

EASE OF DOING BUSINESS IN ARMENIA:  
HOW MEDIA AFFECTS FOREIGN INVESTORS FROM COMING AND INVESTING IN  
ARMENIA

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**Abstract:**

The ease of doing business and attracting foreign investments in a country depends on variables such as law, opportunity, low corruption. What role does social media and media in

general play in attracting potential foreign investors to come and invest in Armenia? Are Armenia's taxation laws, opportunities for repatriates, convenient enough for investors to come and spend in Armenia? Armenia is a small country, which is approximately 29,743 sq. m. and is landlocked in the Transcaucasia region located between the Black and Caspian Seas. Being a landlocked country makes it harder for locals and foreigners establish businesses, especially within the import/export sphere. Therefore, foreign investment with big money flows are very helpful for the country.

After marking its independence in 1991 from the soviets collapse, it found itself in a bloody war with Azerbaijan. The war was the Nagorno-Karabakh situation. In 2015, the Armenian Government decided to become a member of the Eurasian Economic Union (EAEU), which is led by Russia. The membership secures the right for Armenian goods to have direct access to the Kazakh, Kyrgyz, Belarusian and Russian markets. As a result of joining the EAEU, Armenia's GDP grew by a half percent in 2016 reaching to \$10.55 billion. The country is a member of the World Trade Organization (WTO) since 2003. It is considered to have a liberal investment regime compared to other EAEU countries making an excellent place to do business regarding products within the EAEU markets. "The reforms implemented in Europe and Central Asia accounted for 25 percent of the 231 reforms implemented worldwide during the past year. The region also boasted three of the world's top ten improvers, i.e., countries that implemented at least three reforms and moved up on the global rankings scale, with Cyprus, Kazakhstan, and Uzbekistan" (World Bank, 2016). Taking into account all these factors, news media, articles such as the world bank, foreign investors do have the right to think positively regarding doing business in Armenia.

**Introduction:**

The ease of doing business in Armenia and how media in general can affect potential investors from investing in Armenia is a topic, which can differ from person to person. One may visit Armenia with the mindset of investing in a business; others may be visiting to confirm whether or not what the media says relates to reality. Many cases have been recorded through mouth to mouth conversations that the investor has lost everything due to corrupt tax regulations, and non-legal barriers that have been put in front of the investor's pathway in order to interfere with its business. This may be due to high governmental bodies belonging to the same business field as the foreign/local investors belong.

From my family's experience, such experiences have not encountered, nor have my family members who have been investing in Armenia for the past 10 years. Especially when they invest in the medical field which is one of the fields considered to be monopolised. Foreign investors who have not succeeded in their sphere of business are due to many causes such as, language deficiency, not hiring an accountant or even lawyer with enough experience. After their bad experiences, they share their thoughts publicly over the media. Even though, it is their right to express their personal life experiences over their own social media pages, would this impact a potential foreign or even local investor to invest in Armenia?

The Soviet Union made it easy for everyone to find jobs by settling them to work right after their graduation. People who have lived during the Soviet Union always mention everything was cheap and easy to find, to some extent. However, after the collapse of the Soviet Union,

people of Armenia were confused on what to do regarding their job as no governmental institution of any kind existed yet. Whoever was the manager of an organization or manufacturing facility, enlisted themselves to become the owner of that particular sphere by paying a very minimum amount of money. Others who were not fast enough to obtain any type of value such as land, buildings under their name, were left in the open. Factories and workplaces were all bankrupt as it was all government owned. Finding a job was one of the most challenging tasks one could have done. This is when people started to steal and find shortcuts, gave bribes, to fasten up the pace of paperwork and the official's decision of a matter.

As independent and government managed media started to establish, more and more of the situation within the Republic of Armenia became more visible for outsiders (Hays, 2016) However, much of the media was controlled by the government, whatever was spoken was all under the radar. Foreigners kept on seeing positive news, however as they came to visit Mountainous Armenia as a tourist and even an investor what they had heard over the news reports was not compatible with reality. The situation mentioned, can be a very reasonable and usual situation in any country which adopts a new government. Taking into the account that, as of now, Armenia's third republic, 25 years young, has taken many steps to decrease corruption and lower unemployment. The goal has somewhat succeeded. There's an Armenian saying which translates into, "rather someones eye pokes out, than its name".

### **Literature Review:**

Social media is the most prominent area of expressions one can find. Over one billion active users are on Facebook, a site where they share their experiences, which is one factor of

how Facebook is marketed. Such public posts can be the primary material, which people use as a foundation of forming opinions over specific matters. Majority of Armenians usually depend on social media to be informed.

Facebook community page, “Armenian Repatriates Network” is an example of where many people share their positive and negative experiences as a repatriate. Some people approach many matters as a fanatic repatriate and some approach as a regular repatriate who has the ability to accept and deal with everyday problems and eventually, calmly give a solution to the situation. Exaggerations can always be a problem. Garolin Gga (2017), updated her status on the Armenian Repatriates Network about her sufferings for the past nine to ten years in court. She did not mention the reason of her suffering. She boldly accused authorities of the government of burglarizing her home, attempting to scare her out of the country, and kidnapping her daughter and herself. Her post started off with greeting the group members, and mentioned the years that she had moved to Armenia, and dipped right into the complaints she had to share. According to Gga (2017) her case was rejected several days before she posted her status for the 3rd consecutive time at the first level court. Later on in the post she starts speaking about how government authorities have kidnapped her daughter and her and broke to her house to scare her out of the country. Her last request from the members of the network was for them to help her find a professional lawyer. As she did not mention a lot of details of who is responsible for her sufferings, many people started to suspect. Commenter’s asked questions such as, “Both of you have been kidnapped, am I reading this correctly?? How, where to, when, how did you get rescued, is there an official press story?” (Zargarian, 2017) The commenter’s questions were left unanswered. Instead, information was given of the court sessions going on as of now. Analyzing

her situation and how she acted upon, all this can be very critical for potential Armenians willing to move to Armenia.

Many Armenians will most probably start developing mixed feelings about moving to Armenia after seeing such posts on social media. This on the long run can affect the economy. Many accusations of corruption and illegal actions have, are, and will be filed. However, we should not forget that we are just a new republic of 25 years of age. One cannot expect a rose hip to become a fully bloomed rose within a day. Many actions have been portrayed by the government and been fed to international media, which can change many thoughts and plans one had towards Armenia. Armenia is a very small country, which makes everything more visible for the eye.

An example of what can show instability within the government and its people is the example of “Electric Yerevan”. Couple thousand citizens and not only took on the streets of the capital city of Armenia, Yerevan. The purpose was to protest against the uprise of the electricity prices all over Armenia. The protests took over more than a week. The protesters and activists actions were not political and were taken as a dismay as prices were rising the third time within the last two year. The demonstrations began staging a sit-in within the capital city, after the local government regulators gave the “go” to the Russian company that is known to monopolize supplies in Armenia to raise electricity prices by 17 percent (Gorst, 2015). Yerevan was not the only city standing up for its rights. Activists and protesters in Gyumri joined the protests within their city where the largest Russian military base is based in Armenia. As police started to not bear with protesters, they were ordered to use water cannons on the citizens. This act was viewed

as human right violation. The belief of the people of Armenia was that, the reason why electricity prices were rising was to close their millions of dollars of debt to the Republic of Russian Federation. Not many presidents have a criminal lawsuit filed towards their actions. However, as of now, former President, Serzh Sargsyan has a criminal lawsuit with nine different point on why he's being prosecuted. The prosecuting lawyer, Artur Sakunts (2018) had also posted the lawsuit on his official Facebook page:

- For not taking responsibility during the March 1, 2008 riots which is the reason for 10 deaths of Armenian citizens, also for the illegal usage of armed forces.
- Raising the government debt to 7 billion dollars from 1.5 billion within the last 10 years of his presidency.
- For 30% of its population living in poverty.
- Being the reason of 350,000 Armenian citizens migrating from Armenia.
- Corruption within the country has reached to its maximal according to transparency international. It has reached to the extent that it is threatening the safety of the country.
- The purity of the air, land, and water have dramatically decreased due to uncontrolled and impunity pollution.
- Forging the 2008 presidential elections, the 2013 presidential elections. Also accused of forging the 2012 and 2017 parliamentary results. Voters rights have also been interfered.
- During the 4 day April war in 2016, a minimum of 77 soldiers were fallen. However, no investigation was taken to identify the circumstances of the deaths of the soldiers.
- For the good of their political perspectives, illegal prosecution was taken place towards citizens of Republic of Armenia.

The lawsuit indicates major negative points aimed towards the former President, Serzh Sargsyan. Many viewers of this publication can easily be frightened on the actions taken towards the citizens of the country, the "unfair" action taken towards voters rights, and many more mentioned. Frightening investors can have a long-term impact on the country's economy. Repositioning their companies abroad can be the most significant factor, as less foreign money would enter the country's budget in form of taxes. These type of actions can cause people to indulge evil thoughts and consider the country unstable, even if such situation usually lasts about a week or so. It can affect the economy, in the long run, attracting less foreign investment plans.

### **Methodology:**

The way this research was approached, was by collecting different groups of investors; locals, diaspora Armenians living in Armenia, diaspora Armenians residing outside Armenia, foreigners living in Armenia and also, foreigners outside Armenia. It helps to understand the different perspectives of investors and business owners in different atmospheres: whether or not they base their decisions on what they hear through media or not. Three to four questions were formed for the interviews. All the questions were applied and asked to every investor individually. This helped to analyze if business failure was due to lack of opportunities provided by the government or due to lack of their own knowledge regarding business. After doing a survey within Armenia and taking into account their thoughts regarding the matter, the surveys were both compared and viewed and concluded on which one is relatively close to our nowadays situation. The approach was neutral to the matter which made the conclusion/outcome more relevant to our nowadays pace.

Self-examples were made regarding the three businesses which are personally owned, out of which, two are startups. Word of mouth has it that many situations have occurred when an investor has invested and grown a business, high ranking government officials have paid a visit to the investor, asking them for a percentage of what they own. I will not deny or accept such situations until I feel it on my skin. What my belief towards this situations is that such high ranking government officials will be able to persuade you to grant them a piece of your business only when you have wrongdoings within your paperwork. This way, both sides are to be blamed for. The investor side will be blamed for forging paperwork, and the government official will be accused of not solving the problem in the legal way, and instead took actions towards his/her benefit. The government official will have the resource to blackmail the investor into granting him an “X” amount of shares from the business, or the company will shut down, and the investor will be taken to court due to forging paperwork or bribing to speed up, receive tax clearance for a period amount of time.

### **Findings:**

The birth of the Third Republic of Armenia is marked in 1991 when the Soviet Union collapsed on December 25. This did more good to Armenia as an independent country, as more tourists were able to come and go. Unlike during the Soviet Union, only a few were able to visit Armenia as they gave out Visas to tourists from a political standpoint. The people of Armenia used to work to benefit the budget of the Union. However, after the Great Collapse, every step Armenians took affected their government either negatively or positively. One of the top sectors that brings foreign money to the country is by attracting foreign investments.

As a former Soviet country, Armenia ranked next to Uzbekistan and Turkmenistan showing 15- 20% attraction of foreign investment. Most of the foreign investments went into mineral and raw material resource industries, and some part of it was contributed to the telecommunication and building/shaping the market sphere. This somewhat shows the potential that Armenia has to attract foreign investments. Almost a decade had gone by, and the amount of foreign investment had amounted to USD 263.2 million, which included USD 133 million direct investments. As of 2001, the countries foreign investments had totaled up to and reached to a high of USD 1.7 billion, which included a USD 503 million worth of direct investments. Within a range of 4 years (1996 - 2000), Armenia's direct investment status raised right under 7.5 times from 18 million USD in 1996 reaching 133 million in 2000. As foreign investors look for the best option for them to invest, our neighboring countries Azerbaijan and Georgia had topped us with their foreign investment per capita where Azerbaijan lead the chart reaching 109.3 USD and Georgia, 40.2 USD per capita. Armenia held the lowest within, 35.0 USD per capita. This is the reason why many other potential Investors choose to invest in Armenia neighboring countries instead of Armenia. Corruption does play a huge role in foreign investments as it can force existing investors to flee the country also, as such cases have been registered (Society and Economy, 2002).

The Republic of Armenia government tends to make it easier for foreign investors by inheriting new laws that make it way more accessible for the investor to invest. No limitations are put on how many foreign workforce one can have registered under the company along with no restrictions on volume and the type of foreign ownership. This information is promoted to

foreigners through the official website of Development Foundation of Armenia (DFA). The banking system was able to come out the crisis uninjured, with that being said, the Deputy Chairman of the Union of Banks said, “Armenian banks participate actively in the development of the economy. Their portfolio in all sectors of the economy is growing consistently.” His words do somewhat conjoint with reality.

According to armbanks.am (2016), Ameriabank is the leading bank in the Armenian Republic. Its investment Banking Director, Arno Mosikyan answered to the following question which was aimed towards him by American Chamber of Commerces journalist, Gayane Khachatryan. “Mr. Mosikyan, to what extent does the investment climate in Armenia helps attracting foreign investments?” His answer was right on point and effective. Mr. Movsisyan mentioned that any foreign investor studies the range of comparative competitive advantages it offers, what strategic benchmarks it has, and also whether it is the rule of law concerning protecting foreign investors rights works or not. However, he continues by adding that Armenia still has a lot of work to do to promote the country as a safe country to invest in on an international level. He, later on, spoke about steps that are going to be taken to proceed in a positive matter and giving the problem of lack of foreign investors a solution. “The Government of Armenia and the Armenia Development Fund (funded by the Asian Development Bank) will hold an investment forum in New York. Among many guests and attendees are investors from various countries, including Armenian Diaspora. The forum will be held with the support of an international consortium, US-based Pragma consulting firm. The aim of the forum is to present to investors the potentially promising economic sectors of Armenia with a detailed analysis of investment opportunities” (Mosikyan, 2016) (See figure 1).

Haykaz Fanyan who is the Consultant at Ameria Management Advisory Services speaks about the advantages Armenia has compared to Georgia and Azerbaijan. As seen in the chart above, Georgia was the only country in our region lucky enough to have better rates than Armenia. Foreign investors not only seek the safety of their rights but also, one other factor which interests them most is the tax burden. Tax Burden in Armenia is respectively 19.9% and in Georgia comes as low as 16.4%. However, when opportunities are considered in Armenia and Georgia, it is evident that the times spent on tax administration is 13% less than time spent on tax administration in Georgia. The Eurasian Economic Union was a huge step forward for Armenia's economy regarding investment from outside, especially from other members of the union. This implies that trade within the Eurasian Economic Union is not taxed by customs making the product easier to handle and making it more affordable for buyers. Time and money consumption at the customs office is significantly less than in the neighboring countries Georgia and Azerbaijan. The paperwork process and cost to organize an export of a local product from Armenia takes an average of 5 hours and 150 dollars worth of paperwork (See figure 2). “It should be noted that we by no means maintain that Armenia is an ideal place for starting up a business, but even with all our upsides and downsides, we have significant comparative advantage in relation to our neighbors, which we must develop and expand to attract potential investors. According to our estimates, Armenia has the potential to attract about 800 million to 1 billion USD in the form of direct foreign investments annually” (Fanyan, 2016).

Taking a look at development projects like the DFA (Development Foundation of Armenia). The information is given regarding, why people should do business in Armenia and

how easy it is, is indeed, in my eyes, very similar to reality. Armenia gives the gateway for your business to reach about 800 million consumers in Asia, Middle East, and Europe. Workforce is very competitive along with being highly educated and entrepreneurial. Top investment categories within the region of Armenia are the following, IT, wine and brandy, jewelry and diamond cutting, bottled mineral water, fruit and vegetable processing, renewable energies, life science, tourism and also textile and garment. The government provides the business owner a maximum of 30% tax reduction due to the new jobs created by the company for three years. There are reduced corporate tax and tax privileges for large-scale exporters and importers. This encourages the importer/exporter to buy/sell more product than usual even if Armenia is used as a transit country for a portion of the products. With all the major plus sides of Armenia, it is also considered the lowest risk of money laundering and terrorist financing within the region and among CIS countries (See Graph 3).

As of today, April 12, 2018, Armenia's government chose to take a back turn on their decision of raising taxes. Businesses who generate 150,000 to 2 million AMD (\$310 -\$4,150) will be paying a maximum amount of 26 % tax instead of 28%. Any business generating more than 2 million AMD (\$4,150) will have a fixed tax rate of 36%. The reason for the change was due to opposition groups believing in that tax rates rising will affect the middle class and push up prices on many everyday products people use. Soon to be Former Prime Minister, Karen Karapetian also opened their weekly cabinet meeting by signaling a policy change. "Our preliminary estimates show that it is necessary to address the issue of reducing the income tax rate" (Karapetyan, 2018) This shows the people/public that the government which is accepted to be corrupt is still trying to make it more reasonable and beneficial for the people to do business.

The DFA mentioned a couple of interesting points on why foreigners should invest in Armenia through them. The reason is due to their assistance. The expansion of your investment and projects you can re-invest in a while providing the most reliable link within the local Armenian Business community. Organizing discussions with local authorities to cooperate with the government. Also, providing the right connections with universities.

Print media such as newspapers, flyers, magazines, news journals, etc., are the type of media that affect the public the most in the long run. The reason why it is more effective is due to it physically existing and might be kept for years and passed on to others. It has the potential of being held in homes, offices, etc. The amount of detail the American Chamber of Commerce magazine of 2016 and 2017 was enough to convince the viewer that significant companies that are already well known worldwide, have seen enough positive factors to implement a branch of their business in Armenia.

British Broadcasting Corporation (BBC) published a piece on Armenia as an overview of the historic land. It gave a quick overview of its past regarding the Armenian Genocide and the Soviet Union. However, it then shifted to the economic growth of how before 2008, Armenia has experienced more than 10 percent of economic growth. In 2012, after the crisis, it grew 7%. However, 30% of the population was still living in poverty after the economic growth of 7%. This indicates that Armenia still has a long way to go. Anyone who has followed the release of the piece would realize that it did not stay in an economical depression and most probably would encourage them to be more informed about Armenia. Leading them to invest and encouraging investments. (BBC, 2013)

Ruben Vardanyan, is a very well known Armenian entrepreneur who is considered one of those who have succeeded the most in humanitarian tasks with its Aurora Humanitarian Initiative. He is considered one of the biggest Armenian investors in Armenia marking him well known for founding, United World College (UWC) Dilijan. Dilijan is a city about 100 kilometers from the capital city, Yerevan. During his interviews, he always makes sure to mention that he invests in Armenia and brings himself as an example. This encourages foreign viewers to take on what he says and has done/is doing in Armenia. Any investor would have stopped investing in Armenia if he/she did not have returns within their, expectations, does not matter if you are of Armenian descent or not.

Sergey Tantushyan is currently the Director of Extensions Program of the American University of Armenia. He was also the former CEO of IDeA Foundation which is a non-profit foundation which focuses on the large-scale projects that are designed to advance Armenia through financial and investment means. He believes that it is relatively easy to invest in Armenia due to the statistics and legislation information provided by the World Bank.

A survey was done within the American University of Armenia if the Media has a positive or negative impact on foreign investors to come and invest in Armenia. Most of the answers were positive, and how it can be impacted both negatively and positively. A junior student from AUA mentioned the following regarding the impact media could have on foreign investors. "I believe that foreign investors pay great attention as to what the political situation in a given country is. Thus, first of all, they need to be assured that the given country is

economically, politically and most importantly legally stable. I also think that they will probably bypass the countries that essentially do not have human rights and government under the system of democracy. Consequently, that is the reason that I think that Media affects the chances of foreign investors coming and investing in Armenia, as media is the platform through which they become aware of the local facts ruling in the country mentioned above" (confidential, 2018).

Just like any country, branding the country plays a huge role in its growing economy and attracting foreigners to visit and why not invest in the country. "It's time to share Armenia with the world", an article written by Karine Vann (2014), who is now the assistant editor of the Armenian weekly. In the informational web portal "ImYerevan", she speaks about a Diasporan Armenian, Vasken Kalayjian who is the CEO of Gk Tribe Global, which is a branding firm based in the US. As a CEO of the company, Mr. Kalayjian mentions his perspective of how Armenia can be branded is not by introducing mainstream products such as Brandy that Armenia is already known for. At least not directly. Safety is a good example of how Armenia can be branded. According to the Social Progress Index (2017), Armenia is the 59th safest Country to live in. It ranks 59 out of 128 which might sound as good. However, it is slightly different judging it as a local.

Dr. Nerses Kopalyan, is the author of, *Between Honor and Shame: Understanding Corruption in Armenia's Political Culture* (Kopalyan, 2018) a report which asks the following two questions, "What have been the repercussions of this for post-Soviet Armenian culture and how has this contributed to the problems in Armenia's public sphere? More specifically, is corruption inherent to the post-Soviet Armenian political culture, and if so, does this make the

political culture of Armenia incompatible with democratic values?” (Kopalyan, 2018). He mentions about how high governmental bodies who hold most of the countries power, such as, Parliament members, public employee, or ministers are approached by their close friend or acquaintance and are asked to do a favor. This is where the birth of corruption is in his eyes. Publishing such material in online media sources is a precarious matter for Armenia. Such articles could be the reason that many investors or even families who had been deciding to re-pat in Armenia, change their mind. Many studies have been done regarding how social media and media overall have an impact on people business and non-business decisions.

Greenwich Associates (2015) discloses the statistics of the number of international investors who have turned social media a branch of their everyday work life. The amount adds up too right below 80%. This is a considerable percentage of investors relying on social media or letting social media lowkey “manipulating” their mind in many ways. 30% of investors have expressed their thoughts regarding that the information collected from different social media pages reflect on mindset regarding a decision they were making over an investment or investment recommendation (Greenwich Associates, 2017). The article, “Institutional Investing in the Digital Age: How Social Media Informs and Shapes the Investing Process” (Greenwich Associates, 2015) shows that 48% of investors spoke about how media had its influence on their decision to research an industry they were already familiar enough with. Also, 34% of investors said social media helped make the decision to decide who or which company to work with. Following with 33% of people's minds were changed regarding particular cases and led them to re-consult with their investment consultants (Greenwich Associates, 2017).

A similar survey was done like the Greenwich Associates survey, within future investors, business owners, and students of the American University of Armenia. The survey included questions regarding if they would rely on social media or media in general to affect their investment ideas. 63.64% of the participants answered that it all depended on the source of the news. 18.18% of the participants responded “They would” and “They would not” rely on social media to affect their investment plans/ideas. 81.81% of the participants also mentioned that they did not know anyone who had gone through a situation such as the one projected. However, 18.18% of the survey takers did say they know someone. This is a positive feedback. If the majority of the participants do not know anyone who has reconsidered their investment plan/idea after a media source. This shows, that the number of investors who rely on social media and media outlets in Armenia is much less than abroad. They depend on their experience more than what the news outlets spread. This shows that independence can be a key factor in economic growth.

Almost every investor would rely on a country’s government to protect them from any type of corruption that can exist. However, what could one do if the leading governmental body members are also suspected of corruption? Marianna Grigoryan, who posted on The Guardian, mentions about the newly built mansion which belongs to the former Prime Minister of Armenia, Hovik Abrahamyan. It is also an important fact that Mr. Abrahamyan was one of the leading chair members of the anti-corruption committee. Government officials are not allowed to be involved in having businesses. The reason is to avoid conflict of interests. However, Mr. Abrahamyan was allegedly accused of having connections with casinos, gas stations, and also acres of lands that were under his relative's names. He was caught under attention when one of

the Armenian news outlets filmed his luxury home in one of Armenia's upmarket districts. Such news articles that are published publicly can easily have a negative impact on investors. The accusation of high governmental officials will grow distrust within foreign investors knowing that they would most likely not have the government backing them up legally during business hardships. This is another negative existence within the Armenian government that affects The Republic negatively. Especially taking into account that the article was published on one of the news outlets that are followed most in America and by most of the world.

Personal example of investing in Armenia has been the same as if the company were too invest in any other country that is not known for its corruption . Personally, no corruption has been experienced throughout my 2-year investment time period. The tobacco sphere that I am personally involved in is considered a monopolized sphere where no one besides “the chosen ones” could easily/freely import or export tobacco. There are two companies that grow tobacco to produce cigarettes, cigars, and other smoking means; Grand Tobacco, International Masis Tabak. Both companies belong to the same holding. However, my personal company represents Haze Tobacco LLC in Armenia, which is based in the United States. The amount of taxes that are paid under the company, Oxysmoke L.L.C. are as much as it is mentioned in the book of law, 37.5%. The customs office officials have not asked for a bribe in a lowkey manner and even help my company representative take actions to lower taxes legally by providing financial aid to any NGO in Armenia. The non-corruption atmosphere I have personally experienced has encouraged me to start two new businesses. As of 2017, we have started working on a platform which allows the world to acquaint with Armenian manufactured products. The platform will be providing not only partial sales but also wholesale quantities, giving the opportunity for the local companies to

sell distribution and franchises abroad. The platform can be considered as a mixture of Amazon and Alibaba. The next project that is in the process is a chinchilla breeding company based in Yerevan. The purpose of the company is to show the world that Armenia has the potential/ability to grow and provide high-quality fur. This will give us the opportunity to trade fur with many top fur trade companies such as the Hudson's Bay Company, Missouri Fur Company, Rocky Mountain Fur Company, Pacific Fur Company, Columbia Fur Company, and the American Fur Company. The overall fashion industry will go through an uprise financially and also by fame. Fur coats will be sewed in Armenia by major textile companies such as Alex Textile. A chain reaction will take place by giving tasks to companies that are able to handle chinchilla fur and jobs will be more secure for the workers of the particular organization/ company.

Media outlets will be speaking about countries internal and external ongoings, and many of what they say might have a negative impact on foreign investors. However, there are companies such as FINCA. It is a Universal Credit Organization which took the risk to invest in Armenia by opening 37 branches and employing 650 workers. It did not take long before Finca had turned one of the leading organizations of microfinance. Many media outlets talk about the corruption levels in Armenia. However, an international company on such a scale as FINCA took the risk to invest in Armenia, proving to other big companies that it is up to the company to choose the corrupt or legal way. FINCA is an excellent example of companies who boycott corruption.

With false media, which tries to misinform the public, one can always find an article, not even local based, that will shine a light on the situation that is the center of attention. Zia Weise,

an independent journalist based in Istanbul wrote for Politico regarding Armenia. "Armenia's Disputed Move Toward True Democracy" (Weise, 2018) talks about how Armenia took the steps of becoming a Parliamentary system in order to improve democracy within the country. However, critics think that as current Presidents, soon to become former, Mr. Sargsyan's presidential term is coming to an end, this step helped him to stay in the government thinking that he will step down as President and settle as Prime Minister, maintaining his ruling power. The same situation had occurred in 2008 in Russia as Vladimir Putin changed positions with Prime Minister Dmitry Medvedev. Taking into account that Politico is an American based news agency, it is potentially an informant to 325 million people living in the US. From the article, it can easily be understood that the government is corrupt and can easily have its impact on individuals living in the country, especially foreign and local investors.

As of April 16, 2018, Nikol Pashinyan (opposition force) had ordered his followers to follow him into blocking all bridges which led to the center. All main roads within the city of Yerevan, as of were paralyzed by thousands of protesters. The purpose to paralyze traffic within Yerevan is to show the anger towards the ruling body, who is Serzh Sargsyan. He is the current Prime Minister, in a Parliament ruled country. Making him call the shots. Pashinyan and his followers were making clear that they do not mean any harm to any Officers trying to protect the governmental buildings in which the Presidents and Prime Ministers Offices are located. The riots will indicate to many outsiders that the country is not stable enough to invest in as a new ruler might come in and change current laws that initially were beneficial to potential investors. The results of the ongoings in Armenia let to Prime Minister Serzh Sargsyan stepping down from his position. After 11 days of the "Velvet Revolution", April 23rd, marks the day of victory for

the people of Armenia. Citizens believe more light will be shined on small and medium sized businesses as the new government forms. Mr. Pashinyan and current acting PM Karen Karapetyan originally were to meet to discuss further steps. However, Karen Karapetyan canceled the meeting saying the following, “Pashinyan has demanded a list of the people who will attend from our side and has declared that the talks will revolve around his agenda.” he says. “Having certain experience in conducting negotiations, I’ve never heard of such a format”. The media has stepped on the gas regarding the ongoing situations, and continues publishing materials regarding it. Most of the news is positive for “pro Nikol” however, on an investor point of view, it shows the amount of instability that the country is in at the moment. Experienced investors know that situations like this can take years to recover the economy. Thus, forcing foreign investors to put a pause on their investment plans and thoughts of investing. However, one can not rely on media as much as their own experience. Living in Armenia for a minimum of two years will shed a light on what the media has said about many situations.

In the World Bank Economic Report No.6, Fall 2014, mentions how a Georgian based company, Anaklia IEP, is considering to accomplish its investment of USD 600 million in constructing a thermal power plant within the borders of Armenia. The investment will be the start of a 540 megawatts power plants which is more powerful than the existing power plant in Metsamor. The investment can easily be considered on an international level where many investors will see the outcome of the project and will feel safer to invest. Also, the World Bank Article mentions that the Georgian company expects tax preferences and guarantees from the government that they will provide sufficient volumes of gas supplies.

“Invest In Armenia” (2018) writes about the benefits foreign investors have if invested in Armenia. Armenia allows 100% ownership to any foreign investor along with no screening and authorization to invest. Companies that are registered by a foreigner have 100% right of buying land. Regarding Imports, goods that exceed the amount of 300 million AMD are freed from VAT tax for three years, with no export duties or restrictions. The opportunity to freely exchange foreign currencies with no restrictions of receiving a sum of foreign money as payment or gift. The biggest benefit that foreign investors can benefit from is that if any legislation is changed, that can affect their business. Foreign investors have the opportunity to choose which law is convenient for them to use for a term of five years. These factors are easily an attraction for foreign investors. Also, the workforce in Armenia can be cheaper and more affordable than other nearby countries.

Armenia and Georgia (country) are located in the same geographical position. However, in contrast to Armenia, the way Georgia attracts its foreign investments are different. The first thing Georgia needs to accomplish is to create a business climate that will be more attractive than its surrounding countries or other countries in the region. The plus sides of the country are that it has many insufficient natural resources such as manganese, barite, coal, zinc ores, and marbles. A significant advantage that is considered to help Georgia attract FDI (Foreign Direct Investment) is its free trade agreements, and its very open visa regime. 90 countries can easily enter Georgia without any visa. All these advantages have resulted in making Georgia's communication and transport sphere the most developed (See graph 4). Armenia can easily take examples of the neighboring country to develop its own FDI, as Armenia belongs to the same

region and can easily benefit foreigners to invest as much as Georgia is. Armenia can efficiently work on the following spheres to increase its chances of foreign investments to come and establish a business or open a branch in Armenia; corruption-free rule, agreements of free trade, stable macroeconomic environment, political stability, ease up regulations along with taxes. The mentioned spheres will help Armenia become a competitive country compared to its surrounding nations. Armenia being a safe country for tourists and families will be the benefit for investors to establish workplaces in Armenia.

### **Conclusion:**

Taking into account all the negative and positive situations that have occurred in Armenia starting off from the collapse of the Soviet Union in 1991 until nowadays protests regarding the former President Serzh Sargsyan stepping down from being Prime Minister. All the way to easing up tax rates and giving tax privileges to investors who come and invest in Armenia by fulfilling the set tasks to enter the tax-free zone. Is it all enough to encourage small-scale family based businesses and big companies to come and invest in Armenia? Has Armenia put in all its efforts through media to attract the outside market? Although many might conclude that it is not enough, the foreign direct investment net inflows show statistics that at the end of fourth quarter of 2017, FDI had reached to 97.80 million USD. The figures cannot be considered a failure by the government, as the third quarter was 50.9 million USD (See Graph 5). However, this shows that it is relatively easy to do business in Armenia and the media has had its effects on foreign direct investments on the positive side. Armenia still has a long way to go considering that the Third Republic of Armenia is still only 25 years young, along with its news agencies. By that being said, what kind of input can Armenian citizens do to help increase the amount of FDI and also make it easier to establish and prosper locally based businesses through media, showing the

world that small scale businesses have the potential to grow in Armenia? As Armenia is found under the attention of many news media sources due to the “Velvet Revolution” many news media outlets are publishing “Things you should know about Armenia” articles. This gives Armenia the chance to introduce itself once again through media, which, will either have its negative or positive impact on FDI. Depending on how the news media serves the information gathered.

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## **Apendices:**

Figure 1:

Rating of Armenia and peers according to WB Doing Business report 2016.

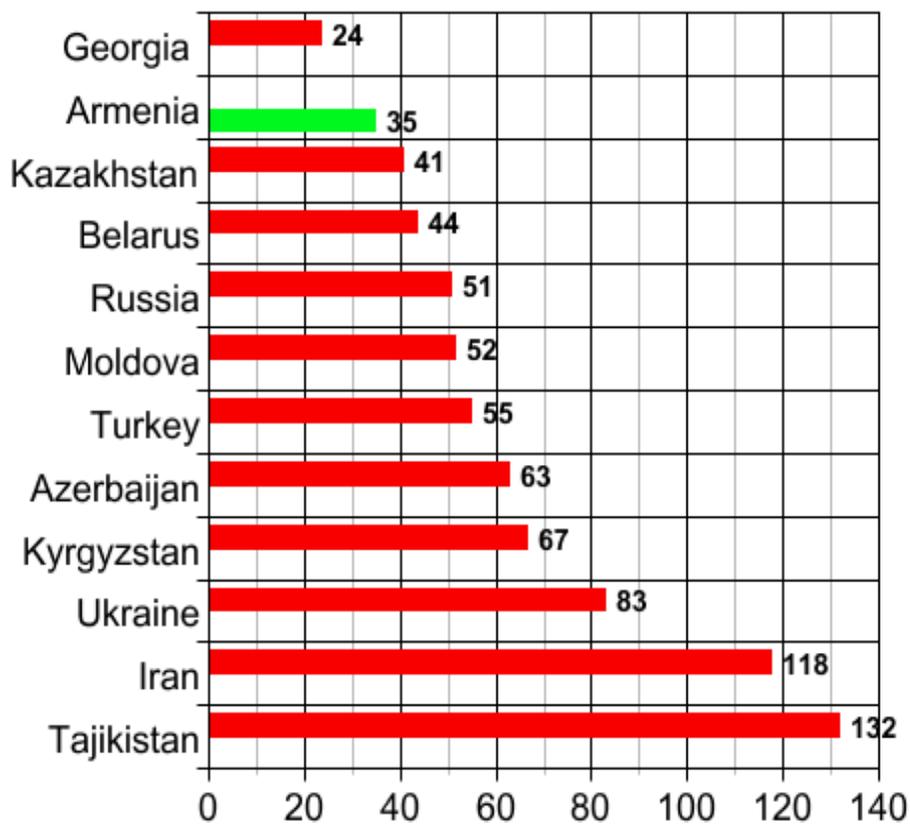


Figure 2:

	Azerbaijan	Georgia	Armenia
Time spent, hour	69	62	5

Money spent, USD	675	583	150
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Figure 3:

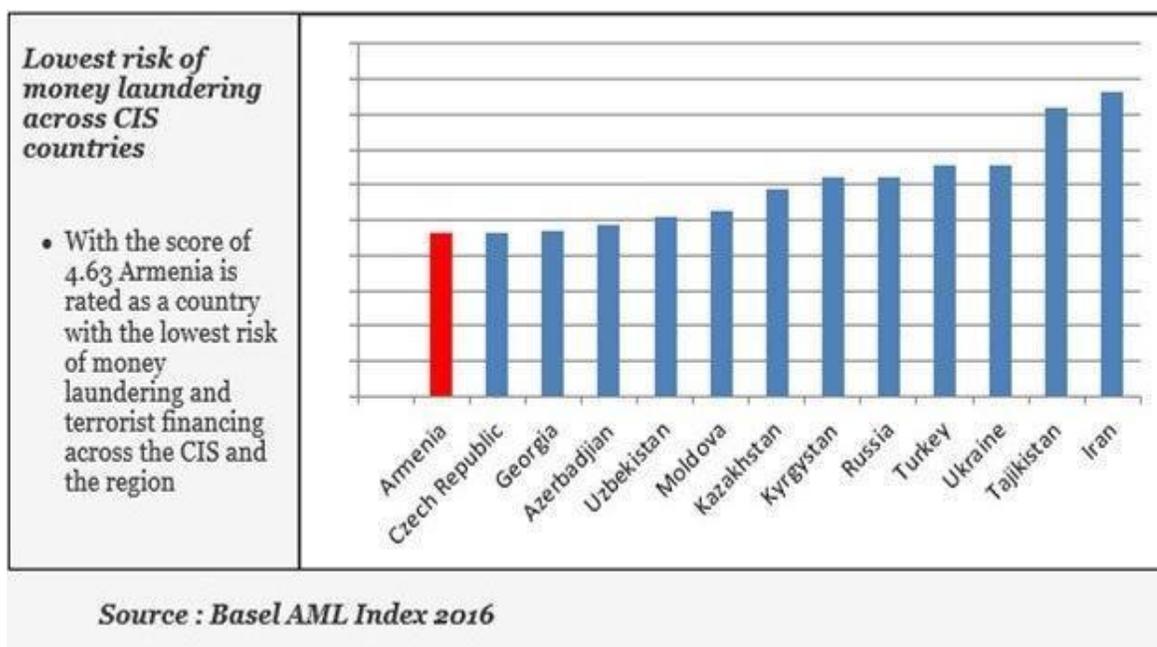
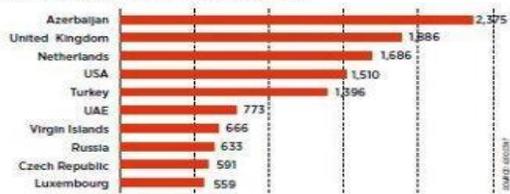


Figure 4:

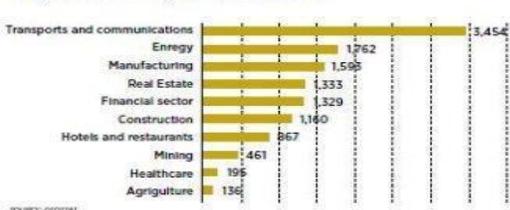
Graph 3. Top 10 investor countries of Georgia in 1996-2017, million dollars



Graph 4. Top 10 investor countries of Georgia in the first half of 2017, million dollars



Graph 5. Breakdown of FDI by economic sector, 2007-2017, million dollars



ARMENIA FOREIGN DIRECT INVESTMENT - NET INFLOWS



SOURCE: TRADINGECONOMICS.COM | CENTRAL BANK OF ARMENIA

Figure 5: