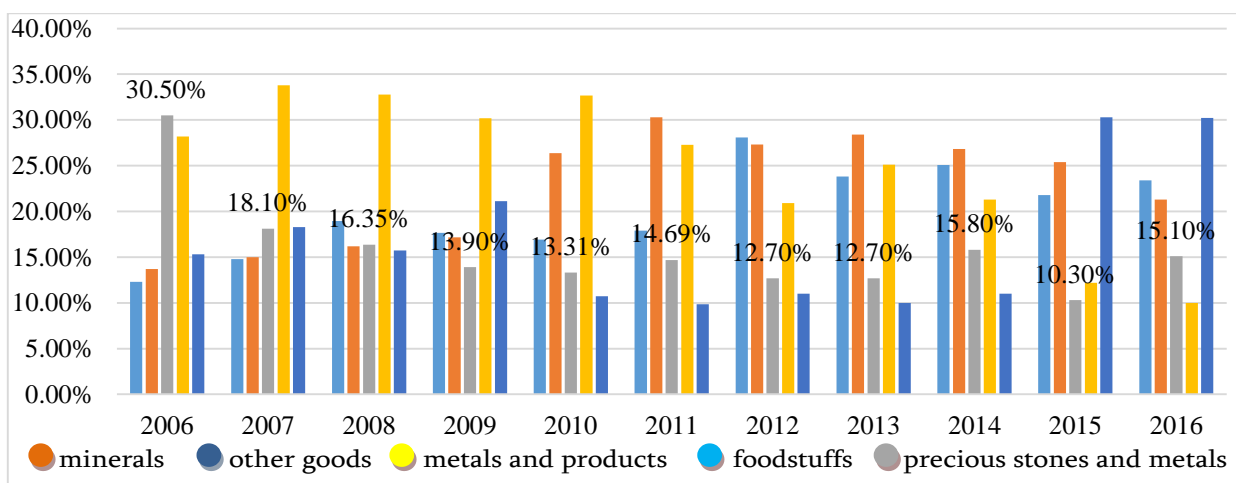


Figure 2. Commodity structure of Armenia's export in 2006-2016. (%<sup>2</sup>)

Despite the fact that the exclusion of exports of these goods was not exhausted, it left a stamp on Armenia's exports, moreover, the share of goods with a lower added value in the structure of Armenian exports is quite high.

According to the results of the first 5 months of 2017, Armenia's foreign trade turnover with the EAEU countries is \$ 620 million, which is 21.3% more than in the same period in 2016. At the same time, the bulk of trade turnover - 97.6% or more than 605 million US dollars - is trade with Russia. With three other EAEU member states, the total trade turnover is only \$ 14.8 million, as these countries are not among the main 20 trading partners of Armenia. Based on trade indicators, the potential of Armenia within the framework of the EAEU is limited by economic cooperation with

<sup>1</sup> [http://armstat.am/file/article/sv\\_12\\_16a\\_411.pdf](http://armstat.am/file/article/sv_12_16a_411.pdf)

<sup>2</sup> <http://www.customs.am/Content.aspx?itn=csCIForeignTradeByProducts>

Russia and at the initial stage of the formation of the union, the deepening of these relations continues. It is also important to note that Armenia imports more (2.4%) within the framework of the EAEU, rather than exports (0.9%).

At this stage, the EAEU exports to Armenia mineral and fuel-energy raw materials (60.6% of exports) and imports finished technological products (43.3%), which shows the low level and noncompetitiveness of the industrial potential of the countries of the commonwealth. For Armenia, the mutual trade turnover within the framework of the EAEU is only about 30% of the total foreign trade turnover of the country.

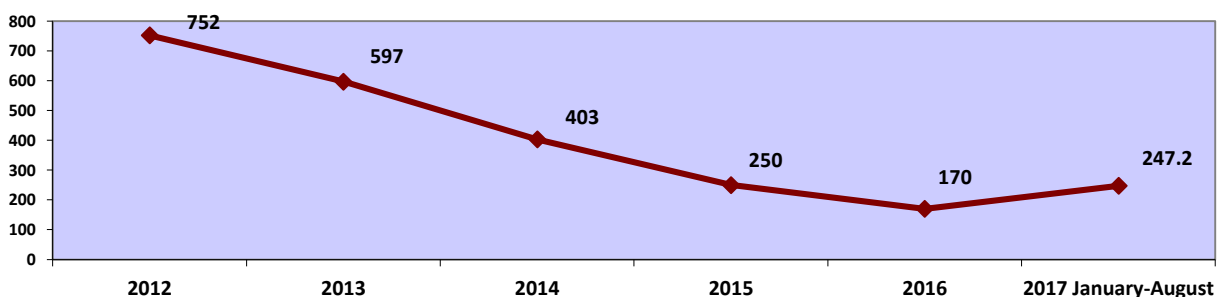
According to the results of the first 8 months of 2017, Armenia's foreign trade turnover amounted to 3 billion 880.6 million dollars, the growth rate - 24.4%, including the volume of exports from Armenia amounted to 1 billion 383.2 million dollars, growth rate - 21.7%. The main export commodities were mining products (\$ 297 million), food industry (\$ 240 million), precious metals and jewelry (\$ 145 million), base metals (\$ 132 million), light industry products (\$ 51 million). Note that the main areas of Armenian exports are the Russian Federation, the EU, Iran, Iraq, Georgia and Switzerland.

In addition, the increase in mutual and foreign trade (with other countries, not members of the union) in the Eurasian Economic Union is observed throughout the first half of 2017, which indicates a steady economic growth in the countries of the Eurasian Economic Union.

Compared to the same period in 2016, the volume of foreign trade grew by 27.8% (by \$ 63.5 billion). The volume of exports of goods increased by 29.6% (\$ 41.6 billion), imports - by 24.9% (\$ 21.9 billion). The positive balance of foreign trade in goods increased from \$ 52.1 billion in January-June 2016 to \$ 71.8 billion in January-June 2017.

The trade turnover of the EAEU states with third countries in the first half of 2017 reached \$ 292.2 billion, including exports - \$ 182 billion, imports - \$ 110.2 billion. The volume of mutual trade of the countries of the Eurasian Economic Union in January-June 2017 grew compared with January-June 2016 by 27% (\$ 5.3 billion) and amounted to \$ 25.1 billion. Most significantly - in 1.6 times (by \$ 1.2 billion) - increased mutual trade in metals and products from them. The mutual trade in machinery, equipment and transport increased by 36.5% (\$ 1.1 billion), foodstuffs and agricultural raw materials by 22.7% (\$ 730 million), mineral products - by 18.6% \$ 1.1 billion).

Trade with the European Union continues to occupy a significant place in Armenia's foreign economic relations. Armenia's trade with the EU in January-May 2017 amounted to 531 million dollars, which is 15% more than in the same period last year [7]. This is due to the fact that Armenia is included in the list of countries using the general system of trade preferences of the EU (GSP +) which allows it to export more than 6,000 items of its own products to the EU countries for zeroed or significantly reduced customs duties<sup>3</sup>. It should be noted that the EU has provided the GSP + regime to 9 countries, none of which is a member of the CIS and the EAEU, except Armenia [8].



**Figure 3. Foreign investments of Armenia, million dollars**

<sup>3</sup> [http://europa.eu/european-union/about-eu/figures/living\\_en](http://europa.eu/european-union/about-eu/figures/living_en)

There is effective cooperation with the EU, including EU support for various instruments, Horizon 2020, Kosme and other applications, and this cooperation continues, as also evidenced by the preliminary signing of the agreement on a "Comprehensive and Expanded Partnership" between Armenia and the EU, which does not contradict Armenia's obligations within the framework of the Eurasian Economic Union and envisages cooperation in various sectors of the economy. The EU countries are the largest donors and investors in Armenia and deepening the partnership with the EAEU countries, Armenia does not stop cooperation with the EU, since it has no restrictions in the spheres of cooperation, investments, dialogues with European partners and sees itself as a country that brings these two markets closer. As for the level of attracting foreign investment, in the last two years the investment flow has sharply decreased, but increased in the first 8 months of 2017.

In recent years, the largest investments in Armenia were made by the Russian Federation. Moreover, if many countries investing in Armenia have a certain orientation of investments, the Russian Federation does not have such a position, since Russian capital is invested and operates in virtually all sectors of the Armenian economy, especially in the areas of electricity, gas and telecommunications. There are more than 1,400 joint ventures in Armenia with joint Armenian-Russian or all-Russian capital.

From the EAEU member countries Armenia and Belarus do not have investments. The last time Belarus invested in Armenia only in 2010 was 177.000 dollars, investments from Kazakhstan were made in 2010 and 2011 and amounted to 17.3 thousand US dollars and 5.5 thousand US dollars, and from Kyrgyzstan there was no investment implemented in general.

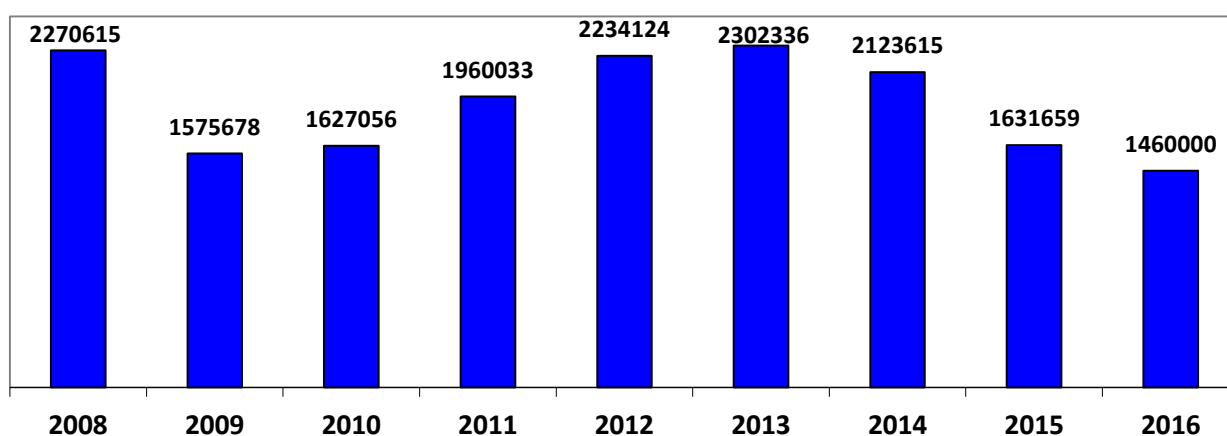


Figure 4. Total inflow of RA transfers in 2008-2016, million dollars

Armenian capital also actively participates in the territory of the EAEU, especially in recent years, investments from Armenia have grown in Russia and Belarus. Unfortunately, this year, in the percentage ratio, the amounts sent to Armenia from the EAEU member countries-Kazakhstan and Russia-have significantly decreased. Conversely, transfers in the opposite direction grew from Armenia to Russia and Kazakhstan. Over the past three years, the number of small and medium-sized enterprises, formed by citizens of Armenia, has more than doubled (to 145) in Kazakhstan [9]. It should be noted that remittances sent by Armenian citizens who work in Kazakhstan are three times higher than the entire trade turnover between the countries (\$ 18.9 million in 2016) [10]. In addition, in 2016, in the real sector of Armenia's economy, foreign investments decreased by more than 70 percent. In this case again, the lion's share of the recession fell on Russian investment.

Let's consider another indicator of the Armenian economy before and after the membership of the EAEU - the index of openness of the economy, which is calculated as the ratio of the country's total trade (the amount of exports and imports) to the country's GDP (Openness Index = (exports + imports) / GDP \* 100%).

**Table 1.****Armenian economy openness index in 2012-2016, %**

Year	Export (million,\$)	Import (million,\$)	GDP (million,\$)	Openness index, %
2012	1380.2	4261.2	10619.4	53
2013	1478.7	4385.9	11121.3	53
2014	1547.3	4424.4	11609.5	51
2015	1485.3	3239.2	10529.1	45
2016	1782.9	3292.4	10547.3	48
2017г. January-June	993.9	1 821.2	4492.7	62.7

The interpretation of the index is that the higher this indicator, the greater the impact of trade on the domestic market and the stronger the economy of the country. This indicator in Armenia in 2016 reached 48.11%. This ratio is considered to be relatively high and means that every \$ 100 in Armenia depends on the \$48 of the world economy. This percentage would be considered acceptable if its largest share was for export. But in 2016, imports accounted for about 65% of total foreign trade. Deeper analysis of the time series of this coefficient over the last 5 years shows that it has declined - from 53% in 2012 to 48% in 2016, but in the first half of 2017, its increase was noted.

It should be noted that Armenia achieved progress in the sphere of economic competition in all three main areas - the indicator of the effectiveness of the antimonopoly policy (40th place), the index of influence of the dominant subjects on competition (28th) and the intensity of local competition (66th place) [11]. For all the above mentioned indicators, Armenia is the leader among the member countries of the EAEU. Progress was also made thanks to Armenia's accession to the EAEU, which led to significant activity and a decrease in market concentration.

In addition to trade and investment of goods and services, the EAEU member countries, including Armenia, also cooperate in other areas. In particular, Armenia, having joined the EAEU, has concluded agreements on consumer rights protection, agreed monetary policy, systematic transport policy, procurement regulation, protection of intellectual property rights, compilation and dissemination of official statistical information, etc. In connection with the accession to the EAEU, changes were made in the area of labor and social protection, the granting of licenses to business entities, in the medical and transport sectors.

It is especially important for Armenia to deepen cooperation in the field of information technologies. On December 26, 2016, the heads of the EAEU states signed a statement on the digital agenda, which is an effective mechanism for the formation and functioning of a single digital territory of the member states of the Union, which will create an opportunity for the development of digital economies and economic progress of the EAEU member countries. Armenia puts an emphasis on the digitalization of the economy and a small economy in this matter can become the main advantage of the republic. It should be noted that until the year 2019, digital transformation processes will be simulated, the first initiatives will be developed and launch projects launched, among which we can already single out such as the development of digital traceability of products, goods, services and digital assets, digital industrial cooperation, electronic commerce and government procurement, digital transport corridors, cross-border data turnover. In this context, it is especially important to reach agreement on the compatibility of digital economic standards with the members of the Eurasian Economic Union and China, for the transit of goods, services and capital on digital platforms.

Today, the sphere of information technologies in Armenia is considered to be a priority and the annual growth in this sphere is on average 20-25%. As a result of the first 8 months of 2017, 35% growth has already been achieved [12]. It is expected that during the next 5 years the Armenian IT sector will provide higher growth rates, therefore Armenia should demonstrate its decisive role in the

field of IT, becoming the center and donor of technologies for many countries. This is especially important if we take into account the great potential and comparative advantages in comparison with Belarus and Kazakhstan.

In this sense, Armenia can provide other countries of the EAEU with good and advanced programmers, and also have the financial resources coming from activities in the information technology industry.

### Conclusion

Today, the Armenian government requires the implementation of an effective economic policy and concrete steps for the development of the Armenian economy. Armenia is an important bridge and should strengthen its position in the future as a connecting geopolitical link. Armenia's importance for the transport and energy corridor of the North-South, as well as its role in the development of trade and economic ties between Iran and Georgia can not be underestimated, and it's not just about using the territory of Armenia as a transit between them, but also about the possibility of trilateral cooperation and implementation of joint projects. This is facilitated by free trade between Armenia and Georgia, and additional benefits and favorable terms of trade provided to Armenia by the European Union after the re-establishment of integration ties with this regional alliance. In this sense, Armenia should be active and use its membership in the Eurasian Economic Union to attract both Georgian and Iranian investors and offer its own alternative.

### References

1. <http://verelq.am/ru/node/22846>
2. <https://news.rambler.ru/caucasus/38094923>
3. <https://ru.armeniasputnik.am/politics/20171006/8939237/glazev-my-zhdem-ot-armenii-nastupatelnoj-pozicii-v-prodvizhenii-eaehs.html>
4. <https://news.am/rus/news/412608.html>
5. <https://ru.armeniasputnik.am/analytics/20170929/8849489/odna-zona-odin-put-kitaj-probivaetsya-v-evropu-cherez-armeniyu.html>
6. [http://www.customs.am/csMD\\_News.aspx?ntname=csMDOfficialNews&nid=2124](http://www.customs.am/csMD_News.aspx?ntname=csMDOfficialNews&nid=2124)
7. <https://sova.news/2017/08/03/armeniya-eaes-sdelka-est-vygody-net/>
8. [http://eeas.europa.eu/delegations/armenia/eu\\_armenia/trade\\_relation/pref\\_reg\\_gsp/index\\_hy.htm](http://eeas.europa.eu/delegations/armenia/eu_armenia/trade_relation/pref_reg_gsp/index_hy.htm)
9. [http://noravank.am/rus/articles/detail.php?ELEMENT\\_ID=16091&spphrase\\_id=63414](http://noravank.am/rus/articles/detail.php?ELEMENT_ID=16091&spphrase_id=63414)
10. [http://noravank.am/rus/articles/detail.php?ELEMENT\\_ID=16091&spphrase\\_id=63414](http://noravank.am/rus/articles/detail.php?ELEMENT_ID=16091&spphrase_id=63414)
11. <https://b24.am/economy/68113.html>
12. [http://finport.am/full\\_news.php?id=31572&lang=3](http://finport.am/full_news.php?id=31572&lang=3)

### ՀԱՅԱՍՏԱՆԻ ԴԵՐՆ ՈՒ ՆՇԱՆԱԿՈՒԹՅՈՒՆԸ ԵՎՐԱՍԻԱԿԱՆ ԻՆՏԵԳՐԱՑՄԱՆ ՄԵՋ

#### Կ.Ա. Ներսիսյան, Ն.Վ. Բալայան

*Շուշիի տեխնոլոգիական համալսարան*

---

Հոդվածում քննարկվել և վեր են լուծվել ԵԱՏՄ-ին ավելի քան 2.5 տարվա անդամակցության ընթացքում ՀՀ մի շարք կարևոր տնտեսական ցուցանիշներ, մասնավորապես՝ արտաքին առևտրի շարժընթացը և ապրանքային կառուցվածքը, օտարերկրյա ներդրումների ծավալը, տրանսֆերտային հոսքերի շարժը, հաշվարկվել է ՀՀ տնտեսության բացության աստիճանը բնութագրող ինդեքսը, որոնց հիման վրա, ինչպես նաև բարենպաստ աշխարհագրական դիրքից ու նպաստավոր աշխարհաքաղաքական



պայմաններից ելնելով արդարացվել է տարածաշրջանում երկրի ունեցած դերն ու նշանակությունը, հատկապես ԵՄ և ԵԱՏՄ միջև հնարավոր համագործակցության համատեքստում:

**Բանալի բառեր.** ԵԱՏՄ, տարածաշրջանային համագործակցություն, մրցակցային առավելություններ, արտաքին առևտրաշրջանառություն, օտարերկրյա ներդրումներ, Հյուսիս-Հարավ տրանսպորտային և էներգետիկ միջանցք, միասնական թվային տարածք

## РОЛЬ И ЗНАЧЕНИЕ АРМЕНИИ В ЕВРАЗИЙСКОЙ ИНТЕГРАЦИИ

**К.А. Нерсисян, Н.В. Балаян**

*Шушинский технологический университет*

---

В статье рассматриваются и анализируются некоторые важные экономические показатели Республики Армения за более чем 2.5 года после вступления страны в ЕАЭС, в частности: динамика внешней торговли, его структура, объёмы иностранных инвестиций и трансфертных притоков в страну. Рассчитан показатель открытости экономики страны, на основе которого, а также с учетом выгодного географического расположения и благоприятных геополитических событий, обосновывается повышение роли и значения страны в регионе, особенно в контексте возможного сотрудничества между ЕС и ЕАЭС.

**Ключевые слова:** ЕАЭС, региональное сотрудничество, конкурентные преимущества, внешнеторговый оборот, иностранные инвестиции, транспортный и энергетический коридор Север-Юг, единая цифровая территория.