

# U.S. Country Commercial Guides



## Armenia 2020

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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 have closed two of its four borders. U.S. goods and services compete successfully for market share, and there has been a notable increase in U.S. investment in Armenia over the last five years, particularly in the energy and extractives sector. Unexpected political changes in April and May 2018 have not dampened economic growth, 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 2015, the United States and Armenia 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 for high-level engagement to discuss issues of mutual interest with the objective of improving cooperation and enhancing opportunities for trade and investment between the United States, and Armenia.

Armenia also became a member of the Russian-led Eurasian Economic Union (EAEU) in 2015. This membership provides Armenian products direct access to the Russian, Belarusian, Kazakh, and Kyrgyz markets with a combined population of around 190 million and a combined gross domestic product of nearly \$2 trillion. Accession to the EAEU implies Armenia is obligated to harmonize its tariffs with the bloc's common external tariff, which will substantially raise average tariffs over time.

In November 2017, the European Union and Armenia signed a Comprehensive and Enhanced Partnership Agreement aimed at deepening relations. The agreement is expected to improve the investment climate, stimulating growth and jobs and creating a better environment in which businesses can 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. 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 Generalized System of Preferences access to the United States, EU, Canada, and Japan, and a free trade agreement with neighboring Georgia that remains in effect even after Armenia's accession to the EAEU.

Armenia's gross domestic product grew 7.6 percent in 2019, continuing a period of quick growth since 2017. Armenia's economy grew by 7.5 percent in 2017 and 5.2 percent in 2018. Prior to the outbreak of COVID-19, most forecasts pegged annual growth at around five percent over the medium term. Updated forecasts have projected a contraction in 2020, based on declining prospects in Armenia's key export market, Russia, as well as decreased remittances from abroad, lower prices for copper, and sharply diminished prospects in the hospitality sector. However, forecasts point to the possibility of a rebound to growth in 2021 and onward. These forecasts are based on the expectation of increased social spending, the provision of assistance to businesses, and expanded public investment. To the extent the government can drive meaningful structural reforms, this will support a transition from consumption-driven growth to productivity- and investment-driven growth.

On the supply side, the service sector was the main driver of growth in 2019, expanding by over 10 percent thanks to strong contributions from retail trade, hospitality, financial services, tourism, and a range of other activities. Industry grew by over eight percent, led by surging growth in mining and healthy manufacturing activity. Construction grew at just under four percent. The agricultural sector contracted by almost three percent.

On the demand side, private consumption gave the strongest boost to economic growth in 2019, expanding by almost 13 percent on the back of strong private spending, expanded consumer lending, and wage increases. Public spending remained largely steady. Investment slid overall, as higher gross fixed capital formation, particularly in the second half of 2019, was undercut by a drop in inventories. Exports slightly outpaced imports to narrow the negative contribution of the trade deficit to growth.

Armenia is classified as an upper middle income country by the World Bank, with a per capita GDP of just over \$4,600 in 2019. The average monthly salary in Armenia was about \$380 in 2019. Unemployment runs high, at above 17 percent. Armenia has achieved some notable success in reducing poverty rates, though the effects of COVID-19 will hamper the continued eradication of poverty in Armenia.

Inflation was low in 2019, at under two percent, and the exchange rate of the dram against the dollar has shown strong stability in recent years. The Central Bank of Armenia has significantly expanded its holdings of foreign reserves and the financial system is seen as stable, even amid a sharp uptick in consumer lending in 2019. The Central Bank of Armenia has lowered its key benchmark rate several times in the past few years to provide an accommodative monetary policy and bring inflation within its target band.

The government has aggressively pursued strategies to improve tax administration, reduce the size of the shadow economy, and put the government's stock of debt on a downward trajectory. Tax reforms have aimed at lowering rates, broadening the base, and improving administration. At the same time, the government has committed to greater social spending and capital expenditures that can provide a basis for continued economic growth.

Overall foreign trade turnover grew by over six percent in 2019, according to UN Comtrade statistics, with imports exceeding \$5 billion. Imports consisted mainly of petrochemicals, precious stones, consumer goods, vehicles, equipment, and machinery. The top sources of Armenia's imports are Russia, China, Iran, Turkey, Germany, Italy, Ukraine, the United States, India, and Japan. Armenia's imports from the United States amounted to almost \$130 million in 2019.

In 2019, Armenia exported over \$2.5 billion worth of goods, nearly a ten percent increase over 2018. Exports were concentrated in metals (especially copper, gold, and iron), tobacco, and alcoholic beverages. The leading export destinations for Armenian goods in 2019 were Russia, Switzerland, Bulgaria, China, and Iraq, accounting for approximately two-thirds of all exports. Russia is the leading export destination, accounting for 27 percent of all merchandise trade from Armenia. Armenian exports to the United States totaled over \$53 million in 2019, over half which involved trade in aluminum.

## **Market Challenges**

Despite the numerous commercial opportunities in Armenia and increasing gains in international business rankings, there are several key challenges and obstacles in the business environment. The government has been successful in pushing through some notable reforms, but the formal reduction of red tape has not had a transformative effect, and businesses continue to complain about regulatory processes, the poor quality of regulations generally, and inefficiency within the government bureaucracy. Businesses frequently comment about difficulty in approaching the government and engaging in substantive discussion. A lack of effective consultation inhibits the formulation, implementation, and enforcement of high-quality laws, policies, and regulations.

A longstanding issue in Armenia is an overall lack of market contestability and competition, which is the result of vested interests exercising considerable sway over broad swaths of the economy. Despite some favorable indicators that indicate Armenia has a welcoming legal framework for foreign investment and straightforward procedures for starting a business, market entry is confounded in practice by legacies of corruption, weak law enforcement, and collusion between business interests and politically-connected figures. Some government interventions, though perhaps well intentioned, have had the effect of propping up market incumbents to the disadvantage of newcomers. These pose significant barriers to entry for both domestic and foreign businesses, and harm competition and consumer welfare.

Armenia's relatively small market size and closed borders with two of its four neighbors tend to cap opportunities for merchandise trade and economic growth generally. Transport costs through Georgia, Armenia's major trade outlet, are high, and frequently delays at the sole border crossing point between Georgia and Russia create a chokepoint for Armenian trade. Internal barriers within the Eurasian Economic Union (EAEU) and uncertainty around the

implementation of EAEU standards and regulations merit attention. Trade with Iran is limited, restricted by international sanctions, poor transportation infrastructure, and protective Iranian market practices.

Armenia's landlocked status and difficult geopolitical circumstances are compounded by problems with customs administration and management that inhibit cross-border trade and deter investment. Corruption and mismanagement within the customs service, as well as inadequate infrastructure, have historically created problems for traders that add to costs and frustrations. Some procedures have begun to improve, but unintegrated systems, requirements for hard copy submissions of documents, and the limited use of risk-based screening mechanisms create delays.

Rule of law and transparency issues represent common concerns among the business community in Armenia. Although the government has recorded some impressive gains in the fight against corruption, problems persist with perceptions as to the predictability, reliability, and fairness of court decisions. Businesses frequently observe shortcomings in intellectual property rights enforcement. Corporate governance and transparency standards often lag behind those in more developed markets. Businesses can struggle to obtain responses from government bodies in response to their inquiries.

## **Market Opportunities**

Key opportunities for U.S. businesses can be realized in a variety of sectors, including conventional and renewable energy, agriculture, extractives, tourism, high technology, and retail. There may also be new and exciting possibilities in areas such as wine, textiles, and pharmaceuticals. A longstanding decline in Armenia's public capital stock as a share of gross domestic product implies that U.S. businesses should stay attuned for opportunities to participate in major infrastructure projects, including for highways and utilities. The development of legislation and implementing regulations around public-private partnerships stands to give U.S. firms new means of participating in such projects.

## **Market Entry Strategy**

Armenia is a relatively small market with a population of approximately three million. Over a third of Armenia's population resides in Yerevan, making it the country's most important market and the leading hub from which to conduct business. (The population of Armenia's second-largest city, Gyumri, is close to 100,000.) While there are certainly business opportunities outside of Yerevan, particularly in sectors such as extractives, agriculture, tourism, and energy, almost all firms doing business in any significant fashion maintain a presence in Yerevan.

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 highly advantageous.

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 and maintain a long time horizon. Person-to-person contact in the Armenian business culture is very important. Many successful firms have representatives who travel to Armenia frequently to maintain relationships, keep channels of communication open, and understand changing market conditions. Firms should expect to commit significant time, personnel, and capital to developing and maintaining business in Armenia. Conducting sufficient due diligence is a must for determining the reliability of business partners. The U.S. Embassy in Yerevan welcomes the opportunity to consult with U.S. firms that are already in the market or seeking to enter Armenia. Private organizations such as the American Chamber of Commerce in Armenia may also be in a position to provide assistance.

## **Leading Sectors for U.S. Exports and Investment**

### **Energy**

#### **Overview**

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

Armenia faces three principal challenges in its energy sector: an emerging supply gap; the need to maintain energy supply reliability; and the need to maintain affordable tariffs. Armenia has limited energy resources and can meet only a fraction 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 primarily from Russia through Georgia, with a limited volume of natural gas imported from Iran in an electricity-for-gas swap arrangement. Nuclear fuel is imported from Russia. Armenia has very low levels of energy efficiency compared to developed countries. The government has adopted several laws focused on developing domestic, especially renewable, energy resources and implementing 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 energy sector, the Public Service Regulatory Committee, has set attractive tariffs for newly constructed small hydro, wind, and solar power plants. It has also stipulated that electricity off-take tariff rates apply for at least 15 years from the date of issue of an operating license for a new plant.

The government amended the Law on Energy in 2017 to drive greater liberalization of 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. 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 will break up the control exercised by one firm, Electric Networks of Armenia, over distribution throughout Armenia. With the changes in the law, consumers will be able to purchase electricity from other suppliers. Large wholesale consumers will be able to enter the market and purchase and consume electricity generated from outside Armenia. Mechanisms to implement the amendments are scheduled to come into effect as soon as 2022.

In 2019, the Ministry of Energy Infrastructures & Natural Resources and the Ministry of Territorial Administration & Development merged to become the new Ministry of Territorial Administration & Infrastructure.

In late 2019, the Ministry of Territorial Administration & Infrastructure presented a plan for the development of the Armenian energy system through 2040. The plan is based off a least-cost generation study that presents options to provide reliable and stable energy supply at the most affordable prices for consumers. The strategy addresses which generation facilities should be constructed, electricity transmission systems, energy efficiency, and institutional issues related to market liberalization and associated legislative gaps.

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 primarily by the Armenian Nuclear Power Plant, hydroelectric plants, and thermal plants. Solar provides only a fractional amount of generation at present.

The Armenian Nuclear Power Plant tends to meet upwards of 40 percent of Armenia's demand for electricity. Its operating capacity is 385MW. 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 extension of its operating license to 2026. Government officials have mentioned more recently that there may be a need to keep the plant running until 2036 if an adequate replacement cannot be brought online in time.

Hydroelectric plants tend to provide at least another 20 percent—and in some years as much as 30 percent—of Armenia's electricity, but the levels of generation depend on seasonality and rainfall patterns. Government officials have paid increasing attention to how changes in climate in Armenia may affect rainfall patterns and in turn the total output from hydroelectric stations.

Thermal provides the bulk of the remaining generation. Armenia's thermal power plants are operated by two private companies, RazTES and Gazprom Armenia, and one government-owned company, Yerevan TPC. RazTES operates the Hrazdan Thermal Power Plant, with an operating capacity of 400MW (against an installed capacity of 1,110MW). Gazprom Armenia operates Hrazdan Unit 5, commissioned in 2011, with an operating capacity of 440MW (against an installed capacity of 467MW). Yerevan TPC operates the Yerevan Thermal Power Plant, which has an operating capacity of 220MW (against an installed capacity of 238MW).

In November 2018 the Armenian government approved an amended framework agreement with ArmPower CJSC and RENCO S.p.A. on designing, developing, funding, constructing, owning, commissioning, and maintaining a 250MW gas-fueled combined cycle electricity station in Yerevan. According to company reporting, the total investment will amount to \$250 million. The program is implemented by Siemens in cooperation with international financial institutions. The new plant is meant to replace the Hrazdan Thermal Power Plant after it becomes operational.

Since 2006, [Electric Networks of Armenia \(ENA\)](#) is the sole electric power distributor in the country. It is the biggest employer in Armenia and 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 changes in the law meant to promote 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. 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 Electric Networks \(HVEN\)](#) of Armenia is a state monopoly operated as a closed joint stock company. HVEN manages the assets of Armenia's transmission network, performs operational and maintenance functions, and implements necessary investment programs. Major investments include the construction of a power transmission network aimed at connecting the Armenian and Georgian power systems by overhead transmission lines and the construction of a high-voltage direct current converter station installed near the Georgian border. Implementation of this project will result in significant mutually beneficial cooperation in the energy sector.

The [Electro Power System Operator CJSC \(EPSO\)](#) is responsible for the strategic functioning of Armenia's power system. It is responsible for the technical and economic coordination and control of the system. EPSO provides coordination and long-term planning for 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 that is responsible for overseeing the operational and process interaction of the power system and dispatch control.

As part of electricity market liberalization efforts, the Settlement Center, which was historically responsible for overseeing the operational and process interaction of the power system and dispatch control, has transformed to become the Electricity Market Operator. The Electricity Market Operator serves to handle electronic communications and trades across Armenia's electricity market.



The [Public Services Regulatory Commission \(PSRC\)](#) establishes the procedures for setting and reviewing tariffs. According to the Law on Energy, 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 Law of Energy. Per the Law on Energy, 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 utilized nuclear fuel and requisite allocations to a nuclear plant decommissioning fund, technical and commercial losses, and 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 a licensee can request a tariff review every six months. Once requested, a tariff review must be submitted within 80 working days. The PSRC is authorized to set long-term tariffs for more than six months if it is deemed 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.

The [Fund for Renewable Energy and Energy Efficiency of Armenia \(R2E2\)](#) is a state entity that is responsible for creating a favorable environment for the development of renewable energy and energy efficiency projects. This organization examines potential opportunities for solar, wind, and geothermal energy development in Armenia.

### **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 approximately five percent of gross domestic product annually through investments in energy efficiency. The study estimated that investments in public facilities would have the highest returns, with paybacks of two to 10 years. The implementation of energy efficiency programs has been hampered by informational, technical, financing, and legal obstacles.

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 hydropower plants and the more recent installation of small run-of-the-river hydropower plants (SHPPs) throughout the country.

The total installed capacity of all hydropower systems is 1,293MW. Plants on the Hrazdan and Vorotan rivers generate the majority of the country's hydroelectric power. The Sevan-Hrazdan Cascade consists of seven hydropower plants and has a total installed capacity of 560MW. The Sevan-Hrazdan Cascade was purchased by the Tashir Group in 2019. The Vorotan Cascade consists of three hydropower plants and has a total installed capacity of 404MW. In July 2015, the Armenian government and ContourGlobal finalized the sale of the Vorotan Cascade to ContourGlobal, which is implementing a \$70 million upgrade and rehabilitation program as part of the deal.

The Tashir Group is working to develop a 76 MW hydroelectric power station at Shnogh, located on the Debed River in Armenia's north. 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. (The developer and sponsor both belong to the Tashir Group.)

There are just over 170 private SHPPs—those with installed capacity of less than 30MW—many of which have been constructed over the past decade. Their total installed capacity is 328MW. Hydropower could provide an even greater percentage of Armenia's electrical needs due to inefficiencies in SHPPs, which lack modern control technologies, depend on unreliable equipment and materials, and suffer from poor engineering or substandard quality control during construction. Many are not designed to meet rigorous environmental requirements.

Armenia has significant solar energy potential. The average annual amount of solar energy flow per square meter of horizontal surface is about 1,720 kWh, which is high relative to an average European figure of 1,000 kWh. One fourth

of the country's territory has solar energy resources at a level of 1,850 kWh per square meter. The government is scaling up the development of solar projects. A major project under this initiative is the construction of the utility-scale solar Masrik-1 project in eastern Armenia, with a total installed capacity of between 50 and 55MW. The tender for the construction of this plant was completed in early 2018, with the winning bidder offering 4.19 cents per kWh. As a complementary project to Masrik-1, the government is targeting the development of five additional solar installations with an installed capacity of around 60MW. More recently, the government has announced a 200MW utility-scale solar project, AYG-1. The project is to be developed under a design, finance, build, own, and operate basis under a project company jointly owned by a successful bidder and the Armenian National Interests Fund. AYG-1 is part of a broader effort to develop 400MW of solar capacity in partnership with a United Arab Emirates company.

According to a 2003 study prepared by the U.S. National Renewable Energy Laboratory, the economically justified potential of wind energy in Armenia is about 450MW of total installed capacity. Mountain passes estimated to have high wind resources include Karakhach, Pushkin, and Jajur in the Bazum Range, Sevan in the Areguni Range, and Sisian in the Zangezur Range. The government has in recent years entered into memoranda of understanding with developers and issued decisions to provide assistance to companies for wind projects with capacity of up to 150MW.

The government has taken some steps to develop the country's geothermal resources. Recent studies have estimated that Armenia has about 150MW of geothermal potential. Potential sites for geothermal are concentrated in the southern part of Armenia, including at Karkar, Sisian, and Jermaghbyur. Capacity at these sites has been estimated at around 25 to 30MW. However, further studies are necessary to evaluate the feasibility of potential projects.

Biomass is not widely used as a source of energy. Some steps have been taken implement a project between the Yerevan municipality and Japanese company to implement a project for gas capture and power generation at the Nubarashen solid waste landfill. 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.

## **Opportunities**

There are a number of promising opportunities in the energy sector, particularly for renewable energy projects. The government has indicated potential opportunities for the development of medium-sized hydropower plants, including at Lori-Berd (60MW capacity) and Shnogh (76MW) in the northern part of Armenia. Among Armenia's two large hydropower plants, the Sevan-Hrazdan Cascade is in need of tens of millions of dollars worth of rehabilitation, as its construction began in 1936. There are new opportunities for solar development, including with respect to AYG-1 and a separate push to develop additional capacity of 150MW across five sites identified by the government. There are opportunities for smaller solar projects as well; the Tashir Group has signaled its interest in partnering with U.S. firms for consulting, design, procurement, installation, and commissioning on a solar installation as part of a data center project. There are also opportunities for wind projects. Geothermal and biomass investments appear to be relatively speculative at present.

There are notable opportunities with respect to electricity transmission, distribution, and cross-border. ENA's \$900 million investment program and a project to develop power lines, substations, and converter stations near Armenia's border with Georgia stand out as notable examples.

There are some opportunities in the natural gas space as well. Gazprom Armenia is engaged in long-term investment programs in Armenia totaling in the hundreds of millions of dollars. Major projects include the expansion of an underground gas storage facility, for which it will need various equipment, including gas compressors.

The government has expressed an interest in utilizing U.S.-licensed small modular reactor technology to eventually replace the Armenian Nuclear Power Plant, giving U.S. firms an opportunity to recognize a huge win and play a transformative role in Armenia's energy security posture.

As part of the government's efforts to promote greater energy efficiency, there are opportunities for U.S. investors and exporters to make contributions in this space. At the beginning of 2020, the government estimated that the market

for energy efficiency investments in Armenia stands at \$2 billion. A number of projects are underway to increase energy efficiency in residential buildings.

### **Resources**

[Ministry of Territorial Administration and Infrastructure](#)

[Ministry of Economy](#)

[Public Services Regulatory Commission \(PSRC\)](#)

[Renewable Resources and Energy Efficiency Fund \(R2E2\)](#)

[Electro Power System Operator CJSC \(EPSO\)](#)

[High Voltage Electric Networks \(HVEN\)](#)

[Electric Networks of Armenia \(ENA\)](#)

[Armenian National Interests Fund \(ANIF\)](#)

[Investor Support Center](#)

[Statistical Committee of the Republic of Armenia](#)

[UNCTAD Investment Policy Review of Armenia](#)

[WTO Trade Policy Review: Armenia 2018](#)

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

## Agriculture

### Overview

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 and international food markets and are making investments to scale up production. Increased demand from abroad for Armenian agricultural products provide local farmers with an incentive to improve the efficiency of their operations and increase production to satisfy other markets. Approximately 30 percent of workers in Armenia are employed in the sector.

Despite some of the promise present in the agriculture sector, a number of constraining factors limit its potential. Some 335,000 farms operate in the sector, with an average landholding of around 1.4 hectares per household. Relatively small landholdings do not allow for an efficient and diversified production system, involving both crops and livestock. The extent of soil degradation is also a notable problem. Although upwards of 70 percent of Armenia's territory is classified as agricultural land, arable land is only approximately 15 percent of the total territory. The livestock sector is facing serious challenges, such as unsustainable pasture management and underutilization, persistent livestock diseases, processing and marketing constraints, and reduced productivity. 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. There can be significant fluctuations in the supply of dairy products, with most milk produced in the summer months and almost none produced during the winter and spring. These challenges limit Armenia's capacity to exploit opportunities arising from increasing domestic and foreign demand.

The government has put forward a 10-year strategy meant to drive the development of Armenia's agriculture sector. Major emphases of the strategy include making agriculture more sustainable, introducing innovative solutions and new technologies, and moving Armenian agricultural products up the value chain for export abroad. More specific measures include increasing the availability of cultivable farmland, improving irrigation systems, enhancing access to finance, improving the quality of seeds and planting materials, promoting modern livestock management techniques and facilities, consolidating farms, and developing wholesale markets.

In 2019, agriculture continued a decline in output from the previous year by about three percent due to adverse weather conditions and the continuing negative effects of poor infrastructure in the sector, notably for irrigation. Value added in the agricultural and adjacent sectors has declined in recent years, totaling 12 percent of gross domestic product in 2019. 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 reverse declines. Greater interest from the private sector in making agriculture investments and introducing new technologies could further contribute to growth.

Livestock breeding is a central component of the Armenian agricultural sector. In recent years, almost 40 percent of the country's gross agricultural product has come from livestock breeding. 95 percent of milk and almost 55 percent of meat in Armenia is produced locally. 93 percent of the cattle raised in Armenia are milk and beef category Brown Caucasians which are well adapted to local climate conditions. Holstein, Brown Swiss, Simmental, and Black species are also bred in Armenia. About 18 tons of mutton is produced in Armenia annually. Armenia has the capacity to export 180 to 200 thousand head of sheep annually. Swine breeding is one of the major branches of animal husbandry in Armenia and is more developed in Armavir and Ararat marzes (regions). Commercial pig breeding farms mostly raise Landras, Petren, and Duroc breeds. In recent years, between 17 and 18 tons of live weight pork have been produced in the country annually. Poultry breeding is one of the most automated segments of animal husbandry in Armenia, and production has reached upwards of 700 million eggs and eight tons of poultry meat every year.

Armenia has favorable climatic conditions for year-round commercial fish farming. Around 13 to 14 tons of commercial fish, most of which are trout, are raised in the country each year. There are over 200 fish farms in Armenia, the vast majority of them located in the Armavir and Ararat marzes.

Many vegetable, nut, fruit, and berry varieties are found in Armenia, including green peas, black and red peppers, radishes, carrots, pumpkins, pomegranates, quince, plums, various cherry varieties, mulberries, apricots, peaches, apples, pears, walnuts, pistachios, hazelnuts, currants, raspberries, blackberries, strawberries, and more.

According to government reporting there are approximately 1,600 food-producing companies in Armenia, spread across a full range of product: fruit and vegetable processing, dried fruit and spice processing, grape processing, milk processing, meat processing and slaughtering, fish processing, bread baking, confectionary production, mineral and drinking water production, nonalcoholic beverage production, and alcoholic beverage production.

Several key pieces of agricultural and food legislation include: the Law on Food Safety, Law on Veterinary Medicine, Law on Animal Feeding, Law on Phytosanitary Measures, Law on Trade and Services, Law on Ensuring Sanitary and Epidemiological Safety of the Population, Law on Ensuring Uniformity of Measurements, Law On the Protection of Consumer Rights, Law on Standardization, and the Law on Conformity Assessment. A Law on Organic Agriculture, based on Codex Alimentarius guidelines and EU regulations, stipulates requirements for labeling organic products.

A number of government bodies have responsibility for agricultural and related issues. The Ministry of Economy has primary responsibility for policy issues with respect to agriculture. Other key bodies include the State Service for Food Safety and its subsidiary veterinary, phytosanitary, and food safety inspectorates, the National Body for Standards and Metrology under the Ministry of Economy, and the State Health Inspectorate under the Ministry of Health.

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, an Accredited Certifying Agent of the U.S. National Organic Program, operates in Armenia. There are several non-governmental organizations in Armenia that promote and support organic agriculture.

Armenia has been a member of the Eurasian Economic Union (EAEU) since 2015, which has brought some improved opportunities for agricultural exports to Russia. However, EAEU membership has also brought uncertainty and confusion, and internal barriers within the customs union prevent Armenia from realizing sought-for opportunities. These include documentation requirements, sanitary and phytosanitary requirements, and burdensome and time-consuming export procedures. Any notional expansion of access to the Russian market is positive, but is undercut by internal barriers to the free flow of goods within the EAEU and unpredictable conditions at the border crossing between Georgia and Russia at Upper Lars, where delays can impair traffic for days, if not weeks, leading to the spoilage of agricultural products.

### **Leading Sub-Sectors**

Within the agricultural space, food production dominates in terms of export volumes. Food products make up more than a fifth of Armenia's goods exports annually. Important segments include processed food 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. Food products can be successfully delivered 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.

More recent and larger-scale investment has been focused on the construction of modern greenhouses, together with more advanced drip irrigation systems. Such investment has grown rapidly and yielded marked productivity gains. Recent statistics show that the area under greenhouses more than doubled between 2011 and 2016. Despite this

expansion, a relatively minor share of greenhouses are covered by modern glass structures, and in general there are gaps between small- or medium-sized enterprises and large enterprises in how they have utilized more advanced greenhouses. Armenia has already seen a marked increase in agricultural productivity and profitability thanks to the introduction of newer greenhouses.

Armenia has traditionally had a good reputation for high-quality alcoholic beverages, especially brandy. The Yerevan Brandy Company has been producing internationally renowned brandies since 1887 and was acquired by Pernod Ricard in 1999. Other producers also successfully compete in export markets. About 90 percent of Armenia's brandy production is exported abroad, overwhelmingly to Russia. Armenia is seeking out new export markets for brandy, particularly in Asia.

Armenian wine has developed remarkably in recent years, spurred by an increasing recognition of Armenia as a birthplace of winemaking and a number of recent large investments aimed at producing high-quality wines. Armenia now has several dozen wineries, and the number has roughly doubled since 2013. The area of working vineyards has expanded dramatically in recent years, reversing declines seen after Armenia achieved independence following the breakup of the Soviet Union. Modern techniques and technologies are increasing yields. More than 10 million liters of wine are produced each year, roughly half of which is exported abroad. The value of wine exports, while starting from a low base, have more than doubled in less than five years. Several wines are noted of being of particularly high quality, and the Areni noir grape has begun to attract broader international recognition.

### **Opportunities**

There are a number of interesting opportunities in Armenia's agricultural sector, despite the country's difficult geographical position, distance from other markets, and a relatively small domestic market with limited buying power. The government has placed a great deal of emphasis on developing the sector, to include devising policy reforms and extending benefits such as subsidized lending facilities and tax and customs exemptions. Armenia is eager to introduce more modern technology to move agricultural products up the value chain, increase exports (especially to Europe), and expand economic opportunity for rural populations. Armenia's lack of ability to completely satisfy demand for some local foodstuffs, notably wheat, through domestic production alone means securing investment is of continuing interest as a food security measure. Wine stands out as an exciting opportunity given the combination of Armenia's indigenous varieties, moderate land and labor costs, favorable climatic conditions, and excellent terroir.

### **Resources**

[Ministry of Economy](#)

[State Service for Food Safety](#)

[Armenian National Interests Fund \(ANIF\)](#)

[Investor Support Center](#)

[Statistical Committee of the Republic of Armenia](#)

[UNCTAD Investment Policy Review of Armenia](#)

[WTO Trade Policy Review: Armenia 2018](#)

[National Body of Standards and Metrology](#)

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

[ECOGLOBE](#)

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

## Mining and Minerals

### Overview

Armenia has a long history with mining, marked by the beginning of copper extraction around Alaverdi in the 1770s, then around Kapan in the 1840s, and the development of a copper-molybdenum mine at Kajaran in the 1950s. After Armenia gained independence following the breakup of the Soviet Union, the continued development of the country's minerals sector was hindered by a number of factors including its geographical location and difficult conditions for transporting products to markets abroad. The industry was also crippled technologically. This, together with a legal and regulatory framework that lagged behind international best practices, drove increasing concern about adverse environmental impacts, sustainability, corruption, land rights, and socioeconomic tensions. Reform began in earnest in the early 2000s with the revision of the regulatory framework, the liberalization of contractual mechanisms, and the privatization of major mining companies.

Mining and mineral issues are under the purview of the Ministry of Territorial Administration & Infrastructure, which was formed in 2019 through a merger of the former Ministry of Energy Infrastructures & Natural Resources and Ministry of Territorial Administration & Development.

The mining and minerals sector is regulated by a number of core pieces of legislation, including the Mining Code, Land Code, Civil Code, Water Code, Administrative Code, Law on Waste, Law on Environmental Supervision, Law on Environmental and Natural Resource Use Fees, Law on Environmental Impact Assessment and Environmental Expertise, and more.

International donors have supported Armenia's efforts to improve mining sector legislation in line with international best practices. The World Bank funded a strategic mineral sector sustainability assessment, completed in 2016, that focused on the key challenges and opportunities in the sector, with an emphasis on developing a regulatory environment that both promotes sustainability and attracts investment. The government is undertaking additional work to develop a mining strategy to continue these efforts. Meanwhile, the government has recently approved amendments to various laws in an attempt to exercise control over environmental standards, permitting, and construction techniques.

In 2017, Armenia became the 52nd country to join Extractive Industries Transparency Initiative as a candidate country. In 2020, Armenia was assessed as making satisfactory progress toward the implementation of the 2016 EITI Standard. Early in 2020, Armenia began publishing beneficial ownership information for owners of companies in the extractives sector.

While the mining sector makes a modest contribution to Armenia's gross domestic product, typically about three percent, the sector dominates Armenia's goods exports. Exports of mined resources, including plus finished products based on raw materials such as aluminum foil and diamonds, frequently account for over half of Armenia's merchandise exports annually. Mined copper resources represent the single biggest contributor to Armenia's merchandise exports. The mining sector is a substantial employer, especially outside of Yerevan. Wages in the sector are relatively high, and mining companies are a major source of tax receipts. Levels of subsoil assets per capita are high compared to similar petroleum-importing countries in the region.

Mining in Armenia is concentrated around the extraction of metals, particularly iron, copper, molybdenum, lead, zinc, gold, silver, antimony, and aluminum. 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. 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 processing industry based on imported diamonds.

### **Leading Sub-Sectors**

The extraction and export of copper and associated molybdenum reserves dominates Armenia's mining landscape. The leading producer of copper and molybdenum concentrates in Armenia is the Zangezur Copper Molybdenum Combine, which operates a major mine at Kajaran and is responsible for 60 percent of annual turnover in the mining sector. The Teghut mine in Armenia's north is another significant source of copper, as is a mine at Agarak, near Armenia's border with Iran. The government has entertained the prospect of new investment to replace a dilapidated copper smelter in the town of Alaverdi. The copper sub-sector has been a target for some of the most significant foreign direct investment in Armenia's mining sector.

Gold represents the second most important sub-sector for mining. The Sotk mine the eastern part of Armenia is the leading producer of gold, followed by Shahumyan mine in the country's south. All eyes have recently been on Lydian Armenia's efforts to develop a gold mine at Amulsar, with targeted production of 200,000 ounces of gold per year. The project, with approximately \$400 million of investment to date, was close to completion in 2018 before construction was halted due to protest actions and blockades that have denied the company access to the mine site. As with the copper sub-sector, foreign direct investment has played a notable role in the development of gold projects, especially with respect to Amulsar and Shahumyan.

Aluminum foil production represents another major industry for Armenia within the mining and minerals sector. One company, Armenal, dominates this space. The company's modern mill is founded on the site of a facility that was one of the biggest producers of aluminum foil in the Soviet Union.

Other major sub-sectors in terms of the value of exports include diamonds and jewelry. These sub-sectors have benefitted from government efforts to develop these sectors, including through the opening of free economic zones.

### **Opportunities**

Armenia is likely to continue developing facilities for processing copper, gold, and molybdenum. However, a significant portion of Armenian society voices concerns about the potential effects of mining projects, and companies' environmental practices are coming under increased scrutiny. This is due in large part to the historical mismanagement of the sector and the use of outdated practices and technologies. The proximity of any mining projects to Lake Sevan, which is a national treasure for Armenia, or other environmentally sensitive areas is likely to draw public and government scrutiny. In response to recent protests over projects seen as controversial, the government has committed to conduct environmental assessments of all current mining projects with the wide community and civil society involvement.

Due to increased public sensitivity and government attention to the potentially adverse environmental impacts of mining, as well as an interest in seeing that the sector serves as a source of sustainable economic growth, there are emerging opportunities for the provision of services and technologies that can address legacy liabilities through the reclamation, rehabilitation, or remediation of mines and adjacent areas and facilities.

### **Resources**

[Ministry of Territorial Administration and Infrastructure](#)

[Ministry of Economy](#)

[Armenian National Interests Fund \(ANIF\)](#)

[Investor Support Center](#)

[Statistical Committee of the Republic of Armenia](#)

[UNCTAD Investment Policy Review of Armenia](#)



[WTO Trade Policy Review: Armenia 2018](#)

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

## Information Technology

### Overview

Armenia has maintained its competitive advantage in technology development as a known hub for software development, industrial computing, electronics, and semiconductors. The sector has recorded significant growth in recent years and seen a continuing expansion of new companies and hiring as Armenia continues to increase its presence in global value chains. The number of firms actively operating the information and communications technologies (ICT) space exceeds 1,000, employing over 20,000 workers by some estimates and yielding annual turnover that is now tipping past a billion dollars. The ICT industry is experiencing growth exceeding 20 percent annually, with accompanying strong gains in exports, particularly of services.

There are a number of notable business areas within the Armenian ICT realm. They include customized software, web design and development, IT services and consulting, mobile app development, chip design and testing, computer graphics and multimedia, and games. Emerging business areas coming into view or already in development, including data science, artificial intelligence, quantum computing, and electronic design automation. These are of particular interest to Armenia as ICT companies explore opportunities to sustain aggressive growth.

The Armenian government has played an active role in supporting the development of the ICT industry. It has worked in close cooperation with international donors, including the United States, to improve the competitiveness of Armenian ICT firms in the global marketplace. Since 2019, the Ministry of High-Tech Industry has exercised oversight over the development and implementation of the government's policies and strategies with respect to ICT and related industries.

Armenia bills itself as a top destination for tech-related investment owing to a historical deep bench of talent in mathematics and the natural sciences, good and growing levels of English proficiency, several good university programs, competitive labor and operating costs, government support for the sector, a strong diaspora network, and existing relationships with large multinational companies as part of global value chains.

However, business do report that they face challenges in continuing to scale their operations as quickening growth drives a demand for qualified talent that is outstripping local supply. Government investment in research and development has been low in recent years, averaging about 0.2 percent of gross domestic product, and limited social spending has sapped many educational establishments. Systemic issues in the business environment, such as competition, transparency, ability to access financing, and tax and customs procedures, affect the ICT sector as well.

To ensure Armenia continues to have a rich stock of highly qualified talent, a number of local universities and research institutions have increased their offerings of programs relevant to the ICT sector. Some have opened research laboratories and maker spaces in cooperation with international partners, local industry associations, and leading U.S. multinational companies, including Microsoft, IBM, and National Instruments. These ventures are typically established in Yerevan, but are also present in secondary cities, including Gyumri and Vanadzor. Linkages between these establishments and U.S. universities and research institutions are growing.

According to recent industry reports, approximately a third of ICT firms in Armenia claim some foreign ownership. More than half of the foreign firms in the ICT sector in Armenia are from the United States. Foreign firms account for roughly half of all employees in the sector. Foreign branches tend to be development centers for parent companies.

Successive governments have thrown broad support behind the develop of Armenia's high-tech landscape. It has long identified the development of the sector as a priority, signing various relevant memoranda of cooperation and agreement with foreign governments and multinational companies. The government is focused on increasingly moving Armenia to a digital society. Technology centers, innovation districts, free economic zones have been utilized to support the high-tech sector. Tax privileges have also been used as a tool to incentivize startups. The government is deploying other tools, including grants, study tours, educational programs, and the formation of a nascent investment fund, to support high-tech ventures.

## **Leading Sub-Sectors**

Software, web design and development, mobile application development, system design, and IT services and consulting tend to account for the bulk of activity in Armenia's ICT industry. Armenia has found a more specialized niche thanks to the local presence of leading electronic design automation firms.

A long list of major multinational ICT firms have operations in Armenia. Significant names include Synopsys, Workfront, DISQO, Optym, Xilinx, Microsoft, D-Link, National Instruments, Mentor Graphics, Intel, Cisco, IBM, Oracle, VMWare, ServiceTitan, VOLO, and others.

Armenia has hosted a number of major industry events that draw international attention. The 2019 World Congress on Information Technology drew an estimated 2,500 participants from over 70 countries. The Foundation for Armenian Science & Technology hosts an annual Global Innovation Forum that attracts major speakers. The Enterprise Incubator Foundation, a local industry group, hosts an annual ArmTech conference, while another industry group, the Union for Advanced Technology Enterprises, organizes a regular DigiTec conference. In recent years, Armenia has hosted an Engineering Week to develop the engineering and industrial component of Armenia's ICT industry.

Educational establishments and innovation districts are opening up new opportunities in the ICT industry by cultivating talent and building ecosystems wherein new companies can find a foothold. The TUMO Center for Creative Technologies is an internationally-renowned, free-of-charge digital media learning center that was established in Yerevan in 2011. The center has provided thousands of students with an open environment where they can use the latest in digital tools, learn from media professionals, and explore the intersection of technology and art. Work is underway to develop an Engineering City on the outskirts of Yerevan. When completed, this multi-million dollar establishment will serve to host local firms, facilitate the incubation of startups, and provide access to state-of-the-art tools and technologies.

## **Opportunities**

As Armenia seeks to move up the value chain and remain competitive within the ICT realm, a number of emerging fields and opportunities are coming into view. To the extent Armenia can be successful in developing new technologies, it can become a stronger destination for contract research and development efforts. Armenia is in a good position to continue to provide such services, including software testing and prototyping, to customers abroad. Specific sub-sectors acknowledged as having potential include artificial intelligence pure research (and eventually engineering), semiconductor design and electronic design automation, and data science. Armenia could potentially have some opportunities to notch some notable wins in biotech and digital health, cleantech, and seismic engineering. Armenia may also have a strong comparative advantage in quantum computing.

## **Resources**

[Ministry of High-Tech Industry](#)

[Ministry of Economy](#)

[Armenian National Interests Fund \(ANIF\)](#)

[Investor Support Center](#)

[Statistical Committee of the Republic of Armenia](#)

[UNCTAD Investment Policy Review of Armenia](#)

[WTO Trade Policy Review: Armenia 2018](#)

[Enterprise Incubator Foundation](#)

[Armenian ICT Sector Annual Report](#)

[Guide to Armenian Information Technology Companies](#)

[Gyumri Technological Center](#)

[Vanadzor Technological Center Establishment Program](#)

[Microsoft Innovation Center](#)

[Armenian National Engineering Laboratories \(ANEL\)](#)

[IBM Innovative Solutions and Technologies Center](#)

[DigiTec Expo](#)

[ArmTech Congress](#)

[TUMO Center for Creative Technologies](#)

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

## **Travel and Tourism**

### **Overview**

Armenia has recorded some impressive gains over the course of the past decade as its tourism industry begins to recognize its full potential. Heading in 2020, Armenia was riding a wave of buzz as an up and coming tourist destination. As Armenia begins to command greater attention on the world stage, thanks in part to a peaceful revolution in 2018 that drew broadly glowing press, the country is attracting a new profile of tourists. In the past, Armenia had relied heavily on drawing visitors from the diaspora to see family and friends, and, to a lesser extent, business travelers. Over the greater part of a decade, there has been a significant increase in the number of arrivals in Armenia for holiday and leisure purposes. International arrivals to Armenia totaled nearly 1.9 million in 2019, a substantial gain over arrivals of less than 600,000 roughly a decade previously. Arrivals grew by 14.7 percent in 2019 over 2018.

According to the World Travel & Tourism Council's 2020 annual research on Armenia, travel and tourism contributed 11.8 percent to Armenia's gross domestic product in 2019, providing 12.5 percent of total employment. International visitors contributed over \$1.2 billion to the local economy through their spending in 2019, representing more than 20 percent of Armenia's export receipts.

The government's official tourism authority, the Tourism Committee, was established in 2016. The Tourism Committee has a policy function and has adopted a strategy for tourism promotion which highlights the different areas of tourism within Armenia including recreational, rural, spiritual, and cultural. More focused government policy interventions have helped grow Armenia's tourism sector, and the government is keen to increase sector jobs and revenues.

According to the World Economic Forum's 2019 Travel & Tourism Competitiveness Report, Armenia ranked 79 out of 140 countries, improving five positions over the previous year's report. The report gave generally good marks to Armenia in terms of most enabling environment factors for tourism in Armenia, but found shortcomings and room for improvement according to several other metrics, including infrastructure.

Armenia has hundreds of destinations of tourist interest—many of them ancient churches and monasteries—but many sites can be difficult to reach. The lack of English language skills, high-standard accommodations, restaurants, and other services in regions outside of Yerevan also act as a deterrent to overnight trips from the capital, where significant foreign and local investment has led to vast improvements in the hospitality sector. Limited and inconveniently-scheduled international flight connections also impede the development of the tourism industry. However, the government's civil aviation reforms, undertaken several years ago, have liberalized the aviation sector and are now paying dividends in the form of low-cost carriers that began arriving in 2019 and 2020 to operate flights between Armenia and major European destinations.

Tourism patterns in Armenia tend to be highly seasonal, with the late spring, summer, and early fall months seeing strong inflows of tourists. Armenia has not yet developed as a fully year-round tourist destination.

COVID-19 has exerted a significant toll on tourism in Armenia due to the loss of almost all regularly scheduled commercial flights and a broader downturn in the economy. However, the sector has shown some resilience as domestic tourism has helped fill the gap. Many analysts predict that tourism will only begin its reemergence in spring 2021 at the earliest.

### **Leading Sub-Sectors**

Armenia is a unique tourism destination with a rich and diverse cultural heritage and a tremendous physical landscape that provides dynamic opportunities for tourism. There are opportunities for many different kinds of tourism: cultural, religious, ecological, agricultural, recreational, culinary, nature, adventure, genealogical, and more. A number of

these sub-sectors already contribute substantially to Armenia's tourism industry, yet still have a high likelihood of continuing to grow. Current and developing tourism clusters present additional opportunity.

Armenia features an abundant variety of cultural, natural, and historical sites, six UNESCO World Heritage sites, medieval monasteries, churches, and fortresses. The number of hospitality companies working in Armenia, including hotels, B&Bs, restaurants, transportation companies, tour operators, and travel agencies reaches into the thousands. Armenia's key markets for inbound international tourists include France, Germany, Russia, Iran, and the United States.

Yerevan acts as the main international gateway to Armenia for a significant portion of tourists. Armenia's capital offers a compelling mix of sights and experiences that can cater to a diverse range of tourists. Yerevan offers a bustling and continuously evolving restaurant, café, and wine bar scene with traditional and international fare. Lodging options continue to expand. The city offers many diversions, including museums, festivals, concerts, movie theaters, athletic facilities, green spaces. A number of culturally, historically, and religiously significant sites are located in Yerevan.

A number of destinations are of particular interest to international tourists. Most of the popular outlying destinations can be reached by vehicle in a matter of hours from Yerevan.

Tsaghkadzor is an attractive ski resort town located within a convenient driving distance from Yerevan. It attracts a significant number of international and domestic tourists, particularly in the winter. The town is served by a Marriott property.

Dilijan is a popular retreat from Yerevan, with a landscape and microclimate that can offer a stunning contrast at times. The town and surrounding areas are dotted with smaller hospitality establishments. Dilijan National Park, which boasts a number of recently improved hiking trails, is nearby.

Lake Sevan, one of the largest high-altitude freshwater lakes in Eurasia, is a popular summer destination for international and domestic tourists. It offers opportunities for outdoor diversions and recreation, as well as places of cultural and religious significance.

Vayots Dzor marz is Armenia's wine country, home to a number of wineries, many with stunning vineyards. The history of winemaking in this region stretches back more than 6,100 years. The region offers some excellent cultural and religious destinations, as well as some well-maintained hiking trails with fantastic displays of flora and fauna.

Aragatsotn marz is another leading wine tourism destination, located more conveniently to Yerevan.

Jermuk is a leading health resort noted for its mineral waters, sanatoria, and some natural features of interest. Some skiing is available during the winter.

Since 2015, USAID and the Smithsonian Institution have partnered to implement an innovative project to enhance cultural tourism in Armenia. The project aims to contribute to the development of the tourism industry in Armenia, and ensures that the benefits of that growth are widely distributed across the country by promoting tourism in regions outside Yerevan. Under this partnership, the Smithsonian Institution ran an Armenia-focused program as part of the 2018 Folklife Festival in Washington, D.C., which offered a U.S. audience a glimpse in Armenia's rich culture and heritage. Festivals have become increasingly prominent in Armenia as well, with various events celebrating Armenian points of national pride such as wine, barbecue, and other dishes.

A number of other initiatives have taken place with the goal of restoring and preserving notable landmarks. One notable example of this is the Tatev Revival Project, a public-private partnership between the government and a private foundation that restored a major monastery complex in Armenia's south and organized the construction of the longest reversible cableway in the world.

## **Opportunities**

Armenia still has several picturesque regions with quality tourist destinations that lack modern accommodations, restaurants, and services. International partners have focused recommendations on the need to develop regionally-

located hotels and guesthouses up to a sufficient standard for attracting and hosting international tourists. The government has developed investment master plans around strategic corridors. Of particular interest, but not exclusively, may be the scenic but underdeveloped southern regions of Syunik and Vayots Dzor, as well as Gyumri and Dilijan, in Armenia's north.

A number of international partners, including the World Bank and United Nations Development Program, have invested heavily in supporting the development of Armenia's tourism sector through market analyses. Various projects have examined questions such as infrastructure investment, skills development, product development, investment potential, and access to human capital as key considerations in selecting possible sites for tourism development and the creation of tourism corridors or circuits.

There are continuing opportunities for investment and commercial expansion in Yerevan, if not elsewhere, to support the steady increase of tourists. Well-known U.S. franchises, particularly restaurants, are in demand in Armenia and the sector is showing signs of growth. Major U.S. hotel chains have entered Armenia or expanded their operations in the Armenian market.

### **Resources**

[Ministry of Economy](#)

[Armenia Official Tourist Website](#)

[Armenian National Interests Fund \(ANIF\)](#)

[Investor Support Center](#)

[Statistical Committee of the Republic of Armenia](#)

[UNCTAD Investment Policy Review of Armenia](#)

[WTO Trade Policy Review: Armenia 2018](#)

[World Travel & Tourism Council](#)

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

## **Fast Moving Consumer Goods (FMCG)**

### **Overview**

Retail trade in Armenia has swelled in recent years. Growing income levels and improving living standards in Armenia have paved the way for the accelerated growth of the retail sector.

According to national statistics, Armenia's domestic trade turnover in 2019 increased by 8.9 percent, to about \$6.8 billion, supported by broad macroeconomic stability, strong growth, and rising wages. The biggest contributor to Armenia's domestic trade volume in 2019 was retail trade, at about \$3.2 billion. COVID-19 is expected to exert strong downward pressure on Armenia's retail trade in 2020.

According to data from the Central Bank of Armenia, private remittances sent via bank transfers to Armenia in 2019 totaled more than 10 percent of gross domestic product, with the vast majority of transfers coming from Russia. Armenia's reliance on Russia as a market for exports and migrant labor means that the health of Russia's economy has a strongly determinative effect on Armenia's economy and the volume of remittance receipts. Those remittance receipts help fuel Armenia's retail trade.

AT Kearney's 2015 Global Retail Development Index found that Armenia has an unsaturated retail market which is shifting rapidly to modern formats. According to AT Kearney, about 80 percent of the country's retail sales occur in Yerevan where, shoppers spend almost \$100 million monthly on consumer goods, primarily food. Home improvement, clothing, and furniture are the top non-food categories. Armenia tends to rank 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. However, according to AT Kearney, Armenia faces challenges in terms of the country's small population and the persistence of monopolies in certain sectors.

The growth in retail is supported by the consumption-driven nature of the Armenian economy as well as readily available consumer financing from banks. As logistical services continue to expand and improve, this will support the continued growth of local retail and grow an Armenian market of consumers that U.S. businesses can serve, both in Armenia and from abroad.

### **Leading Sub-Sectors**

Food retail comprises a significant share of total retail turnover. Building materials, textiles, clothing, and furniture dominate the non-food retail segments.

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 the sale of food and consumer products. Supermarkets are the most frequently used stores for fast moving consumer goods purchases in Yerevan, with nearly 400,000 customers daily. Purchases at large supermarkets represent nearly half of the fast moving consumer goods trade in Yerevan. The Yerevan Mall opened in February 2014; its major tenants include Inditex Group brands and a Carrefour supermarket, which made its entry into Armenia after working to do so for several years. This development is a solid sign of improvement for the market, given that a legacy of corruption and lack of contestability in many local markets have hampered the entry of international players. In 2016, the Rossiya Mall opened in the center of Yerevan, built at a cost of around \$15 million. The mall is home to the largest jewelry center in Yerevan. In 2017 another shopping center, RIO Mall, opened in Yerevan. In 2018, Carrefour opened a new supermarket in the Rossiya Mall. Construction of several other malls is underway. In 2019, the Dutch grocery chain SPAR entered Armenia, opening its first store with plans to expand in coming years.

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 generally low incomes in Armenia and difficulties with access to finance, many entrepreneurs can secure sufficient capital to facilitate franchising.



## **Opportunities**

Well-known western franchises, particularly restaurants, are in demand in Armenia and the sector is showing signs of growth. Name-brand U.S. fast food franchises are a common and growing sight in Yerevan. Yerevan has seen an explosion of other dining options in recent years. High-priced dining establishments are also finding increased success. 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, and Nike. U.S. fitness chains and brands have been operating in Yerevan for several years and continue to expand. Franchise offers from well-known U.S. brand stand to attract substantial interest, both from customers and local investors and partners.

## **Resources**

[Ministry of Economy](#)

[Armenian National Interests Fund \(ANIF\)](#)

[Investor Support Center](#)

[Statistical Committee of the Republic of Armenia](#)

[UNCTAD Investment Policy Review of Armenia](#)

[WTO Trade Policy Review: Armenia 2018](#)

[American Chamber of Commerce in Armenia](#)

[Spyur Information System](#)

## Customs, Regulations, and Standards

### Trade Barriers

There is a lack of clarity in many areas such as import licensing, customs procedures, and intellectual property rights enforcement, particularly since Armenia's accession to the Eurasian Economic Union (EAEU) and the adoption of the EAEU Customs Code. U.S. companies may face a number of tariff and non-tariff trade barriers when exporting to Armenia. Another potential issue is the EAEU's complex system of standardization, which is based on Russia's standardization regime. U.S. companies are encouraged to obtain appropriate legal advice or assistance from experienced distributors or consultants on all aspects of EAEU requirements.

Membership in the EAEU is forcing Armenia to apply stricter standardization, sanitary, and phytosanitary requirements in line with EAEU—and, by extension, Russian—standards, regulations, and practices. Armenia has had to surrender control over many aspects of its foreign trade regime in the context of EAEU membership. Tariffs have also increased, granting protection to a number of domestic industries. Armenia is increasingly beholden to comply with EAEU standards and regulations as post-accession transition periods have, or will soon, come to a close. All Armenian goods circulating in the territory of the EAEU must meet EAEU requirements following the end of relevant transition periods. However, the Armenian government has recommended to importers and exporters that they observe EAEU technical regulations as soon as possible. Companies should consult with the [Armenian conformity assessment body](#). They can also seek guidance via the [Eurasian Economic Commission](#), the EAEU's executive body.

Armenia has been a member of the World Trade Organization (WTO) since 2003. It is party to numerous WTO agreements and makes notifications to the WTO under those agreements, but it has not yet accepted protocols to implement some agreements.

The sometimes unpredictable and inconsistent application of customs requirements and procedures represents a barrier to trade. According to the World Bank's Doing Business 2020 report, Armenia ranks 43rd of 190 economies on the ease of trading across borders, slightly better than the regional average for Europe & Central Asia. Armenia has made trading easier by introducing self-declaration desks at customs houses and warehouses, investing in new equipment to improve border operations, and introducing risk management systems. However both local and foreign business representatives 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 has historically resulted in demands for facilitation payments or bribes. Since the new government came to power in May 2018, significant improvements have been reported with respect to corrupt practices, though traders have continued to raise concerns about the professionalism of customs officials and a lack of clarity or predictability in carrying out customs clearance procedures.

Exporters report relatively minor hassles at customs houses relative to importers, but there are some common nuisances. One of these is an informal requirement to submit a special permit issued by the head of the customs house to the customs officer. To obtain 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, a division of ACCI, has examined the exports. The ACCI applies a complicated and expensive mechanism for issuing certificates; ArmExpertiza must study samples of goods to be exported. Exporters, especially those that export goods in relatively modest quantities, are often 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

Enforcement and Compliance

202-482-0063

[ECCcommunications@trade.gov](mailto:ECCcommunications@trade.gov)

[www.trade.gov/enforcement](http://www.trade.gov/enforcement)

## **Import Tariffs**

Armenia's accession to the Russian-led Eurasian Economic Union (EAEU) in 2015 has resulted in increased customs tariffs for a broad range of imports. Armenia was required to harmonize its customs tariffs with those of the EAEU, with temporary exemptions that phase out over different periods of time. The exemptions are set to expire completely by 2022. The common external tariff for the EAEU is based on Russia's tariff rates and World Trade Organization commitments. The Eurasian Economic Commission (EEC) is the EAEU's executive body. The EEC handles the harmonization of tariffs, tariff rate quotas, and licensing and certification among EAEU member states. However, implementation so far has been uneven and national governments still retain some discretion.

Prior to Armenia's EAEU accession, tariffs on imports were applied at rates of 0 or 10 percent. In 2009, the average applied tariff was approximately 2.7 percent. It has since climbed to above 7.5 percent. Tariffs on agricultural products have increased dramatically relative to tariffs for non-agricultural products. The use of non-ad valorem tariffs has significantly expanded.

Import tariffs on goods are classified pursuant to the Harmonized System (HS).

Current information on the harmonized tariffs of the Eurasian Union can be found in Russian [here](#).

The full list of the goods for which Armenia negotiated temporary customs tariffs exemptions and their timing is available in Annex 4 of the treaty on Armenia's joining the EAEU. The text of the treaty with Annex 4 can be found here in [Russian](#) and [Armenian](#).

The application of 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 frequently underprice the transaction value of goods to avoid tariffs, value added tax, and excise taxes. In order to rely on the transaction value method with greater confidence and predictability, importers should submit a valid invoice for goods procured in the exporting country together with a customs declaration.

There are no duties on temporary imports or imports made against credits to the government or pursuant to other international assistance. Armenia has no export tax. Customs authorities calculate and collect value added tax and other taxes, notably excise taxes on alcohol, tobacco, and certain petroleum products, at the point of entry. For more information on payments, please see the [Armenian Customs website](#).

## **Import Requirements and Documentation**

Customs officials require importers to present a customs declaration form with a commercial invoice indicating the specifications, quantity, and value of goods being imported. Armenia's customs authority has implemented an on-line declaration process (Direct Trader Input, or DTI) that reduces personal contact between customs officials and importers.

A declaration must be supported by the following documents (where applicable): contracts, commercial documents such as commercial invoices and packing lists, transport documents, import licenses, TR TS (technical regulation of technical safety) certificates, certificates of origin, sanitary certificates, import permissions and licenses for certain goods, and documents confirming the legitimacy of declarants, brokers, and importers.

The Eurasian Economic Union (EAEU) maintains a unified list of goods for which import and export limitations and prohibitions apply in order to monitor and control movement of goods classified as sensitive by the member states or by the international community. In Armenia, import licenses are issued by government agencies in accordance with the unified licensing rules of the EAEU. Information about legislation, licenses, and bans and restrictions on the movement of goods is available on the [State Revenue Committee website](#). Licenses can be obtained online through an [electronic system](#).

## **Labeling and Marking Requirements**

Imported food products' labels must indicate the manufacturer's name, contents, weight, and "best before" data. Armenia has recently adopted language requirements for imports of some products, notably food. Eurasian Economic Union (EAEU) technical regulations require that food products marketed in the customs union be labelled in Russian and in any other language required by each member state.

A complete list of requirements may be obtained from the [National Body for Standards and Metrology](#) (SARM). Companies wishing to obtain bar codes for their products should apply to SARM. Armenia is a member of the International Organization for Standardization (ISO) and aims to harmonize its systems of standards in compliance with ISO requirements within the next few years.

## **U.S. Export Controls**

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of “red flags”, or warning signs, and compiled “Know Your Customer” guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check a [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of “dual-use” U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State’s Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the e-CFR (Electronic Code of Federal Regulations) and is updated as needed.

The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

## **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 (EAEU) Customs Code.

For further information, please refer to the [Eurasian Economic Union website](#).

## **Prohibited and Restricted Imports**

Armenia prohibits, except in authorized cases, the import of pharmaceutical products, medicines, certain chemicals, weapons and components thereof, explosives, nuclear materials, poisons, drugs, psychotropic substances, and pornography.

## **Customs Regulations**

The Eurasian Economic Union (EAEU) Customs Code substantially controls Armenia’s foreign trade regime and customs regulations. For further information, please refer to the [Eurasian Economic Union website](#).

Additional information is available from Armenia's State Revenue Committee, which exercises direct oversight over customs issues:

[State Revenue Committee](#)

3 Movses Khorenatsi Street, Yerevan 0015, Armenia

Tel.: +374 (60) 544 444

Email: [secretariat@customs.am](mailto:secretariat@customs.am)

## Standards for Trade

### Overview

Standards for trade are determined by Armenia's commitments within the Eurasian Economic Union (EAEU) and national legislation. The EAEU stipulates a preference for international standards, with some exceptions. The Eurasian Economic Commission (EEC), the EAEU's executive body, approves the general list of products subject to EAEU technical regulations, procedures for the development and adoption of EAEU technical regulations, the regulations themselves, procedures for the inclusion of certification bodies and testing laboratories in the EAEU registry of compliance assessment bodies, and uniform compliance certificates and declarations. With Armenia's accession to the EAEU, some standardization requirements have become much more stringent to match EAEU requirements, particularly with regard to sanitary and phytosanitary requirements.

At the national level, issues related to standards and technical regulations are the responsibility of bodies under the Ministry of Economy. National authorities are responsible for establishing procedures for compliance with EAEU technical regulations in Armenia, establishing accreditation procedures for conformity assessment bodies, and encouraging the accreditation of conformity assessment bodies.

Armenian companies have been granted a transitional period to comply with EAEU technical regulations. This period began in 2016 and will last through 2019 or 2022, depending on the particular product subject to regulation. The Armenian government has recommended that traders adopt EAEU technical regulations as soon as possible. By 2022, all goods produced in, imported into, and circulating within the EAEU must meet EAEU-wide mandatory requirements.

EAEU draft technical regulations are published in Russian on the EEC website for at least 60 days, after which notification is sent to the World Trade Organization (WTO). Any Armenian or foreign entity may comment (in Russian) to the contact listed on the website. Final EAEU technical regulations are published on the EEC website. Once EAEU technical regulations come into force, they prevail over the relevant Armenian technical regulations for the same products.

The [National Body for Standards and Metrology \(SARM\)](#) operates under the Ministry of Economy and is the main standards organization in Armenia. SARM focuses on the research, development, and publication of national, interstate, and international standards. Other key bodies include the National Accreditation Body and Market Surveillance Inspection Body.

### Standards

Certificates of quality or safety issued or accepted by the [National Body for Standards and Metrology \(SARM\)](#) are required for most food and non-food products, tobacco products, alcoholic drinks, and petroleum products as well as for quality management systems (ISO 9001) and environmental management systems (ISO 14001). Armenia has cooperation agreements in the field of standardization with Georgia, Belarus, Turkmenistan, Kazakhstan, Kyrgyzstan, Ukraine, Russia, China, India, Slovakia and Iran.

As the main standards organization in Armenia, SARM has been 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)

SARM maintains a national fund of standards, which includes International (ISO), Interstate (GOST), Regional (EN), Armenian (AST), and other state standards. It coordinates the activities of six standardization technical committees.

As a member of the World Trade Organization (WTO), Armenia is required under the Agreement on Technical Barriers to Trade to notify to the WTO proposed technical regulations that could affect trade with other WTO member countries.

### **Testing, Inspection, and Certification**

The National Body for Standards and Metrology (SARM) specifies conformity assessment procedures in Armenian on its [website](#). Due to Armenia's membership in the Eurasian Economic Union (EAEU), the process for obtaining certification documents has changed. Manufacturers may now obtain unified certificates and declarations of conformity for all EAEU member countries. A full set of documents, including the unified list of accredited bodies and laboratories, is available on the [EAEU website](#). 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.

For a complete list of products (except pharmaceuticals) subject to certification procedures, please see the [Armenian Customs website](#) or contact SARM. Companies may also need to consult with the [State Service for Food Safety](#) regarding applicable regulations.

Imported vitamins and other pharmaceutical products are subject to certification by the [Ministry of Health](#).

### **Publication of Technical Regulations**

The [National Body for Standards and Metrology \(SARM\)](#) publishes new standards for an initial 60 days. A subsequent public comment period allows any Armenian or foreign entity to submit comments via the SARM website. Valid National Standards (ASTs), International Standards (ISOs), European Standards (ENs), Interstate Standards (GOSTs), Russian Federation Standards (GOSTs R), Technical-Economical and Social classifiers (CRA) and Technical Specifications are available in the catalog on the SARM website.

Before technical regulations are adopted, they are published on a [government portal](#) for public comment open for up to 20 days. After adoption, the regulations are published in official journals and an electronic legal database available online.

Eurasian Economic Union (EAEU) technical regulations are published on the Eurasian Economic Commission website, after which Armenia submits notification of the regulation to the WTO.

### **Contact Information**

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](http://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 or countries 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.

#### [National Body for Standards and Metrology \(SARM\)](#)

Ministry of Economy

M. Mkrtchyan 5, Yerevan 375010, Armenia

Tel: +374 (10) 56 69 25

Fax: +374 (10) 52 65 77

Email: [sarm@sarm.am](mailto:sarm@sarm.am)

Economic and Commercial Section

U.S. Embassy

American Avenue 1, Yerevan 0082, Armenia

Email: [YerevanBusiness@state.gov](mailto:YerevanBusiness@state.gov)

### **Trade Agreements**

Armenia has been a member of Russian-led Eurasian Economic Union since 2015 and has free trade agreements with Commonwealth of Independent States countries. Armenia also has a free trade agreement with neighboring Georgia.

Armenia is able to export certain products to the United States and European Union under generalized system of preferences programs.

More information can be found under the [World Trade Organization's Regional Trade Agreements Database](#).

### **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 the [Law on Licensing](#). The law provides for two types of licenses, simple or compound. Generally, providers of professional services such as physicians, lawyers, bankers, financial brokers, and auditors are required to hold compound licenses. Armenia has carried out significant reforms to simplify requirements and procedures to obtain permits. Additional information about licensing can be obtained [online](#).

A qualification certificate issued by the Ministry of Finance is required to work as a senior accountant in an organization whose financial accounts are subject to publication and disclosure. The necessary information regarding qualification procedures is available [here](#).



## **Selling US Products and Services**

### **Distribution & Sales Channels**

#### **Overview**

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 Yerevan, the hub for domestic distribution. Distribution most commonly takes place via truck; domestic distribution via rail and air is uncommon. 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 closed borders with Turkey and Azerbaijan limit trade 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 2020, the shipment of a 40-foot container from Yerevan to New York costs approximately \$3,500, and from Yerevan to Los Angeles up to \$4,500, 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 and a few department stores. Big companies representing multiple brands often have their own distribution centers based out of Yerevan.

#### **Using an Agent and Distributor**

Given Armenia's market size and the staff and resources required for a U.S. firm to establish a presence in the country, it is often more effective to sell in Armenia through reliable and qualified representatives who understand the local environment and dealing with partners in both the private and public sectors. There is no legal requirement to use a distributor.

Armenian companies are usually willing to become agents or distributors for American products. In recent years, local companies have agreed to become distributors for U.S. companies including Procter & Gamble, Mars, Johnson & Johnson, FedEx, UPS, Dell Computers, Intel, IBM, and Nike. U.S. companies seeking local agents or distribution partners may contact an Armenian legal consulting firm for assistance in finding a partner [here](#). Contracts for agents and distributors may vary significantly depending on the sector.

U.S. firms should carefully evaluate the reputation and bona fides of any prospective representative or agent before entering into contractual agreements or conducting any other business with such partners.

The [American Chamber of Commerce in Armenia](#) has experience identifying prospective agents and distributors and can serve as a resource for obtaining information about local companies, distributors, wholesalers, and retail outlets.

Practical information on company backgrounds, contact details, physical locations, and product offerings is also available via Armenia business directories such as [Spyur](#).

#### **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 forms of legal 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 companies retain legal counsel or other expertise on entity formation and corporate registration.

processes. The U.S. Embassy in Armenia makes available a [list of attorneys](#), some of whom may be able to provide appropriate guidance. The use of an accountant for tax planning purposes is also recommended.

In general, the process of registering a business in Armenia is quick and straightforward. Registration is handled electronically through the [State Register of Legal Entities of the Ministry of Justice](#). A single window service facilitates name reservation, state registration, and tax registration as part of a single registration process. Required documents can be submitted either in hard copy or electronically. Registration can be completed immediately if documents are submitted electronically. Approval can take up to two working days for registrations submitted physically using approved templates.

Office space is widely available in Yerevan, but demand has picked up in recent years, reducing the stock of available property. Commercial property prices in the center of town range between \$1,200 and \$2,500 per square meter; property prices in non-central areas are lower, generally between \$550 to \$1,200. The monthly rent for commercial space ranges from between \$15 and \$35 per square meter.

### **Franchising**

The growing number of European franchises in Armenia and the prevalence of copycat shops and restaurants, together with a general premium on name brands and a consumption-driven economy, suggest additional opportunities for U.S. franchises in Armenia, especially in Yerevan. Franchise offers from well-known U.S. brands stand to attract substantial interest in Armenia, both from customers and local investors. Franchises tend to be concentrated in fast food restaurants and retail apparel. Fitness concepts have also seen growth in Armenia Yerevan in recent years. There is no specific legislation in Armenia for franchising.

### **Direct Marketing**

The use of direct marketing is growing in Armenia, particularly among information technology and telecommunications companies that use direct mail, text message advertisements, and leaflet distribution. The digital marketing landscape continues to grow at a rapid pace and the number of marketing agencies has increased. Digital marketing is a ripe space given a high degree of interconnectivity to the internet throughout the country and extensive degree to which Armenians engage via social media platforms. While printed materials are still used, businesses increasingly deliver special offers through social media platforms, mobile applications, and email messages to existing or potential customers. The use of direct mail is limited because regular postal services are not widely used, and many direct marketing efforts lack clear market segmentation based on targeted consumer profiles. Network marketing is used by a number of direct sales companies, particularly in the beauty sales segment.

### **Joint Ventures/Licensing**

Although Armenian law generally permits 100 percent foreign ownership of business enterprises, joint ventures are a popular arrangement between Armenian and U.S. companies as a means of penetrating the local market. 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.

Many types of businesses are required to have a license. A list of activities subject to licensing is provided in the [Law on Licensing](#). The law provides for two types of licenses, simple or compound. 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.

### **Express Delivery**

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

[HayPost CJSC](#) is the official national postal operator of Armenia. The company provides postal, payment, and retail services. Haypost currently operates through 900 postal offices across Armenia, including in some of the country's most remote rural areas.

Express courier services operating in Yerevan include FedEx, UPS, EMS, and DHL. Delivery times from the United States are generally around five to seven days.

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 Armenian drams (approximately \$400). For the customs procedures and duties exceeding the above-mentioned limits, please visit the, Customs, Regulations, and Standards section of this report.

### **Due Diligence**

U.S. companies are advised to perform due diligence prior to signing contracts with new partners. Companies are responsible for complying with all applicable laws and regulations of the United States, including the U.S. Foreign Corrupt Practices Act. 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.

### **eCommerce**

#### Assessment of Current Buyer Behavior in Market

The eCommerce market in Armenia continues to develop, supported by the expanding use of the internet, expanding use of credit cards, and rising household incomes. Armenians increasingly prefer to shop online for a variety of goods, including household appliances, consumer electronics, apparel, cosmetics, toys, meals, and groceries. The B2B segment is also a strong driver of eCommerce activity, particularly given the continuous expansion of Armenia's high-tech and finance and banking sectors. Despite the growth in eCommerce among some consumer segments, it remains a novelty for many demographics, due to unfamiliarity, a lack of disposable income, poor delivery infrastructure, or other reasons.

Armenian consumers utilize a variety of platforms, both local and international, for making purchases online. Amazon and eBay are widely used by local consumers. Orders from the United States are frequently fulfilled with the assistance of shipping consolidators. Competing sites from other countries are gaining in popularity. A variety of homegrown platforms serve local consumers, including those for electronic payment systems, grocery delivery, ride hailing, and purchases of a wide range of consumer goods.

According to official statistics from the Central Bank of Armenia (CBA), the volume of eCommerce trade has shown consistent double-digit percentage growth year to year. Orders from abroad have shown strong growth. Statistics from the CBA released in 2017 show that nearly 70 percent of transactions processed through Armenia's own national card payment system were concentrated in department store purchases, fashion products, intangible digital goods, and consumer electronics.

Visa and Mastercard are the most commonly used cards for completing international transactions. Despite growth in the use of payment cards, cash upon delivery remains the predominant method of payment for eCommerce transactions fulfilled locally.

Internet penetration in Armenia has continued to increase, facilitating the growth of eCommerce. Access to the internet is included in the vast majority of the more than 3 million active mobile phone subscriptions, and broadband speeds are becoming the norm.

## **Local eCommerce Sales Rules & Regulations**

Armenian legislation regulates key aspects of eCommerce in the country. Relevant authorities include the Civil Code, Law on Trade and Services, Law on Consumer Rights Protection, and Law on Implementation of Cashier Machines. In recognition of the growing importance of eCommerce in the economy, the government is formulating new legislation focused specifically on eCommerce.

Armenia has taken steps to develop legislation to facilitate the collection of value-added tax for international online transactions. Armenia is participating in relevant discussions under the convened under the auspices of the Organization for Economic Cooperation & Development. Initial indications from the country's tax authority indicate that Armenia aspires to offer a favorable environment for eServices providers in other jurisdictions to self-declare and pay value-added tax on services provided to the Armenian consumers. The government has provided no indication that it is considering going beyond value-added tax collection and levying digital services taxes.

As is the case with traditional sales channels, weak enforcement of intellectual property rights in Armenia creates impediments to the further development of eCommerce.

## **Local eCommerce Business Service Provider Ecosystem**

The use of email for business communication is becoming increasingly common, particularly in Yerevan, although the telephone remains the primary method of business communication. Most companies have their own website. Some businesses, including leading supermarkets, have begun offering online ordering and local delivery fulfillment. Parcel handling companies, freight consolidators, and the postal service are becoming more adept at getting orders to customers, particularly for purchases from abroad. The continuation of duty-free limits for personal purchases of goods from abroad helps sustain and develop this ecosystem, in addition to allowing Armenian consumers the ability to enjoy a greater selection of goods and choice of vendors. Online banking is becoming increasingly popular and Armenians are becoming accustomed to this method of receiving financial services. The digital marketing landscape continues to grow and the number of marketing agencies in Armenia has been increasing. The increased adoption and use of electronic payment systems, whether through traditional cards, mobile money, or digital platforms, is helping drive the growth and increased effectiveness of eCommerce.

## **Selling Factors & Techniques**

### **Overview**

As in any country, successfully marketing and selling goods and services in Armenia requires adaptation to its commercial climate and business practices. Personal contact is key in Armenia. Visits to key contacts in government and customers can go a long way in demonstrating the value a firm attaches to its relationships.

Market research is required to identify opportunities, potential Armenian business partners, and the peculiarities of individual industries and sectors. Government and private sector customers may vary significantly in terms of the information they require to make purchasing decisions, their timelines for making decisions, and the criteria and decision making processes they use.

Choosing particular business partners is an important decision and should be done only after conducting sufficient due diligence to determine a 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.

International exhibitions and trade shows, particularly in Yerevan, are not uncommon and generally take place throughout the year. They provide opportunities for companies to market themselves to local buyers and evaluate and meet competitors. The U.S. Embassy in Yerevan supports initiatives to bring U.S. companies to such events where

they can interact with Armenian buyers, and welcomes the initiative of companies and business associations to organize trade missions. The U.S. Embassy in Yerevan similarly promotes the attendance of Armenian buyers at trade shows outside of Armenia, including in the United States and Europe, where they can interact with U.S. companies.

### **Trade Promotion and Advertising**

Radio, television, internet, and print are widely available media for advertising. Billboards and glass stands with flipping ad posters are other common media for advertising, predominantly in densely populated areas. However, television dominates in terms of revenues. Advertising can be arranged through local advertising agencies or directly with television stations, radio stations, and print outlets. Cable and satellite television are expanding their reach and offer additional avenues for reaching consumers. Internet advertising has grown significantly over the past few years as the number of internet users in Armenia continues to increase. Several local companies specialize in designing advertisements for online media.

In 1996, Armenia adopted the [Law on Advertising](#), which defines advertising standards and principles. One key provision of this law is a mandate that makes 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, and certain other materials that are issued or printed in foreign languages. Advertisements 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 sport and hunting weaponry, is prohibited. Specific restrictions apply to advertising for 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 television stations in Armenia include [Public TV Company of Armenia](#), [Kentron](#), [Armenia TV](#), and [Shant TV](#).

[LOGOS EXPO Center](#) is a leading company responsible for organizing sector-specific national and international exhibitions, congresses, and forums in Armenia and abroad. Since 1999, it has organized over 250 exhibitions, conferences, and forums which were held in cooperation and with the support of various ministries, professional unions, and industry associations.

### **Pricing**

A number of key factors affect the pricing of goods and services in Armenia, including the relatively low purchasing power of many consumers, high transportation costs needed to access Armenia, a 20 percent value added tax, and a broad lack of contestability in many domestic markets. The Eurasian Economic Union's common external tariff adds additional costs in the form of duties.

The exchange rate of the local currency, the Armenian dram, against the U.S. dollar has been broadly stable in recent years, but it has not been without some sharp movements. Low inflation has kept price changes muted.

The Armenian market can be very sensitive to changes in price, and the public is likely to recognize small price differences across similar goods. The prices of high-value items, including automobiles and real estate, may be quoted and paid for in foreign currency, though prices and payments should be indicated and made in the dram.

There are no standard pricing formulas, but Armenian customs officials have made use of reference pricing, which can significantly impact margins on imported products and those made from imported raw materials.

The State Commission for the Protection of Economic Competition has on several occasions intervened to address claims of overpricing resulting from local firms abusing dominant market positions.

## **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 and aftercare services. Phone-based sales service or customer support is not common. In most cases, customers need to approach vendors in person.

## **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 can avail themselves of local specialists familiar with issues confronting western firms in Armenia.

Since 2002, the [Association of Accounts and Auditors of Armenia](#) has served to improve the professional skills of accountants and auditors operating in Armenia through qualification, continuing education, comprehensive professional assistance, and quality control.

[PMI Armenia](#) was formed in 2015 as the local chapter of the Project Management Institute (PMI). It is a leading association of local professionals.

Since its establishment in 2010, the [Armenian HR Association](#) has been focused on developing a specialized HR community in Armenia that can contribute to the development of better personnel management systems and practices.

## **Principal 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 U.S. products, and so on. The organization is run by an executive director and 12 board members. AmCham has traditionally focused on improvement of the business environment in Armenia.

## **Limitations on Selling U.S. Products and Services**

Armenian legislation does not limit the right to sell to only Armenian citizens or a sub-set of the population in any industry. Both foreign and local competitors and enterprises in Armenia are subject to the same laws and regulations, though there are some restrictions of the rights of foreigners to take ownership positions in some sectors, notably media and civil aviation, as well as offer some professional services.

## **Trade Financing**

### **Methods of Payment**

Payment methods and terms vary depending upon a 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, at least until both parties establish a positive record of payment. Once a 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 boost 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, letter of credit, or on a barter basis.

Armenia has one licensed credit bureau, the [Armenian Credit Reporting Agency](#). 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 [here](https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters) (<https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters>).

### **Banking Systems**

Armenia's economy is still largely cash-based. The large role of remittances from abroad implies a steady and significant role for bank transfers. Most retail transactions are in cash but credit cards are increasingly accepted. The use of debit and credit cards is increasing as the network of automatic teller machines (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, and trade finance (including letters of credit, collections, and guarantees), as well as trust operations, brokerage services, and more.

### **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 regulations and the [Law on Currency Control](#).

### **U.S. Banks and Local Correspondent Banks**

The Central Bank of Armenia maintains a [list of Armenian banks](#) that includes SWIFT information and correspondent banking relationships. There are no U.S. banks in Armenia.

### **Protecting Intellectual Property**

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, please see [Protecting Intellectual Property](#) and [Stopfakes.gov](#) or [contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at \[Stevan.Mitchell@trade.gov\]\(mailto:Stevan.Mitchell@trade.gov\)](#).

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### **Selling to the Public Sector**

#### **Selling to the Government**

Armenia acceded to the World Trade Organization's Agreement on Government Procurement Agreement (GPA) in 2011. As part of its accession to the GPA, Armenia made market liberalization commitments and updated key legislation, notably the Law on Procurements, in a bid to move toward international tendering across all levels of government. Since acceding to the GPA, Armenia has continued to refine procurement legislation, introducing anti-corruption measures and increasing the transparency and effectiveness of the system. Amendments have also been calibrated to bring government procurement in line with Armenia's commitments as a member of the Eurasian Economic Union (EAEU). Particular achievements include more robust guidelines for beneficial ownership disclosure, conflict of interest, debarment, and recordkeeping for bid evaluations. New institutions have been created to institutionalize and manage procurement processes.

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. Procurement processes have moved online and windows for direct negotiation and sole-source procurement have been narrowed as part of efforts to increase transparency. The government has recently moved to establish new frameworks for public-private partnerships, but implementing legislation is still forthcoming.

Armenia's state procurement laws and regulations aspire to 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 remains. Though the law stipulates a preference for open tendering in procurement processes, this method has been relatively lightly used in recent history, particularly in comparison to framework agreements and negotiation procedures without prior announcement.

Most of the government's large purchases are connected to programs funded by international financial donors, including the multilateral development banks. Credit terms are one of the most important factors in government purchasing decisions. Product quality and supplier reputation are secondary factors. U.S. companies are advised to approach any government tender deliberately. However, lucrative opportunities do exist and U.S. companies have had success in Armenia. In recent years, state procurements have totaled between four and seven percent of annual gross domestic product. Over 25,000 contracts tend to be granted per year, based on recent statistics. Goods make up the bulk of the government's purchases, as opposed to services. The central government, as opposed to sub-central government or other entities, is the primary customer.

U.S. companies bidding on government tenders may also qualify for U.S. government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy for Foreign Government Contracts](#) for additional information.

### **Financing of Projects**

Local commercial banks limit their lending operations to mostly short-term loans at relatively high rates of interest. Numerous additional fees add to costs and make such financing unattractive. Additionally, these banks often demand high levels of collateral. Project financing is very limited unless implemented through subsidized loan programs funded by foreign governments and other international partners.

There are several notable opportunities for U.S. firms to participate in major project opportunities in Armenia, including in telecommunications, energy, transportation, and other major areas. Supplier financing is often key to being able to participate in such projects. U.S. government agencies can help U.S. suppliers in this regard.

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.

The Export-Import Bank of the United States (EXIM) is the official export credit agency of the United States. It is an independent, self-sustaining agency with a mission of supporting U.S. jobs by facilitating the export of U.S. goods and services. When private sector lenders are unable or unwilling to provide financing, EXIM can fill the gap for



American businesses by equipping them with the financing tools necessary to compete for global sales. In doing so, EXIM levels the playing field for U.S. goods and services in overseas markets.

The U.S. Trade and Development Agency (TDA) funds feasibility studies performed by U.S. 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.

The U.S. International Development Finance Corporation (DFC) is the international development bank of the United States. The DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. The DFC is able to provide direct equity financing and support for investment funds; direct loans and guarantees of up to \$1 billion for tenors as long as 25 years; political risk insurance coverage of up to \$1 billion; and technical development support in the form of feasibility studies and assistance to accelerate project identification.

Armenia finances a substantial portion of public works projects through borrowing from the multilateral development banks (MDBs). A helpful resource for working with the MDBs is the [Guide to Doing Business with the Multilateral Development Banks](#). The U.S. Department of Commerce's International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five multilateral development banks: the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank. Learn more by contacting the commercial liaison offices for the three MDBs that serve Armenia:

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

## **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 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. business representatives are strongly encouraged to make absolutely sure that the content of their communications, negotiations, and agreements with Armenian partners is thoroughly understood.

Corruption has been a legacy problem in the majority of state organizations in Armenia, including enforcement bodies such as the police, tax, and customs authorities. 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 problems. When this happens, U.S. business representatives are encouraged to consult with the U.S. Embassy. The Foreign Corrupt Practices Act prohibits the payment of bribes to foreign officials to assist in obtaining or retaining business.

### **Travel Advisory**

Please review the Consular Information Sheet available on the [Department of State's Bureau of Consular Affairs website](#) for the latest travel advisories.

U.S. citizens living or traveling in Armenia are strongly encouraged to enroll in the Department of State's [Smart Traveler Enrollment Program](#) (STEP) to receive the latest travel updates and to obtain updated information on security within Armenia. By enrolling, U.S. citizens make it easier for the Embassy to contact them in case of an emergency.

### **Visa Requirements**

U.S. citizens are allowed visa-free entry to Armenia for up to 180 days per year. For visits longer than 180 days, you must apply for a residency permit through the Armenian Ministry of Foreign Affairs.

Armenian law requires that Armenian citizens, including dual nationals, enter and depart Armenia on Armenian passports. Even if you are naturalized in the United States, the Armenian government may still consider you an Armenian citizen.

For additional information about Armenian visas and related policies, please contact the Armenian embassy or consulate nearest you.

[Embassy of Armenia](#) in Washington, D.C.

[Consulate General of Armenia](#) in Los Angeles

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](#).

### **Currency**

The currency of Armenia is the dram (AMD). It is used for all official transactions in Armenia. Cash can be exchanged at banks and bureaux de change.

The use of debit and credit cards is increasing as networks of ATMs and point-of-sale terminals continues to expand. ATMs are commonplace in Yerevan and generally available throughout the rest of the country. Cardholders can

increasingly utilize ATMs to withdraw cash and make payments for a variety of services, including public utilities. Armenian banks commonly serve Visa and Mastercard cards, and to a lesser extent Diners Club and American Express. Armenia has a national payment system, Armenian Card (ArCa). Armenian commercial banks issue ArCa cards as well as international cards such as Visa and MasterCard.

Travelers are advised to exercise caution in utilizing cards to make payments, as credit card fraud and card skimming does occur in Armenia.

Traveler's checks are not accepted in retail outlets and service centers as a means of payment. Some banks accept traveler's checks and provide cash in either dram or foreign currency. Some banks in Armenia may accept checks drawn on foreign banks, though payment may be delayed until the requested funds are received from the foreign bank.

### **Telecommunications/Electronics**

Broadband, cellular, and fixed-line telephone coverage in Armenia is available nationwide. [Beeline](#) and [Ucom](#) offer landline and mobile services. [VivaCell-MTS](#) is an additional provider of mobile services. Network speeds are up to 4G+. Armenia's mobile providers maintain networks of brick-and-mortar stores throughout the country. A passport is required to purchase a SIM card.

WiFi access is prevalent throughout Armenia and is available in many hotels, restaurants, cafes, and businesses, often free of charge.

The standard voltage in Armenia is 220V and the standard frequency is 50Hz. Outlets are European style, which means travelers from the United States will need a plug adapter.

### **Transportation**

Air travel occurs primarily through Zvartnots International Airport in Yerevan. A substantial portion of regularly scheduled passenger service occurs between Yerevan and points in Russia. Direct passenger service is available to and from major destinations in Europe and the Middle East, but these flights frequently involve late-night or very early-morning arrivals and departures. Seasonal routes become available during the summer to serve holiday destinations.

Rail transportation is limited. An international service connecting Yerevan to Tbilisi in Georgia operates at least once every other day in each direction throughout the year, with some additional service during peak periods. Domestic routes are scarce and of limited utility to business travelers.

Road quality varies throughout Armenia and some sections of highway, including those that serve as international corridors or connect significant population centers, may be in poor condition. Roads may not always be well lit, especially outside of Yerevan.

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 mobile hailing apps, taxi agencies, and on the streets. Not all taxis are expressly marked as such. Taxis with regular white license plates are owned by individual drivers and most likely will not be metered. Foreigners should expect to pay between 1,200 and 2,000 Armenian dram for a taxi fare within Yerevan, and between 3,000 and 3,500 Armenian dram between the airport and downtown. Aerotaxi is the official taxi of the airport, but drivers frequently leave the meter off and passengers have to negotiate the price, which is usually around 6,000 Armenian dram. Hiring a car and driver generally costs about \$100 per day, including the price of gasoline.

### **Language**

Armenian is the official language 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. Many hospitality establishments in Yerevan catering to tourists and business travelers will have English speakers on staff. English is less widely spoken outside of Yerevan. Finding an interpreter or translator in is usually not difficult.

### **Health**

Medical facilities in Armenia are limited outside of Yerevan. Elderly travelers and those with existing health problems may be at risk from inadequate medical facilities. The U.S. Embassy maintains a [list of English-speaking doctors](#).

Most prescription medications are available, but the quality may vary. Customs officials have sometimes confiscated medication from travelers upon arrival in Armenia.

The U.S. Centers for Disease Control and Prevention maintains a [list of recommended vaccinations](#) for travelers to Armenia.

### **Local Time, Business Hours, and Holidays**

Armenia is in a single time zone (GMT+4) and does not observe daylight savings.

The standard work week is 40 hours, Monday through Friday. Normal business hours are generally between 9AM and 6PM.

A list of national public holidays is available via the [U.S. Embassy in Armenia website](#).

### **Temporary Entry of Materials and Personal Belongings**

Duty-free limits for the import of articles into Armenia for personal use depend on the means of arrival and the value and weight of the imported articles. Special provisions apply for those who are repatriating to or taking up permanent residence in Armenia. There is no limit on hard currency imports to Armenia, though a declaration is required for amounts in excess of \$10,000.

## **Investment Climate Statement (ICS)**

The U.S. Department of State's Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State's [Investment Climate Statement](#) website.

## **Political Environment**

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.