

**EMBASSY OF THE UNITED STATES OF AMERICA
YEREVAN**

Country Commercial Guide

ARMENIA

FY 2004

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CHAPTER 1 EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Armenia's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. government agencies.

Modern Armenia is a small, strategically located country (land area of 29,800 square kilometers, slightly larger than Maryland) with a population of about 3 million. Located in the heart of the Caucasus, Armenia borders Turkey to the west, Georgia to the north, Iran to the south, and Azerbaijan to the east and southwest. The Armenians have a strong tradition of education and entrepreneurship, which, combined with their close ties to the U.S. through the Armenian-American Diaspora, provides attractive prospects for joint venture partners and other business linkages with U.S. companies.

Over the past few years, Armenia has implemented a comprehensive stabilization and structural reform program. Key successes include price liberalization; privatization of small-scale and medium/large enterprises; and WTO accession. In addition, Armenia has strengthened its banking sector by putting in place modern regulatory and supervisory frameworks, although much work remains to be done.

Economic progress will depend on the continuation of the reform program as well as positive political developments. The trade embargo imposed by two of Armenia's four neighbors – Turkey and Azerbaijan – poses a major impediment to development. The embargo remains in force because there is no peace agreement with Azerbaijan to resolve the status of the Nagorno-Karabakh enclave.

Steady economic progress has earned Armenia increasing support from international institutions. The IMF, World Bank, EBRD, as well as other financial institutions and foreign countries, extend considerable grants and loans. Total loans extended to Armenia since 1993 have exceeded \$1,000 million (1,025 million USD or 43.3 percent of GDP as of December 31, 2002). These loans have targeted budget deficit reduction; local currency stabilization; private business development; energy sector development; agriculture, food processing, transportation, and health and education sectors; as well as ongoing rehabilitation work in the region damaged by the 1988 earthquake.

Armenia's output is expected to grow as reform programs continue to transform the economy. Improvements in both reform programs and regional tensions would remove constraints on external trade, sharply decreasing transport costs, and enhancing access to external financing. Such developments would also significantly improve Armenia's investment climate, leading to an increase in the volume of much needed foreign direct investment. Over the next few years, GDP growth is expected to result primarily from rapid private sector development and a rise in capacity utilization.

Armenia is politically stable and committed to market reforms. The country has potential in information technology, light industries, high-value agricultural products, and tourism. These opportunities, coupled with a large pool of underemployed but educated labor force, low labor costs, and entrepreneurial spirit, offer some of the most promising advantages in the CIS region for U.S. companies. Some of the most attractive sectors for foreign investment are agribusiness/food processing, information technology, and tourism/hotel development.

The CCG for Armenia was written by the Economic Section, American Embassy Yerevan, 18 Marshal Baghramian Avenue, Yerevan 375019; tel: (374-1) 542-133, 542-134; fax: (374-1) 520-800. Sources used in writing the CCG included: Ministry of Finance and Economy of Armenia, Armenian State Statistics Service, Ministry of Trade and Economic Development, Central Bank of Armenia, IMF and

World Bank publications, and political and economic divisions of the American Embassy Yerevan.

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CHAPTER 2 ECONOMIC TRENDS AND OUTLOOK

2.1 MAJOR TRENDS AND OUTLOOK

The current Armenian government has demonstrated a firm commitment to moving Armenia from a centralized state with a planned economy to a democratic society with a free market economic system. The Government of Armenia has recently privatized much of the energy sector. The Armenian electricity grid is connected to the Iranian and Georgian grids, and Armenia is likely to become an energy exporter. Through privatization the country is modernizing its entire telecommunications system. Modern switching equipment has been installed in Yerevan. With USAID and World Bank assistance, considerable resources and training have been devoted to developing a modern public and private banking sector, although much work remains to be done. Parliament has been implementing an ambitious program of reforms aimed at restructuring the banking and financial services sector, liberalizing trade, attracting foreign investment through improved tax and customs regimes, establishing a western accounting system, and implementing a private property regime. Armenia has improved land transportation routes to its neighboring trade partners, Georgia and Iran, although borders with Turkey and Azerbaijan remain closed due to the Nagorno-Karabakh dispute. As of 2002, Russia, U.S., UK, Iran, Israel and Belgium are Armenia's main trading partners.

The privatization of industries began in 1994, following sweeping land privatization in 1991. Progress in privatization, advances in private property legislation, and banking reform should give further impetus to economic development. Armenia was the first NIS state to register a positive GDP growth rate (in 1994). The economy has grown on average 6 percent a year since then, with strong growth of 9.6 percent in 2001 and 12.9 percent in 2002. Early estimates for 2003 predict a remarkable 15 percent growth in GDP. This progress and fiscal stability has earned Armenia support from international institutions. The IMF, the World Bank, the EBRD, as well as other financial institutions and foreign countries have extended considerable grants and loans to Armenia, with total loans to Armenia from 1993-2002 \$1,025 million. These loans are targeted at reducing the budget deficit, stabilizing the local currency, stimulating private businesses, developing the energy, agricultural, food processing, land and air transportation, and social sectors, as well as continuing reconstruction in the area damaged by the 1988 earthquake. Although Armenia's foreign debt is still manageable at 43.3 percent of GDP (120 percent of annual exports), its annual government revenues, at about 17 percent of GDP, are quite low. Armenia remains heavily dependent on foreign assistance. The U.S., the EU, and the United Nations are the main providers of technical assistance to Armenia. In FY 2002, the United States extended \$90 million in assistance to Armenia.

The long-term resolution of the country's economic problems will depend on resolving the Nagorno-Karabakh conflict and establishing diplomatic and trade relations with Turkey and Azerbaijan. A settlement would increase the country's industrial output and allow Armenia to utilize fully its highly educated human resources by expanding regional trade links with Azerbaijan, Turkey and the Middle East. Armenia's economic integration with its neighbors is essential to achieve long-term growth.

2.2 PRINCIPAL GROWTH SECTORS

According to official Armenian statistics, the total output in real terms grew by 12.9 percent in 2002, including 14.2 percent growth in overall production, 44.6 percent growth in construction, 4.4 percent in agriculture, 6 percent in transportation and communication and 15.6 percent growth in trade. The total physical output of manufacturing industries (including machinery, energy, chemical, agricultural, and construction sectors) increased. Physical output in some industries increased by as much as 80 percent in 2002.

2.3 GOVERNMENT ROLE IN THE ECONOMY

Government control over industry progressively diminishes as more and more organizations are privatized. A few factories that the government considers “strategic” will not be privatized in the near term. Privatization should result in a reduction in size or mergers of ministries and in a transition of their functions from direct management and control to policy making and special support. Through the Central Bank, the government supervises the banking system and currency market. The National Assembly (Parliament) is steadily developing and passing laws that create a framework for a free, market-oriented economy. However, concurrently with these reform measures, a greater number of government officials are engaging in private business and frequently use their influence to expand and protect their organizations, often illegally.

2.4 BALANCE OF PAYMENT SITUATION

Both the balance of payment situation and trade deficit improved sharply in 2002 compared with previous years. The current account deficit was USD 148 million, which was 28 percent less than in 2001. The balance of goods deficit was USD 368.7 million, which is a 12.3 percent improvement compared with 2001, while the balance of services deficit deteriorated by USD 22.9 million, or 2.3 times.

In 2002, Armenia’s total foreign trade was USD 1,498 million, including USD 507.2 million in exports and USD 991 million in imports. The trade balance is USD - 484 million, or USD - 472 million excluding humanitarian assistance. Compared to 2001, the total foreign trade increased by 22.9 percent, including a 48.4 percent increase in exports, and 12.9 percent increase in imports. In 2002, about 27 percent of the foreign trade of Armenia was with the NIS countries, and 30.3 percent with the EU countries.

Almost 19.4 percent of all exports in 2002 were to NIS countries, including Russia – 12.8 percent, Georgia – 3.4 percent, and other NIS countries – 3.2 percent. About 39 percent of all Armenian exports went to EU countries, notably Belgium – 18.2 percent, Germany – 5.5 percent, and UK – 10 percent. More than 9 percent of Armenian exports went to the US, 17.4 percent to Israel, and 6.2 percent to Iran.

More than 30 percent of imports to Armenia came from NIS countries in 2002, largely from Russia – 19.8 percent. Almost 26 percent of all imports to Armenia came from EU countries: Belgium – 9.2 percent, Germany – 4.3 percent, Italy - 3.7 percent, and UK – 2.85 percent. As a percentage of Armenia’s imports, products from the U.S. made up 5.4 percent, from Iran – 6.3 percent, from Israel - 8.3, and Turkey – 3.8 percent.

Precious stones, imported from abroad and cut in Armenia, dominate Armenia's trade structure, leading both imports and exports. Exports of precious stones and metal more than doubled in 2002 and early 2003, and account for more than 50 percent of total export revenue. The next largest sector in exports is processed food, at 9% of total exports. As a percentage of imports, precious and semi-precious stones are again dominant at 21.5 percent followed by: mineral products (fuel)—17.6 percent; machinery—10.45 percent; and processed food—8 percent.

2.5 INFRASTRUCTURE

Geography and Environment

Location:	the Caucasus, between Turkey, Georgia, Azerbaijan, and Iran
Total area:	11,496 sq. miles
Land area:	10,956 sq. miles
Comparative area:	slightly larger than Maryland
Land boundaries:	total 779 miles, Azerbaijan (east) 345 miles, Azerbaijan (south) 137 miles, Georgia 102 mi., Iran 22 mi., Turkey 166 mi.
Coastline:	0 miles (landlocked)
Maritime claims:	none
Climate:	highland continental; hot dry summers; cold winters

Terrain:	high Armenian Plateau with mountains; little forest land; fast flowing rivers; good soil in Arax River valley
Natural resources:	deposits of gold, copper, molybdenum, zinc, aluminum and coal.
Land use:	arable land - 17percent; permanent crops – 3 percent; meadows and pastures – 24 percent; forest and woodland – 15 percent, other - 41 percent
Irrigated land:	1,177 sq. miles (1990)
Current Environmental Issues:	soil pollution from toxic chemicals such as DDT; pollution of Hrazdan and Arax Rivers; the falling water level of Lake Sevan, a result of its use as a source for hydropower.
Natural hazards:	possibility of earthquakes; subject to occasional drought.

Industries

Traditionally diverse, including metal cutting machine tools, forging-pressing machines, electric motors, tires, knitwear, hosiery, shoes, silk fabric, washing machines, chemicals, trucks, watches, industrial tools, mainframe computers and microelectronics (mostly defense oriented), and software. Currently, much of industry is either idle or operating at a fraction of its capacity. The defense industry is being partially converted to civilian purposes. Armenia's international production code is 485.

Agriculture

Only 17 percent of Armenia's land area is arable. Armenian fruits are superior in quality. Both the U.S. Department of Agriculture and USAID are implementing marketing assistance project with many small agribusinesses. There is a minor livestock sector. Armenian vineyards are well known for producing brandy, wines, and other liqueurs.

Transportation

Railroads:	522 miles exist (does not include industrial lines); of four international rail connections (with/via Georgia, Azerbaijan, Turkey) only the connection with Georgia (to Black Sea ports) is presently operable.
Highways:	total 7,019 miles, paved 6,522 miles, unpaved/dirt 497 miles (1990); road connections exist with all neighboring states (only roads with Georgia and Iran are open for border crossing).
Pipelines:	natural gas 559 miles (1991)
Ports:	none; landlocked
Airports:	12 total, 10 usable; 6 with permanent-surface runways; 1 with runways over 3,659 m; 3 with runways 2,440-3,659 m; 2 with runways 1,060-2,439 m (note: a C-130 can land on a 1,060-m airstrip). Of the six civil airports with artificial field surfacing, only the largest ones - Zvartnots (in Yerevan), Erebuni (in Yerevan), Stepanakert, and Shirak (in Gyumri) operate at present. Zvartnots is an international airport that can accommodate all types of planes, including the largest cargo aircraft. Shirak can accommodate heavy cargo planes, but as part of Zvartnots' deal with the Armenian government, can only be used as an alternate to Zvartnots airport, while Erebuni can accommodate only small commuter aircraft and helicopters. Besides regular flights to many NIS cities, including Moscow and St. Petersburg, regular weekly flights connect Armenia with Amsterdam, Athens, Beirut, Dubai (UAE), Frankfurt, London, Paris, Prague, Sofia, Tehran, and Vienna.

Telecommunications

Armenia has about 520,000 telephones. The average telephone density is 53 per 100 families. International connections to other NIS countries are by landline or microwave, and to other countries by

satellite and by leased connection through the Moscow International Gateway Switch. The Greek state-owned OTE organization owns 90 percent of the shares of Armentel, with the remaining 10% owned by the Armenian government. Armentel has a 15-year monopoly running through 2013 on all telecommunications in the country, as well as on communications lines that allow access to the international market.

According to the privatization agreement signed between Armentel and the government, Armentel has committed to invest USD 300 million by 2008. Armentel states that it has already invested approximately USD 130 million' while the government argues that actual investments to date have been far less and have not met the company's investment commitment. The majority of the phone lines are digitalized, and Armentel has committed to provide cell phone service on the whole territory of Armenia by the end of 2004.

Many international donors and foreign governments have suggested that Armenia may wish to purchase back the telecommunication's monopoly rights from Armentel, or cite Armentel's lack of compliance with investment requirements to cancel the monopoly contract, opening up the sector to competition. Armentel has been accused of charging unreasonably high prices to other telecommunications service providers such as the domestic cable company and internet service providers (ISPS).

Internet service provision is not well developed, largely due to Armentel's monopoly access to international gateways and the internet backbone. The Armentel monopoly and resulting lack of competition in the provision of Internet access significantly raise costs for broadband access. The Armenian Government has taken regulatory action which may result in the partial break-up of the monopoly. High-speed, high-quality satellite access is available for industrial users.

Broadcast stations: almost 100 percent of the population receives Armenian and Russian TV programs (some areas also receive Turkish, Iranian, Georgian, and Azerbaijani TV broadcasts). Private TV broadcasting stations, cable networks, and Internet providers are increasing in number.

CHAPTER 3 POLITICAL ENVIRONMENT

3.1 NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES

American-Armenian relations are excellent. Armenia, per capita, is the second largest recipient of U.S. aid. The United States Embassy was the first embassy to open in Yerevan in February 1992. The Armenian Embassy opened in Washington in the same year. U.S. humanitarian and technical aid to Armenia emphasizes humanitarian assistance (food and fuel); building democracy and good governance; modernizing the banking system; fiscal reform; restructuring the energy sector; agricultural marketing; and creating a regulatory and a financial framework for private sector development. The U.S. is active in efforts to negotiate an end to the Karabakh conflict. Armenian and American government officials maintain very close working relations. During the winters of 1993-1995, the U.S. undertook unprecedented large-scale humanitarian assistance to Armenia, providing wheat, kerosene, and kerosene heaters to protect Armenians from the worst effects of the winter. While continuing large-scale fuel and food assistance, the U.S. has changed the emphasis of aid to political and economic development, and assistance for expansion of the private sector. USAID has a separate Mission in Yerevan, which cooperates closely with the Georgia/Azerbaijan Mission. The U.S. Peace Corps has been operating in Armenia since 1992. More than 140 U.S. volunteers work in Armenian cities and the countryside providing business consulting and English language training. US Treasury provides long and short-term advisors to the government in a range of financial areas. USDA has active educational, marketing, loan and grant programs.

In 1992, Armenia signed three agreements with the United States affecting trade between the two countries. The agreements were ratified by the Armenian parliament in September 1995 and went into force in the beginning of 1996. These are:

- Agreement on Trade Relations Between the Republic of Armenia and the United States of America ("Trade Agreement").
- Investment Incentive Agreement between the Government of the Republic of Armenia and the Government of the United States of America ("OPIC Agreement").
- Treaty Between the Republic of Armenia and the United States of America Concerning the Reciprocal Encouragement and Protection of Investment ("Bilateral Investment Treaty - BIT").

3.2 MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

The conflict surrounding Nagorno-Karabakh, an Armenian-populated autonomous enclave in neighboring Azerbaijan, has lowered the attractiveness of investment in the region. Both sides have observed a cease-fire for more than nine years.

Turkey, siding with Azerbaijan in this conflict, has established a blockade of Armenia, paralleling that of Azerbaijan. The embargoes partially lost their economic influence because many Turkish goods and Azeri oil products find their way to Armenia, mainly via Georgia. Also, since 1995, Turkey has allowed a limited number of passenger charter flights between the two countries as well as Armenian transit flights over Turkish territory. Armavia has a regular flight from Yerevan to Istanbul twice per week. The embargo remains one of the key factors hindering economic development of Armenia. The embargo also ties the hands of many U.S. businesses whose regional headquarters (which usually cover the Caucasus) are located in Turkey.

International monitoring groups recording notable shortcomings in both the 2003 presidential and parliamentary elections. President Robert Kocharian was re-elected, despite numerous instances of

witnessed ballot box stuffing and voter intimidation. Similar concerns were raised about the May parliamentary vote, in which the pro-Kocharian party secured a majority of the seats.

3.3 BRIEF SYNOPSIS OF THE POLITICAL SYSTEM

Name of the state in English: Republic of Armenia (Armenia)

Local name of the state: Hayastani Hanrapetutyun (Hayastan)

Type: Republic

Capital: Yerevan

Flag: Three equal horizontal bands of red (top), blue, and orange

Independence: 28 May 1918 (First Armenian Republic); 23 September 1991 (from Soviet Union)

Constitution: A new, post-Soviet constitution was adopted by referendum on July 5, 1995.

Legal system: The constitution is based largely on the French strong presidential model. The U.S. and EU are providing extensive advice to the legislative and regulatory reform processes, including a election law, which reflect western legal norms. A special presidential commission is prepared constitutional amendments providing for, inter alia, a stronger parliament and dual citizenship, but the referendum failed in May 2003.

Suffrage: 18 years of age; universal

Executive Branch:

The President of Armenia is elected every five years by popular vote. The President appoints the Prime Minister and Ministers, who do not need to be confirmed by the parliament. The Prime Minister, however, should present an Economic Program for the Parliament's approval. Armenia's current President is Robert KOCHARIAN (first elected 1998, second term began April 9, 2003). Armenia's Prime Minister is Andranik MARKARIAN (since May 2, 2000).

The regional (district) governmental structure of Armenia closely mirrors the national structure. The 10 provinces (Marzes) are led by appointed Governors, while the city of Yerevan has the status of Marz and is led by an appointed mayor. Their executive bodies wield certain control over the local budget, population, and businesses in the region. The local governments, however, do not have legislative power. A new law on self-government, passed in 2002, calls for further decentralization and fiscal independence for local governments.

Legislative Branch:

The Armenian parliament, the National Assembly, has 131 members; 75 of them are elected under proportional (party list), 56 under majoritarian (single mandate). The National Assembly can vote no confidence in the Cabinet but may not dismiss individual Ministers or a Prime Minister. There are 6 standing committees, which, along with the government, are actively involved in the legislative reform process. Deputies to the National Assembly are elected by general election every four years, A new draft of the electoral code has been under discussion at the parliament. The present Chairman of the National assembly is Arthur Baghdasarian.

Judicial Branch:

The Constitution provides for a nominally independent judiciary with a three-layer court system: Courts of First Instance, Courts of Appeals, and Court of Cassation. The Court of Cassation was formed in July 1998. The Constitutional Court is charged with ruling on compatibility of legislation and international treaties with the Constitution and resolving electoral disputes.

The Chairman of the Court of Cassation is Henrik DANIELIAN. The Chairman of the Constitutional Court is Gagik HARUTYUNIAN.

Major Political Parties

- Republican Party (RP), Andranik Markarian, Acting Chairman
 - Country of Law Party, Arthur Bagdasarian, Chairman
 - Peoples' Party (PP), Stephan Demirchian, Chairman
 - Armenian Revolutionary Federation (ARF - Dashnak Party), Vahan Hovhanisian-National Accord Party- Artashes Geghamian
 - National Democratic Union (NDU), Vazgen Manukian, Chairman
 - United Labor Party, Gurgen Arsenian, Chairman
- Other parties and movements include:

- Constitutional Rights Union, Hrant Khachatryan, Chairman
- Democratic Party of Armenia (DPA), Aram SARKISIAN, Chairman;
- Communist Party, Ruben Tovmasian, Chairman
- Liberal Democratic (Ramkavars), Harutyun Arakelian, Co-chair
- Liberal Democratic Party of Armenia, Vigen KHACHATRIAN, Chairman
- Self-Determination Union (SDU), Paruir Hayrikian, Chairman
- Armenian National Movement (ANM), Ararat Zurabian, Chairman

CHAPTER 4 MARKETING U.S. PRODUCTS AND SERVICES

4.1 DISTRIBUTION AND SALES CHANNELS

The emerging Armenian private sector currently enjoys a legal environment that allows for almost all distribution and sales mechanisms available in the West. Marketing principles and techniques are slowly developing, although some market participants do not fully comprehend the principles of a modern economy. Some of the remaining state organizations continue to use remnants of the industry-by-industry centralized purchase and distribution systems run by the ministries.

4.2 USE OF AGENTS AND DISTRIBUTORS, FINDING A PARTNER

A number of private Armenian companies have become agents/distributors or authorized dealers for such firms as Procter & Gamble, M&M-Mars, Johnson&Johnson, Kodak, Philip Morris, DHL, FedEx, Dell Computers, IBM, Reebok, Adidas, LG (Goldstar), Tefal, Sony and JVC.

To find a local partner, interested American firms may contact the following organizations:

a) American Embassy, Yerevan – Economic/Commercial Officer, Traver Gudie, 18 Marshal Baghramyan Avenue, Yerevan 375019 Armenia, or Department of State, Washington DC 20521-7020, or; Tel: (374-1) 52 46 61. E-mail address: <gudiet@state.gov>.

b) Business Information Service for the Newly Independent States (BISNIS). BISNIS is a unique government organization that explores business opportunities, accumulates and regularly publishes partnership and agent/distributor leads collected by its representative in Armenia. Write or call: George Isayan, BISNIS Representative in Armenia, or BISNIS Information Center, USA Trade Center, 1401 Constitution Ave, NW, Washington, DC 20230
Tel: (202) 482-4655, Fax: 202/482-2293, E-mail: bisnis@ita.doc.gov, Website: www.bisnis.doc.gov.

c) American Chamber of Commerce in Armenia (AmCham). Nanik Melkomian, Executive Director; Hotel Armenia, 1 Amirian Street, Yerevan 375001; tel: (374-1) 599-187, e-mail: amcham@arminco.com.

d) ADA - Armenian Development Agency (Director - Mr. Vahagn Movsessian), 17 Charents Street, Yerevan, Armenia; tel: (374-1) 57 01 70, 54 22 57, fax: (374-1)52 22 72; e-mail: ada@ada.am; web site: <http://www.ossada.am>. ADA is an Armenian Government affiliated agency to promote Armenian exports and foreign investment to Armenia. Directed by the Prime Minister's Office, ADA is aimed to serve as a "one stop shop" for foreign investors.

e) Trade Point Armenia (Director - Mr. Vahram Hakobyan, Mr. Vahagn Ovsepyan, Marketing and Trade Promotion), Government House 1, Republic Sq. Suite 30, 375010, Yerevan, Armenia. Tel: (374-1) 58 28 56; Fax: (374-39) 90 68 40, E-mail: vjh@vjh.tpa.amilink.net. Website: <http://sunsite.icm.edu.pl/untppdc/incubator/arm/tpevn/welcome.html>

f) Union of Manufacturers and Businessmen of Armenia (Chairman - Arsen Khazarian), 41 Arshakunyats Ave., Yerevan 375026; tel/fax: (374-1) 560 188, or 14 Abovyan St., 2nd floor, room 102, tel: (374-1) 520 227, 526 953, 562 152. Website: www.umba.am. Members of the Union include many of the largest company leaders and businessmen in Armenia.

g) Arax Consulting Group (Mr. Ashot Poghosyan, President), 2a Tamanyan St., Suite 2, Yerevan
Tel: (374-1) 589-856, 529-418, 564-013, Fax: (374-1) 529-418, 545-698, E-mail: arax@arminco.com.

i) Arlex International Ltd, Legal And Business Consulting, (Mr. Thomas Samuelian, Managing Attorney),

9 Tpagrichneri St., Suite 54, Yerevan 375010, Tel: (374-1) 580-213, Fax: (374-1) 580-213, E-mail: tsamuelian@arlex.am, website: www.arlex.am.

j) BSC - Business Support Center, 24 Moskovyan Street, Yerevan 375002 Armenia, Tel/Fax: (374-1) 528-279, 561-064; e-mail: bsc@bsc.am. Website: www.bsc.am. An EU TACIS initiated project that provides consulting to local and foreign private companies.

k) Business Consult (Ms. Parandzem Gevorkyan, Managing Director), 8 Zakyan Street, 2 Floor, Suite 30b, Tel: (374-1) 567-767, Fax: (374-1) 562-404, E-Mail: businessconsult@bc.am, website: www.bc.am.

l) International Legal Consulting (ILC) LLC (Ms. Edith Khachatourian, Managing Partner), 19 Sayat-Nova Ave., Suite 200, Yerevan 375001, Tel: (374-1) 56 96 98, Fax: (374-1) 566-735, E-mail: ekhach@arminco.com.

m.) KPMG Armenia (Executive Director - Alan Kuchukian), 8 Hanrapetsusian, Yerevan 375010, Armenia, tel: (374-1) 566 762, 584 754, 586 379. Website: www.kpmg.am. An affiliate of KPMG's office in London.

n) SED-MARSED consulting cjsc. (CEO- Tigran Jrbashyan) 25/27 Nalbandyan, Suite 2, Yerevan-01; tel: (374-1) 565 625, 522 734; fax: (374-1) 565 625. A consulting company, which specializes in financial advice and auditing.

o) Hai-Consult (Executive Director - Gagik Makaryan), 4 Tigran Mets, room 2, 2nd floor, Yerevan-10, Armenia; tel: (374-1) 589-337, 562-318; fax: (374-1) 151-822; e-mail: veneto@arminco.com. A consulting and auditing company.

p.) Grant Thornton Amyo (Executive Director - Armand Pinarbasi), 18 Vardanats, Yerevan 375010, Armenia; tel: (374-1) 522 401, 586 373; fax: (374-1) 584 419, 584 459; e-mail: gta@gta.am. Website: www.gta.am. An affiliate of Grand Thornton consulting company.

4.3 FRANCHISING

Though a few franchises have recently opened, this is virtually an unknown concept in Armenia. It is believed that franchising may become popular as soon as Armenian businessmen see the first success stories and are able to cope with financing requirements. Despite the generally very low incomes of the population, some entrepreneurs have accumulated enough capital to provide start-up funds for franchising.

4.4 DIRECT MARKETING

Direct marketing is used primarily by industrial equipment manufacturers.

4.5 JOINT VENTURE/LICENSING

Joint business ventures represent the most popular forms of trade/investment arrangements between local and U.S. companies. Joint ventures are registered either as limited liability companies or joint stock companies.

4.6 STEPS TO ESTABLISH AN OFFICE

Legal Forms of Businesses

According to the Civil Code of Armenia, there are several types of commercial entities that can be

established. These can be broken out into two main categories: business partnerships (including full business partnerships and limited business partnerships) and business companies (including limited liability companies, companies with supplementary liability, and joint stock companies).

Business Partnerships

Business partnerships may be created in one of the following two forms: full business partnerships and limited business partnerships.

Full business partnerships: the general partners of a full partnership conduct entrepreneurial activity in the name of the partnership and bear liability for its obligations with their personal property. A person may be a participant in only one full partnership.

A limited business partnership consists of both general and limited partners. General partners of a limited partnership, similar to a full partnership, are liable for the liabilities of the partnership with their personal property, and they conduct entrepreneurial activity in the name of the partnership. Limited partners enjoy limited liability, which means their liability extends only to the amount of their contribution, and they do not take part in the entrepreneurial activities of the partnership. A person may be a general partner only in one limited partnership. A participant in a full partnership may not be a general partner in a limited partnership, or vice versa.

Only individual entrepreneurs and/or commercial entities may be general partners in business partnerships, while citizens and legal persons may be limited partners in business partnerships.

Business companies

Citizens and legal persons may be participants in business companies, which may be established in the following form: limited liability companies, companies with supplementary liability, and joint stock companies.

A limited liability company is a company founded by one or more persons, the charter capital of which is divided into ownership shares of amounts determined by the charter. The liability of participants/owners in a limited liability company is limited to the nominal value of their equity.

A company with supplementary liability is a company founded by one or more persons, the charter capital of which is divided into ownership shares of amounts determined by the charter. The participants in such a company jointly and severally bear subsidiary liability for its obligations with their property proportional to the value of their contributions. The proportion is identical for all participants and is determined by the charter of the company. Upon bankruptcy of one of the participants, his liability for the obligations of the company shall be distributed among the remaining participants, in proportion to their contributions, unless otherwise provided in the charter.

A joint-stock company is a company with its charter capital divided into a defined number of shares of stock. Only joint-stock companies have the right to issue shares of stock. Joint-stock companies may be organized in the following forms:

A) Open joint-stock company: a joint-stock company whose participants may freely transfer their shares without the consent of the other stockholders is an open joint-stock company. An open joint-stock company may conduct open subscriptions of its issued shares and freely transfer them pursuant to the terms established by statutes and other legal acts.

B) Closed joint-stock company: a joint-stock company whose shares of stock are distributed only among its founders or another previously determined group of persons is a closed joint-stock company. Such a company does not have the right to conduct open subscription to its issued shares nor otherwise offer them to an unlimited group of persons. Issued shares of a closed joint stock company can be transferred only by observing the pre-emptive rights of other shareholders of the

company. The maximum number of shareholders allowed in a closed joint-stock company is 50.

Business companies may be established and maintained by one person. However, another business entity may not be the sole shareholder of a business company [in case of a limited liability company]. The founders of business companies are obligated to pay the charter capital in full, prior to registration of the company. In order to make the charter capital payment, the applicant(s) must first open a current bank account, where the contribution of the founder(s) may be deposited. A contribution to the charter capital of a business partnership or company may be made in the form of cash, securities, real property, or other property having a monetary value. The monetary evaluation of the contribution made by a participant in a business company is determined by an agreement executed among the founders (participants or shareholders) of the company and shall be audited.

Business partnerships and companies may be founders, participants, or shareholders of other business partnerships and companies.

Cooperatives

A cooperative is a voluntary amalgamation of citizens and legal persons on the basis of membership, with the purpose of meeting the financial and other interests of the participants. Cooperatives are founded from the members' combined property. Cooperatives, as legal persons, may be organized as either commercial or non-commercial entities, depending on the type of activities implemented.

Representative Offices and Branches

Representative offices and branches do not have the status of independently incorporated companies [legal persons] and act only on the basis of bylaws approved by the parent company [founder]. A representative office represents and defends the interests of the parent company, while a branch carries out all or part of the functions of the parent company, including representation.

Subsidiaries

Every organization, regardless of its organizational-legal type can establish a subsidiary in Armenia. A business company is a subsidiary if another (or principal) business company or partnership has the possibility of determining decisions taken by such a company. This can exist by virtue of the principal's dominant participation in charter capital or in accordance with a contract concluded between the two companies. A subsidiary has the status of a legal entity and its liability is not transferable to the parent organization.

Registration of a company

Step 1: Company name registration at the Intellectual Property Agency under the Ministry of Trade and Economic Development; application should be submitted to the regional branch of the State Registry. Step 2: Registration at the regional branch of the State Registry. Step 3: Registration at Armenia's Tax Service - obtaining a tax identification number (TIN); Step 4: Registration at Armenia's Social Security State Fund. Step 5: Obtaining permission from Armenia's Police local departments to apply for the company seal. Step 6: Ordering of seal at "Seal" JSC.

For more information on registration contact:

State Register of Legal Persons, Ministry of Justice (Mr. Tigran Mukuchian, Deputy Minister of Justice, Mr. G. Sargsyan, Head of the State Register of Legal Persons)

15 Grigor Lusavorich St., Yerevan 375010 Armenia

Tel: (374-1) 524-516 or 524-600; fax: (374-1) 521-021.

Telephone numbers of local divisions of the State Register in Yerevan (by city districts):

Arabkir (374-1) 281639, 250821

Mashtots (374-1) 391720
Myasnikyan (374-1) 565991, 581852
Khorhurdayin (374-1) 644942
Spandaryan (374-1) 582272
Shaumyan (374-1) 772160
Shengavit (374-1) 440730
Erebuni (374-1) 575011

4.7 SELLING FACTORS/TECHNIQUES

The retail industry in Armenia is primarily driven by the private sector. Most wholesale and retail companies are concentrated in Yerevan, where the number of retail outlets, especially small-sized food providers and conventional and specialty stores, has been growing rapidly since 1995. The majority of these stores employs from 3 to 10 people and operates largely on a consignment basis with various wholesalers, although importers themselves own some outlets. Since credit cards and checks are not yet universally accepted in Armenia, most retail sales are paid in cash. Domestic or international company-to-company sales are primarily made by bank transfer (especially in the state sector), letter of credit, or on a barter basis.

Yerevan and some other Armenian cities also feature large open markets where relatively inexpensive food, clothing, housewares, and consumer electronics are sold by thousands of individual vendors. Many of them take individual "shopping-tours" to countries such as Turkey, the UAE, Iran, and China on a regular basis to buy products for resale in Armenia. Some of these open markets, especially those trading food, serve also as wholesale markets for owners of retail stores. Though prohibited by law, vendors readily accept U.S. dollars, especially for expensive items.

4.8 ADVERTISING AND TRADE PROMOTION

Advertising in Armenia is rapidly gaining popularity, with most ads promoting foreign-made products. In 1996, Armenia adopted an Advertising Law that sets advertising standards and principles, including a mandate making Armenian the official language for advertising. Armenian text may be accompanied by text in a foreign language, provided the latter appears in smaller script. This provision does not cover newspapers, special publications, trademarks, etc. that are issued or printed in foreign languages. An advertisement may be copyrighted under Armenian law.

The law prohibits advertisements promoting the stimulating or relaxing effects of alcohol and cigarettes. The Ministry of Health's permission is necessary for advertising pharmaceuticals, medical equipment or treatment methods. No advertising for weapons (except sports and hunting weaponry) is allowed. Certain restrictions apply to advertising banks, insurance and other financial institutions. Unfair or inaccurate advertising is prohibited. Those legal entities or persons whose rights were violated as a result of unfair or false advertising have the right to appeal in court, claim damages and demand an official retraction of the offending advertisement.

Television holds the majority of the advertising industry's market share. Locally made TV ads are usually of low quality. The Armenian audience is more receptive to ads placed on three Russian channels (ORT, RTR, and NTV) available in Armenia that feature world-class advertising. More ads are being placed on private Armenian TV channels, which are growing in number. A few private FM radio stations are also aggressively entering the market. Advertising can be arranged through local advertising agencies, or directly with TV stations, radio stations, and the press. Some suggested contacts are:

Press, displays, stands, posters -

Business Style Co.Ltd, Sayat-Novai Ave. 6-2, Yerevan-1, tel: (3741)560065, 560161
e-mail: bs@bsi.am.

Ega, 13/13 Hrachya Kochari Street, 375012, tel: (374-1) 270371, 270610, fax: (374-1) 587288, e-mail: ega_arm@inbox.net

Noyan Tapan, 28 Isahakyan St., Yerevan 375009, Armenia; tel: (374-1) 524 279, 524 318, fax: 524-279, e-mail: contact@noyan-tapan.am. Weekly English language newspaper.

Paradise Co.Ltd, Abovyan St. 18, Yerevan 375001, Tel: (374-1) 523930, 520479, fax: (374-1) 564626, e-mail: paradi@arminco.com

Spyur (Information Service) Co.Ltd, Pavstos Buzandi St. 1/3, 7th Floor, Yerevan-10, tel: (3741) 590000 Information, 563505, 562635, fax: (3741)562635, e-mail: info@spyur.am.

Zebra Limited Liability Company, Tumanyan St. 40, Apt.36, Yerevan 375002, tel: (3741) 270610, 537056, 539927, fax: (3741)587288, e-mail: art-zebra@netsys.am.

PromoStars - Biayna, Tumanyan str, 26/1, Yerevan, 375001, tel/fax: 52-14-07, 52-50-15, 54-48-44; E-mail: arlego@arminco.com; bisuv@netsys.am

AZD advertisement agency, 45 Baghramyan ave, 2-nd floor, Yerevan, Armenia, tel: 26-34-93, e-mail: azd@azd.am, Web site: www.azd.am

Radio and TV

Hai FM 105.5 Radio Station. 1/3 Pavstos Byuzand St., 6th Floor, Yerevan-10; Tel: (374-1) 529-868 or 560-000; fax: (374-1) 529 868; e-mail: haifm@megacom.am, web site: <http://users.freenet.am/~haifm/index.htm>. A leading Armenian radio station.

AR TV (private), 5A Tumanian St., Yerevan-10; Tel: (374-1) 523-886, 564-149, 563 564; e-mail: artv@mbox.amilink.net. Private Armenian TV station.

Public TV Company of Armenia, Nork, Gevorg Hovsepyan St. 26, Yerevan-47, tel: (3741) 569574, 650015, fax: (3741) 562460, 548596, e-mail: armen@armtv.com.

Shant TV (private), Leningradyan, Gyumri, Armenia: Tel: (374-69) 34-444 or 22-388. The larger of two TV stations based outside of Yerevan.

METEO TV 54, Leo str., Yerevan, tel: (3741) 53-92-31, e-mail: meteotv@arminco.com; web site: www.meteo-tv.am

ARDZAGANK radio company; K.Demirchyan Center, Park Tsitsernakaberd, Yerevan 375028, tel: 39-55-99; 39-60-20; 39-81-25; e-mail: ardzagank@media.am

Armenia TV; tel: 58-38-90, media@armeniatv.am

Business Newspapers:

Delovoy Express, 22 Nazaryan St., Yerevan; tel: (3741) 25-26-83, fax: (3741) 25-49-95.

Hayastani Hanrapetutiun (The Republic Of Armenia) Daily, Arshakunyats Ave. 2, 13th and 14th Floors, Yerevan-23, tel: (374 1) 52 57 56, 52 69 74, 52 82 92, fax: (374 1) 54 86 11; e-mail: hh@press.aic.net.

Aravot" daily, #2 Arshakuniats ave, 15 floor, tel: 56-89-68, fax: 52-87-52; e-mail: aravot@press.arminco.com; web site: www.aravot.am.

Business News Agencies

Arminfo News Agency, Isahakyan St. 28, 2nd Floor, Yerevan-9, tel: (374 1) 52 20 34, 54 31 74, 54 31 72, 54 31 73, fax: (3741) 54 31 72, 54 31 73, e-mail: news@arminfo.am.

Arka News Agency, 1/3 P.Byuzandi, Yerevan, tel: (374 1) 524080; e-mail: arka@arminco.com; web site: www.arka.am

MediaMax News Agency, 1 Marshal Baghramian Ave., apt 32. Yerevan, Armenia Tel: (+374 1) 54-54-31; fax: (+374 1) 54-54-37; e-mail: media@arminco.com, web site: www.mediamax.am

INTERNET Advertisement

Webnet Armenian Online Catalogue: www.wbenet.am; tel./fax: (374 9) 40-19-71

4.9 PRICING PRODUCTS

Private sector: Pricing is largely determined by supply and demand. Some of the factors that continue to contribute significantly to pricing decisions are:

- low purchasing power of population
- high cost of transportation
- little competition or absence of locally manufactured products in many categories
- corruption ("fees" paid to customs officials, road and district police, tax police, government officials, "controllers", and racketeers can comprise as much as 20-30 percent of retail prices. The government is developing anti-corruption steps, but it is still early to measure results).

State sector: The pricing policy of the state sector is increasingly determined by supply and demand. The state continues to control prices for utilities and public transportation, keeping them artificially low. However, prices in those sectors are gradually readjusted to match the market, as the relevant industries prepare for partial or complete privatization.

4.10 SALES SERVICE, CUSTOMER SUPPORT

With the break-up of the USSR, the old structures that provided warranty servicing or replacement of Soviet-made goods all across its territory ceased to exist. The majority of private vendors or service providers in contemporary Armenia, as a rule, do not provide any support or additional services to their customers. Warranty services are gradually being introduced by companies representing/selling internationally recognized brands, especially in the area of consumer electronics.

4.11 SELLING TO THE GOVERNMENT

Selling to the Armenian government is strictly limited by the government's lack of funds. Most of the government's large purchases are connected to programs funded by international financial donors. Purchases of foreign goods and services by state organizations are usually conducted upon authorization of their controlling ministries or state administrations, often via public foreign trade companies or through tenders. During the past two years the government purchased mainly fuel, energy equipment, raw materials, building materials, a very limited amount of machinery for its industries, and almost no consumer goods. Government purchases are conducted in accordance with the RA Law On Procurements.

4.12 NEED FOR A LOCAL ATTORNEY

The business regulatory environment in Armenia is not very transparent, and accurate information (especially in English) is not readily available. To avoid complications, the Embassy recommends that U.S. firms consult thoroughly with local lawyers on every aspect of their future activities in Armenia, including registration, licenses, taxes, particular tax incentives, local accounting principles, import/export procedures, certification requirements, contracts, etc. This is particularly recommended for firms entering Armenia for the first time, or for those that have no Armenian partner. Note that information provided in this guide is of a general character and cannot substitute for detailed legal advice. A list of local attorneys can be requested from the Consular Section of the American Embassy in Yerevan. Call (374-1) 524 661 or fax (374-1) 151-550.

Information on practicing lawyers may also be obtained from:

Union of Advocates of the Republic of Armenia, 3 Zakyan Street, Yerevan-10; Tel: (374-1) 583-442.

International Union of Armenian Advocates, 2 Buzant St., Yerevan-10, Tel.: 374 (1) 54 34 35

International Bar Union, 2 Mashtots Ave., #2, Yerevan-15, Tel.: 374 (1) 58 76 84

Bar Association of Armenia, c/o Yerevan State University Law Department; Tel: (374-1) 55-06-30

4.13 PERFORMING DUE DILIGENCE/CHECKING BONA FIDES OF BANKS/AGENTS/CUSTOMERS

The following organizations provide due diligence and check bona fides of financial organizations:

a.) KPMG Armenia (Executive Director - Alan Kuchukian), 8 Hanrapetsusian, Yerevan 375010, Armenia, tel: (374-1) 566 762, 584 754, 586 379; fax: (374-1) 151 986, 151 989.

b.) Amyot Exco (Executive Director - Armand Pinarbasi), 18 Vardanats, Yerevan 375010, Armenia; tel: (374-1) 522 401, 586 373; fax: (374-1) 584 419, 584 459; e-mail: amyot@arminco.com.

c.) Hai-Consult (Executive Director - Gagik Makaryan), 4 Tigran Mets, room 2, 2nd floor, Yerevan-10, Armenia; tel: (374-1) 589-337, 562-318; fax: (374-1) 151-822; e-mail: veneto@arminco.com

d.) SED-MARSED consulting cjsc. (CEO- Tigran Jrbashyan) 25/27 Nalbandyan, Suite 2, Yerevan-01; tel: (374-1) 565 625, 522 734; fax: (374-1) 565 625.

CHAPTER 5

LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

The Armenian government remains eager to obtain Western development assistance, investment, technologies, and management expertise. However, transportation problems, minimal local financing sources, very low wages, and often the unwillingness of foreign lending institutions to take risks in Armenia inhibit the scope of potential business opportunities. At present, the most promising opportunities are concentrated in the following areas:

5.1 BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

Sector Name: TRAVEL AND TOURISM SERVICES
ITA Industry Code: TRA

Armenia offers significant opportunities for tourism infrastructure development. Despite its relatively small size and land-locked location, Armenia has a substantial man-made and natural base for developing international and domestic tourism. In recent years, Armenia has experienced significant growth in the tourism industry, attracting over 160,000 tourists in 2002, a 31.5 percent growth over the previous year. Road and railroad construction, airport development, airlines, and hotel and resort development are the most promising areas for potential development in the near future. Several tourism infrastructure development projects are underway in which U.S. investors have the opportunity to participate. A number of foreign-owned tourism facilities are already operational, including some American investments. For more information contact:

Ministry of Trade and Economic Development; 5 Hanrapetutyuan St., Yerevan- 375010: Tel:(374-1) 538-082, Fax:(374-1) 588-321, 151-081.

Sector Name: ENERGY
ITA Industry Code: ELP, REQ

Reform in the Armenian power sector is further along than in most of the FSU. Disaggregation of the sector into separate generating, transmission, and distribution companies is complete. Power generation has been largely privatized by recent debt for equity swaps with Russian power companies, and the distribution network is completely private.

The Armenian power system presently has a total nominal installed capacity of almost 3,220 megawatts (MW), excluding Unit 1 of the Metsamor nuclear power plant, which is non-operational. Gross domestic peak demand at high voltage in 2002 was approximately 1250 MW. Armenia makes modest electricity exports to Georgia, has a swap arrangement with Iran, and has potential to export electricity to Eastern Turkey. However, the eventual closure of Metsamor Unit 2, and the age and obsolescence of existing plants, will force significant new investment in generating capacity. Russian energy giant RAU UES has recently acquired Armenia's largest thermal plant, Hrazdan, five hydroelectric plants, and a five-year concession to run the Metsamor nuclear plant. UES has promised capital improvements in the thermal and hydro plants.

HydroPower: Most of Armenia's small hydropower plants are being privatized. Currently, 29 small hydropower plants (less than 10 MW capacity) are in operation with a total capacity of 43.4 MW and average annual electricity generation of 100 million kWh. From the 24 small HPPs, constructed before 1957, 15 HPPs were privatized up to date, and 8 HPPs were written off. In the last 6 years, 14 new HPPs were constructed (total capacity 9.26MW), from which only one is state owned. Now in 2003, 15 private HPPs with a total capacity of 37.71MW are under construction.

The theoretical potential for hydropower resources of Armenia has been estimated to 21.8 billion kWh/year. This includes 18.6 billion kWh/year for large and medium rivers and 3.2 billion kWh/year for

small rivers. The technically available potential is estimated to be 7-8 billion kWh/year, and the economically feasible potential is 3.2-3.5 billion kWh/year. The present average annual electricity generation by all hydropower stations in Armenia totals 1.6 billion kWh/year. For more information contact: Head of Research Dept, Ministry of Energy, Government Bldg. #2, Yerevan-10; Tel: (374-1) 528-704; Fax: (374-1) 151-687.

Thermal Power. The three thermal power plants, in Hrazdan, Yerevan, and Vanadzor, are dual fired and burn imported natural gas and mazout. (Hrazdan: 2x50MW and 2x100MW heat plus power units, 4x200MW power only; Yerevan: 5x50MW heat plus power units; 2x150MW power only). They supply steam for industrial purposes and/or district residential heating, with a total rated capacity of 1,600 Gcal/h. Due to a significant decrease in Armenia's heavy industry, current heat consumption is only a fraction of capacity. These plants are aging and inefficient. Some units have been rehabilitated; others are kept in reserve, and will need replacement or substantial refitting to bring them up to rated capacity. Vanadzor TPP with 96MW of installed capacity has been privatized along with chemical factories located adjacent to the plant and is owned by a Russian company. For more information contact: Office of the U.S. Executive Director, One Exchange Square, London EC2A 2EH, United Kingdom, Tel: (44) 171-338-6569, Fax: (44) 171-338-6487, or Armenergo State Concern, 27 Abovyan St. Yerevan-09, Armenia; Tel: (374-1) 151-721, 21-781, or 592-321, Fax: (374-1) 151-721, or 521-781.

Power Delivery: Armenia's bulk power transmission network consists of 164 km of 330 kV lines, 1320 km of 220 kV lines, and 3146 km of 110 kV lines. It was designed as a part of the Trans-Caucasus Power Pool, which is no longer functioning due to regional conflicts and economic disruption. Two lines (220 kV and 110 kV) to Georgia are operational and supply power to southwestern Georgia. There is a 110 kV line to the Nagorno-Karabakh enclave, and a new Iran-Armenia line. Links to Azerbaijan (330 kV, 400 MW; 110 kV, 50 MW), Nakhichevan (2 x 220 kV, 500 MW), and Turkey (220 kV 300 MW) are not in operation, but could be restored in the event that political relations are normalized.

The low voltage distribution line length is about 40,000 km, with some 9,000 transformers of an average size of 322 kVA, providing electricity to over 700,000 end-users, 300,000 of whom are in Yerevan. Armenia's transmission system control center is located in Yerevan in the head office of ArmEnergo, a state organization, which serves as single buyer and dispatch center. Armtrans is a closed joint stock company that owns and operates the transmission network. Power line carriers (PLC) via the High Voltage (HV) transmission lines generally provide direct contact to all HV substations, which are all manned. The PLC system is to be upgraded, funded by the World Bank and the Japanese Government's Transmission and Distribution loan.

In 1998, Armenia passed a law that provided for eventual privatization of electric generation and distribution, while keeping transmission and the nuclear plant under state control. On February 21, 2002, the government of Armenia issued a decree reorganizing four state-owned regional electric distribution companies, Yerevan Electric Network, Northern Electric Network, Southern Electric Network, and Central Electric Network, into one joint stock company, Armenian Electric Networks CJSC. In August 2002, this newly formed Armenian Electric Networks was privatized by sale of 80% of its stock to the only bidder, Midland Resources Holding (registered in Britain's tax-free Channel Islands), for \$37 million. The government of Armenia expects that Midland will invest \$100 million in modernizing electric distribution in the next 7 or 8 years.

Opportunities may exist for the procurement of dispatch systems, cables, transformers, household electricity meters, and other related equipment. For more information contact: Ministry of Energy, Government Bldg. #2, Yerevan-10; Tel: (374-1) 528-704; Fax: (374-1) 151-687.

Information on procurement opportunities under USAID projects can be requested from the Energy and Economic Restructuring Office, USAID Yerevan Mission, 18 Marshal Baghramian Avenue, Yerevan 375019; Tel: (374-1) 56 96 56, 151-117, Fax: (374-1)151-131; web site: www.usaid.gov.

**Sector Name: AIRCRAFT/PARTS
AIRPORT GROUND SUPPORT EQUIPMENT
AVIATION SERVICES**
ITA Industry Code: AIR, APG, AVS

Armenian Airlines (AA), the national carrier, nearly ceased operations in April 2003. AA is largely in debt around \$19 million and might be liquidated by the end of the year. The company has transferred the majority of its flights to the private company Armavia, which started its operations in 2001. Around 70% of Armavia's shares belong to the Russian air company Sibir. Armavia has received rights to 17 of Armenian Airlines' routes for 10 years. Armavia leased an Airbus A320 from the U.S.-based International Lease Finance Corporation. The rights to the remaining 7 routes were given to another private carrier - Armenian International Airlines (AIA) through December 2004, which includes the routes to Paris, Athens, Dubai, etc. AIA was created in June 2002 and leased one Airbus A320 in September 2002. Both private carriers are planning to lease more passenger aircrafts.

For more information contact:

Karen Zadoyan, Head of International Relations Department of the General Department of Civil Aviation
Tel: (374 1) 285-768; Fax: (374 1) 281-755

Mushegh Sayadyan, Commercial Manager, Armavia
Tel: (374-1) 593-921
Fax: (374-1) 286-310
E-mail: siberia@web.am

Versand Hakobyan, Managing Director, Armenian International Airways
Tel: (374-1) 287-637
Fax: (374-1) 287-637
E-mail: aa@armenianairways.com

Sector Name: RESTAURANT EQUIPMENT AND FURNITURE
ITA Industry Code: HTL, FUR

The number of Armenian catering businesses has been rapidly expanding. Most of the growth is taking place in Yerevan, which is experiencing a real boom in the restaurant business. While no recognized chains have established themselves in Armenia so far, the fast-food concept is gaining popularity. A few recently opened restaurants also offer international cuisine: Chinese, French, Indian, Lebanese, etc. Opportunities exist for exports of high quality but inexpensive bar and kitchen equipment, as well as interior equipment, furniture, and materials. Presently most equipment is imported from Italy, Turkey, Iran and the U.A.E.

Sector Name: STORE EQUIPMENT
ITA Industry Code: BLD, FUR

Growing competition in the retail industry has resulted in a higher standard of quality for store interiors and equipment. Opportunities exist for exports of different types of stands and displays, including refrigerated displays and cold storage equipment.

5.2 BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

Sector Name: PROCESSED FOOD
ITA Industry Code: FOD

More than 70 percent of all food consumed in Armenia is imported. In general, food imports have been growing, while local production has been declining due to high production costs. Imported foodstuffs are mainly of Iranian, Turkish, Russian, UAE, European, and U.S. origin. A significant portion of commercial imports from the U.S. is meat and poultry products, grocery items, and alcoholic beverages. U.S. food exports to Armenia have grown sharply with the establishment of U.S. and European food distributors in Yerevan. Meat and poultry products, sugar, flour, soft drinks and alcoholic beverages represent the best export niches in the market.

For more information contact: USDA Extension, (Mr. Allan Lines, Director), 74 Terian Street, Yerevan 375009; Tel: (374-1) 525-975, 529-607, 578-390; fax: 151-696

5.3 INVESTMENT OPPORTUNITIES

Sector: COMPUTER SOFTWARE ENGINEERING

Software engineering represents one of the most attractive investment opportunities in Armenia. Many U.S. firms have already started successful software projects in Armenia employing Armenian programmers and using the benefits of high quality, low cost labor. A number of programmers also work for U.S. firms on individual orders, working at home and communicating with headquarters in the U.S. via Internet. The country possesses a significant number of programmers, most of which are graduates of the Applied Mathematics Department of the State University. Many of them worked for defense projects in the past. As this type of business does not require heavy capital investment in Armenia and is not affected by customs procedures, transportation difficulties or embargoes, the Embassy believes that this sector has bright prospects in Armenia.

Sector: FOOD PROCESSING AND PACKAGING

Armenia is famous for its fruits and vegetables, which due thanks to the country's soil and climatic conditions, high altitude, and limited use of chemical fertilizers, are rich and flavorful. With modern processing and packaging technologies, Armenian fruit and vegetable products can successfully enter international markets. The main products are soft drinks, mineral water, cigarettes, alcohol, canned fruits and vegetables, milk and dairy products, meat and meat products, mixed feed, flour, and bread. Most of Armenia's food processing plants are actively looking for foreign partners to increase their exports. A program to reconstruct four large canneries at a cost of over US\$ 6 million is being implemented under the World Bank and other programs. Several local companies have recently started to process fruits and vegetables using modern, mainly European technologies. Since 1996, the US Department of Agriculture has implemented an ambitious project aimed at assisting Armenia in processing, packaging and exporting its fruits and vegetables. For more information on business opportunities in agricultural and food processing sectors contact:

Ministry of Agriculture, David Lokian, Minister, 48 Nalbandyan Street, Yerevan 375010, tel: (374-1) 524-641, fax: (374-1) 151-583.

USDA Extension, (Mr. Allan Lines, Director), 74 Terian Street, Yerevan 375009; Tel: (374-1) 525-975, 529-607, 578-390; fax: 151-696.

Sector: ARCHITECTURAL AND CONSTRUCTION SERVICES

The rehabilitation of northwestern Armenia, severely damaged by the 1988 earthquake, remains one of the primary tasks of the Armenian Government. Funds for this work are mainly provided through project financing by the World Bank and a number of local and Diaspora foundations. Most contracts for construction or renovation of residential and public buildings, as well as industrial organizations, are

based on open tenders in which foreign companies are often welcome to participate. The U.S. Based Lincy Foundation has granted \$150 million over 2002 and 2003 toward road building, disaster area reconstruction and the restoration of culturally significant buildings. To obtain information on current or future projects, potential contractors may contact:

World Bank Earthquake Rehabilitation Program. Project Implementation Unit (Director - Mr. Mickael Melkonyan), 31 Ulnetsu St., Yerevan-37; Tel: (374-1) 24-64-10; Fax: (374-1)151-142.

Armenian Development Agency
17 Charents Str. Yerevan, 375025, Armenia Tel: +374577760
Fax: +3741577760

Ministry of Urban Development, Ara Aramian, Minister,
1st Government House, Republic Square, Yerevan 375010, tel: (374-1) 589-080.

Sector: AVIATION SERVICES

Aviation remains Armenia's most reliable transportation link with the outside world. It is one of the industries to which the Armenian government gives a special priority. In particular, opportunities exist in the following areas:

a. Reconstruction of Zvartnots airport. The main Armenian airport, Zvartnots, is located 15 kilometers from Yerevan. It is capable of handling all modern types of passenger and cargo planes including super heavy cargo jets. Zvartnots, due to its geographic location, may represent a good transit airport for international flights if an international-standard infrastructure were to be built. In December 2001 Government of Armenia signed a 30-year concession agreement with Argentina-based "Corporacion America" for Yerevan Zvartnots International Airport. The concessional rights were then transferred to "Armenia" International Airports" CJSC, a wholly owned subsidiary of "American International Airports", an Argentinean-owned company incorporated in the U.S. The concessionaire is obliged to invest \$59 million in the modernization of Zvartnots airport within 8 years. According to the revised version of the master plan, a new passenger terminal will be constructed that can at first serve 8 planes at the same time, and within a year up to 16 planes. It is planned to supply the airport with modern navigation systems. The current passenger terminal will be rebuilt into offices, hotels, trade pavilions, restaurants and cafes. The airport has been certified for ICAO Category II. Reportedly, the concessionaire is planning to upgrade the airport facilities to meet the ICAO Category III requirements by 2005. The airport has modern cargo handling facilities built in 1997 by an American construction company under the loan provided by European Bank for Reconstruction and Development. There will be procurement and services opportunities for upgrading the airport infrastructure.

b. Possible leasing of new aircrafts: Armenian Airlines (AA), the national carrier nearly ceased operations in April 2003. AA is largely in debt around \$19 million and might be liquidated by the end of the year. The company has transferred the majority of its flights to the private company Armavia. Which started its operations in 2001. Around 70% of Armavia's shares belong to the Russian air company Sibir. It has received rights to 17 of Armenian Airlines' routes for 10 years. Armavia leased an Airbus A320 from the U.S.-based International Lease Finance Corporation. The rights to the remaining 7 routes were given to another private carrier - Armenian International Airlines (AIA) through December 2004. AIA was created in June 2002 and leased one Airbus A320 in September 2002. Both private carriers are planning to lease more passenger aircrafts.

c. International Competition: Some foreign carriers, including British Airways, Austrian Airlines, Czech Airlines and a number of Russian and Ukrainian carriers, presently fly to Armenia. The government considers civil aviation to be of strategic importance to the country and has conducted a protectionist policy regarding other carriers that may compete on its established routes. To protect its regular flights, the government also closely monitors and controls most charter flights. In 1998, the policy was revised

Sector: MINING, METALLURGY

Armenia possesses significant deposits of copper and molybdenum, as well as mining and processing complexes situated in the country's south. In the past, these complexes produced copper and molybdenum concentrates for consumption by the Soviet defense industries. A U.S.- Canadian owned company, Metal Prince, was established in Armenia in 2000, specializing in the mining business. Metal Prince owns and operates the Akhtala Mining Company and produces a copper concentrate. The company owns the mining rights for three copper mines, one gold-polymetal, one zinc polymetal and one polymetal mine located in Lori Province, Armenia. Another American firm, COMSUP commodities, has recently purchased from the government the Agarack copper/molybdenum mine near the Iran border.

For more information, contact: Ministry of Trade and Economic Development; 5 Hanrapetutyan St., Yerevan 375010: tel: (374-1) 538-082, fax: (374-1) 588-321, 151-081.

Sector: RESTAURANT SERVICES

Though no well-known western fast food chains have opened in Armenia as of yet, this type of business is relatively developed in Armenia. New pizzerias, restaurants, and sandwich bars have been appearing every month while the market demand for these services has been showing signs of growth. The Embassy considers the restaurant business an attractive investment and partnership opportunity for U.S. firms, and expects further growth in this area. Franchise offers from well-known American chains will be of interest to local companies as well.

For more information, contact: Ministry of Trade and Economic Development; 5 Hanrapetutyan St., Yerevan 375010: tel: (374-1) 538-082, fax: (374-1) 588-321, 151-081.

CHAPTER 6

TRADE REGULATIONS AND STANDARDS

Tax System

Armenia's tax system generally follows international practice in overall tax structure and tax rates, although revenue yield still lags that of more developed countries. Improvement of revenue yield has been a priority of the government, generally through a focus on improvements to tax administration. The nation does not have a single tax code, but rather individual tax laws that are generally consistent with one another. Development of a tax code is at present under discussion.

The nation's tax structure is one of the simplest in the NIS. Taxes include a VAT at a 20% rate that generally follows international standards in design, including zero-rating of exports, a personal income tax with rates of 10 and 20% and a corporate profits tax with a 20% rate. Income earned in Armenia is taxable for non-residents, with a 10% rate on royalties and interest. There is no tax treaty between the United States and Armenia. Excise taxes are levied on alcohol and crude oil and a presumptive tax, in lieu of excise and VAT, imposed on tobacco and gasoline. The law provides a simplified tax for smaller businesses that substitutes for the VAT and income taxes, and has established presumptive taxes for certain types of difficult-to-tax businesses, largely consumer services.

Land and property taxes, which are a local government revenue, are levied at a roughly progressive rate, generally with a maximum of approximately 1% of cadastral value, with vehicles subject to a per horsepower property tax. Social security taxes are divided between the employer, at a 3% rate, and the employee, at rates declining from 15% to 5% as pay increases. Finally, the nation imposes an environmental tax on activities that exploit or pollute natural resources (customs duties are discussed in a different section).

Monthly payments are generally required for most taxes, and quarterly or annual returns for the remainder. VAT is collected on import, with a refund system for exports that has been reported to be problematic. There is a limited administrative appeal process, although many taxpayers choose to appeal directly to the courts.

6.1 TRADE BARRIERS, INCLUDING TARIFFS AND IMPORT TAXES

Customs Tariffs

Armenia has no export tax. Armenia imposes import tariffs on goods classifications determined pursuant to the international Harmonized Commodity Description and Coding System (HS). Tariffs are in ad valorem terms and levied on C.I.F. values. The import tariff schedule has rates of either 0 or 10 percent. The ten percent tariff is mainly levied on consumer goods and luxury items.

No duties are levied on:

- goods imported temporarily under customs control and under an appropriate customs regime.
- imports for construction projects envisaged by inter-governmental agreements on investment cooperation.
- imports made on credits to the government, the state budget, or government funds.

There is no limit on hard currency imports to Armenia. (But amounts over US\$ 10,000 must be reported.) A customs processing fee is applied on the basis of a schedule of fees set out in the Customs Code for specified Customs services. The average fee for one export/import declaration is approximately \$12.00. No fee is collected for imports of humanitarian aid.

All Armenian and foreign citizens can import twice per year duty free articles if the total price does not exceed \$300, except for the following articles for which quantitative limitations apply as noted:

Code according to the Nomenclature	Names of goods	In kind quantity
09	Coffee, tea, mate (Paraguay tea) and seasoning	1 kg
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates, as well as	5 kg
160430	Fish caviar and its substitutes	0.5 kg
21	Miscellaneous edible preparations, except	1 kg
- 2102	- yeast	
22	Beverages, spirits and vinegar	2 liters or 1 bottle when bottle's capacity is more than 2 liters
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes:	
	Cigars	10 pieces
	Cigarillos	400 pieces
	Cigarettes (filter or non-filter)	400 pieces

Personal belongings are also imported duty free.

Persons arriving in Armenia for permanent residence can import their belongings duty free. Citizens of Armenia can import their inherited property duty free upon presentation of relevant documents to the customs proving ownership.

For more information on customs tariffs and procedures contact:

State Customs Committee 3 Khorenatsi Street, Yerevan 375015 Tel: (374-1) 536 051 Fax: (374-1) 538 035

or refer to the Armenian State Customs Committee web site at "www.customs.am"

6.2 CUSTOMS VALUATION

Armenia became a member of the WTO in 2003. Customs valuation provisions of the Armenian Customs Code are in full conformity with the WTO Customs Valuation Agreement, whereby Customs valuation of imported goods is based upon the transaction value of those goods (the price paid or payable for the imported goods in the country of export). The only document required by the Armenian Customs Code to establish the transaction value of imported goods is a commercial invoice. Pursuant to the Customs Code, Armenian Customs can request specified additional documentation to confirm the transaction value only in certain, specified circumstances. If the transaction value of imported goods cannot be established, alternate methods of valuation are set out in the Customs Code according to the provisions of the WTO Customs Valuation Agreement.

6.3 IMPORT LICENSES

While most imports are free of prohibitions, quotas, or licensing requirements there are restrictions for health, security, or environmental reasons. These restrictions include required authorization for weapons, components used in the production of weapons, explosives, nuclear materials, poison, narcotics, strong psychotropic substances, devices for use in opium smoking, and pornographic materials. The Ministry of Health must authorize medicines and Ministry of Agriculture all agricultural chemicals.

6.4 EXPORT CONTROLS

Export Documentation

The Customs Department requires all exporters to present a valid contract, an origin certificate for certain cases, an export license for certain items (see below), and a certificate of conformity for all ferrous and non-ferrous metals. A certificate of origin is needed to export products to the countries of Commonwealth of Independent States. An export license is required for the following items: (a) pharmaceutical products and raw materials for pharmaceutical products; (b) textiles and clothing exported to EU countries; (c) objects of art considered part of the national heritage; and (d) rare plants and animals. A certificate of conformity, to be obtained from the Department for Standardization, Certification, and Metrology of Armenia (SARM), is required for the exports of metals because the government sets a list of minimum prices quarterly to prevent exports at an artificially low cost.

Minimum Export Price Control

The Armenian Customs Department is authorized to control export agreements for certain products to ensure that they are not exported from Armenia at prices lower than minimum export prices set by the Ministry of Finance. However, these products can be exported at lower prices if the exporter pays the difference to the state budget, secures a special permit from the Armenian government, or if the exports are made according to international agreements entered into by Armenia. The controlled products include:

- non-ferrous metals, including secondary ones; their alloys, powders, oxides, salts, semi-products; scrap and waste; products from non-ferrous metals (except for products manufactured in Armenia): 74.01-74.14, 75, 76.01-76.14, 78, 80, and 81.01-81.13.
- products made from ferrous metals (except for products manufactured in Armenia): code 72.00.
- scrap and waste of ferrous metals (except for of products manufactured in Armenia): code 72.04.

Munitions And Dual-Use Export Control:

Export of the following products must be licensed:

- munitions
- military equipment
- explosives
- nuclear materials, technology and equipment
- specific non-nuclear materials and related services
- sources of ionized radiation
- dual use items

A special governmental commission chaired by the Prime Minister has been created to process export applications for these categories. Exporters are required to provide full technical specifications and supporting documentation with every license application before it is processed. Munitions and dual-use items can be exported only to prescribed destinations. In 1993, the Armenian government adopted an itemized export control list titled "List of Materials, Substances, Equipment, and Dual-Use Technologies Export of Which Must Be Licensed". The list is accessible to government or non-government exporters together with the details of the procedures to be followed to obtain a license. The export control list includes four main categories of materials, substances, devices and dual-use technologies that can be used to develop the following weapons:

- a. Bacteriological and poisonous weapons
- b. Nuclear devices
- c. Rocket weapons
- d. Chemical weapons

Any unlicensed export of items listed on the export control list will be viewed as illegal and subject to prosecution under the criminal laws of Armenia. Penalties range from 3 to 8 years of imprisonment.

Cooperative efforts in export control have been initiated with the USG as well as other bilateral and

international partners. Work is continuing on all aspects of export control, including draft legislation, monitoring, training and enforcement.

6.5 IMPORT DOCUMENTATION

A customs declaration form must be presented along with a commercial invoice indicating the specifications, quantity, and value of goods being imported. Currently, certificates of quality/safety issued or accepted by Department for Standardization, Certification, and Metrology of the Ministry of Trade and Economic Development (SARM) are required for tobacco products, alcohol drinks, and oil products. Imported vitamins and other pharmaceutical products are subject to certification by the Ministry of Health. Most food products should be certified for quality/safety by SARM.

Products for which certification is required include:

- meat and meat products
- fish, crustaceans, mollusks and other aquatic invertebrates
- eggs
- natural honey
- vegetable, and other edible root and tuber crops.
- edible fruits and nuts; peel of citrus and vegetables
- fat and oil of animal or vegetable origin; substances produced from them; edible oils, waxes of animal or vegetable origin
- products made from meat, fish crustaceans, mollusks and other aquatic invertebrates
- sugar, confectionery made from sugar, and chewing gum
 - food prepared as the result of processing vegetables, fruits, nuts, or other parts of plants
- alcoholic and non-alcoholic beverages
- tobacco and its industrial substitutes
- oil products (fuel, etc.)
- vitamins
- pharmaceutical products
- baby pacifiers

Safety certification for most products (except pharmaceuticals) normally takes 2-3 days and may involve a laboratory test and a fee. In 1997, USDA and SARM exchanged letters in which SARM agreed to recognize USDA safety certificates for meat and poultry products and take into consideration manufacturer certificates for other products.

Certificates of origin signed by suppliers and verified by SARM are required on:

- goods subject to quantitative limitation;
- imports under preferential trading arrangements;
- items used for the protection of the environment, public health and safety, and national security;
- those situations where the authorities have inadequate information as to the product's origin.

For a complete list of products (except pharmaceuticals) subject to certification and certification procedures, contact:

Department for Standardization, Certification, and Metrology of the Ministry of Trade and Economic Development of Armenia (SARM)

49/2 Komitas Avenue

Yerevan 375051 Armenia

Tel: (374-1) 235 861 Fax: (374-1) 285 620 E-mail: armstandard@sarm.am

Exports of pharmaceuticals to Armenia require registration (certification) by the Drug and Medical

Technology Agency (DMTA) of Armenia. The process may take from a few days to three months (some drugs may require laboratory testing). The registration is valid for 10 years. Exporters are warned that former USSR registrations were valid in Armenia until the end of 1996 only. DMTA maintains a list of all pharmaceuticals registered in Armenia, as well as the Essential Drugs List, which can be requested from DMTA. Certification questions related to pharmaceutical products should be addressed to:

Drug and Medical Technology Agency (DMTA)
6 Hekimyan St.
Yerevan Armenia
Tel: (374-1) 533-578, 524-780
Fax: (374-1) 151-697, or 527-530

6.6 TEMPORARY ENTRY

No customs tariffs are levied on goods imported temporarily under customs control and under an appropriate customs regime. Foreigners who temporarily enter Armenia can bring one vehicle with its trailer duty free on the condition that it must be taken with them when they leave. If the foreigner does not re-export the car, all proper duties must be paid.

The following items can transit Armenia only by special permission of the Armenian government:

- All types of weapons, ammunition, army equipment, components for their production, and explosives.
- Nuclear materials (including those in the form of heat producing materials), and sources of ionized radiation.

Armenian customs is responsible for verifying the contents of transit loads when transit of prohibited items is suspected. Customs has the legal power to inspect and seize suspect transit shipments. Dual-use items require an import certificate from the country of destination to guarantee that the imported items will not be used for military purposes.

6.7 LABELING, MARKING REQUIREMENTS AND STANDARDS

In 1997, Armenia passed national laws on metrology, certification and standardization. Food importers should be aware that products' labels must have at least the manufacturer's name, contents, weight, and best before data. Armenia has recently adopted language requirement for imports of some (mainly food) products (the complete list may be obtained from SARM). Companies wishing to obtain bar codes for their products should apply to SARM.

In 1997, Armenia became a member of the ISO. The country uses the metric system of weights and measures. While Armenia has inherited the Soviet system of standards, it has begun harmonizing these in compliance with ISO and EU requirements, aiming to complete the transition by the end of 2004. The State Standards Department accepts ISO 9001 and ISO 9002 business management standards. The country also participates in the development of common CIS standards.

Below is a list of products, for which labeling by registered trademarks is required:

HS CODE	TITLE
0901	coffee
1601-1605	preparations of meat, fish, crustaceans, mollusks and other aquatic invertebrates
1901	baby food
2001-2008	processed or canned fruit, vegetables
2204-2208	beverages, spirits

2202	non-alcoholic beverages
2203	beer
2201	mineral water
2208	soft drinks
2101-2106, 2501	nutrition supplements, additives, salt and spices
2401-2403	tobacco products
3102, 3402	consumer products of chemical nature - detergents, cleaning, polishing, etc substances
3303, 3304	perfumery, cosmetics and other beauty care products
7113-7116.	articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal
9026-9030, 9018	metering devices, including those for electricity, gas and liquid flows, weight measuring devices, and medical measurement
9502-9503	Plastics and articles thereof
3923-3924, 7417, 7615, 8215	articles in direct contact with food - containers, devices, table, kitchen or other household articles and parts thereof; pot scourers and scouring pads or polishing pads, gloves and the like; sanitary ware and parts thereof; spoons, forks, ladles, skimmers, cake-servers, fish-knives, butter-knives, etc.

For more information on current labeling/marketing requirements, standards and norms contact:

Department for Standardization, Certification, and Metrology the Ministry of Trade and Economic Development of Armenia (SARM)
49/2 Komitas Street, Yerevan 375051 Armenia; Tel: (374-1)235 861, Fax: (374-1) 285-620;
e-mail:armstandard@sarm.am.

6.8 PROHIBITED IMPORTS

List of items prohibited for import:

- weapons, explosives, army equipment, components for their production, and army uniforms;
- narcotics, psychotropic substances, devices intended for their use.

CHAPTER 7

INVESTMENT CLIMATE

7.1 OPENNESS TO FOREIGN INVESTMENT

Armenia's investment and trade policy is among the most open in the CIS. With an economy that largely depends on foreign trade, the Armenian government has made significant efforts to attract foreign investment. Foreign companies are encouraged to invest and are entitled by law to the same treatment as local companies (national treatment).

Basic provisions regulating the investment climate are set by the Bilateral Investment Treaty (BIT), signed by the United States and Armenia in 1992, and by the 1994 Law on Foreign Investment. Under the term "Foreign Investor," the law recognizes any foreign company or citizen, a person without citizenship, an Armenian citizen permanently residing outside of Armenia, or an international organization that invests in Armenia. "Foreign Investment" is any form of property, including financial means and intellectual property, that is invested by a foreign investor directly in the territory of Armenia in any economic or other venture. A "Foreign Investment Company" is a company of any legal form recognized under Armenian law that is founded by a foreign investor or in which he is a participant.

Armenia is in the process of privatizing some of its larger state organizations. In this ongoing privatization effort, foreign and domestic investors are treated equally. Armenia's 1997 Law on Privatization (amended in 1999) states that foreign companies have the same rights to participate in the privatization processes as Armenian companies.

Foreign investors are allowed to make the following types of investments in Armenia:

- world currencies (including the Armenian dram)
- real estate, other property and related property rights (except for the right to own land)
- securities
- money orders or other orders for the implementation of obligations/agreements that have a defined value
- any form of intellectual property rights
- the right to conduct any economic activity specified by legislation or by an agreement with the republic of Armenia
- paid services
- other types of investment not prohibited by Armenian legislation.

Types of companies that can be established in Armenia are described in the Civil Code of the Republic of Armenia, Joint Stock Companies law and Limited Liability Companies law. The following legal forms may be used by foreign investors to make investments in Armenia:

- (a) establishment of fully foreign-owned companies (including representations, affiliates, and branches), or the purchase of existing companies
- (b) establishment of new joint-venture companies with the participation of Armenian companies or citizens, or the purchase of a portion of shares in an existing company
- (c) purchase of different types of securities officially recognized by Armenian legislation
- (d) procurement of permission to use land, or a concession agreement for the use of Armenian natural resources with the participation of an Armenian company or Armenian citizens
- (e) procurement of other property rights
- (f) other forms based on agreements with Armenian companies or citizens.

Foreign investors are responsible for any violation of Armenian laws and regulations by their companies. Foreign investors can use their property to satisfy their obligations in accordance with

these responsibilities.

Armenia is a member of the following major international organizations: IMF, World Bank/IDA, IFC, OSCE, Council of Europe, UN/UNCTAD/UNESCO, MIGA, ILO, WHO, WIPO, INTERPOL, European Bank for Reconstruction and Development (EBRD), IAEA, World Tourism Organization, World Customs Organization, and the Black Sea Economic Cooperation. Armenia became the 145th member of the WTO in February 2003.

7.2 CONVERSION AND TRANSFER POLICIES

Armenia has lifted virtually all limitations on the conversion and transfer of funds. This can now be accomplished through HSBC bank as well as through domestic financial institutions. The government of Armenia maintains a freely convertible currency, the Armenian Dram, under a managed float. There are no restrictions on the conversion or repatriation of capital and earnings, including branch profits, dividends, interest, royalties, or management or technical service fees. Most banks can transfer funds internationally within 2-4 days. Faster transfers are available through Western Union. Companies in Armenia may open hard currency accounts in Armenian or foreign banks. There are no limitations on wire transfers. Cash exports are limited to USD 10,000 or its equivalent.

7.3 EXPROPRIATION AND COMPENSATION

The Constitution of Armenia protects all forms of property (including private property) and the right of citizens to own and use property. According to the 1994 Foreign Investment Law, in the event of a change in legislation, foreign investments, in accordance with the investor's preference, may be subject to the laws existing at the time when the investments were made, for a period of up to 5 years. Foreign investments cannot be nationalized; they also cannot be confiscated or expropriated except in extreme cases of a natural or state emergency, upon a decision by the courts and with full and mandatory compensation.

7.4 DISPUTE SETTLEMENT

According to the 1994 Foreign Investment Law, all disputes that arise between a foreign investor and the Republic of Armenia must be settled in Armenian courts. All other disputes to which the Armenian government is not a party can be considered by the Armenian courts or other bodies entitled to settle economic disputes, or by intermediary courts, unless otherwise provided for by international law or by preliminary agreements of the parties involved. However, the Bilateral Investment Treaty (BIT) signed by the U.S. and Armenia provides that in the case of a dispute that arises between an American investor and the Republic of Armenia, the investor may choose to submit the dispute for settlement by binding international arbitration. The BIT supercedes Armenian law.

Legislation: the provisions governing the resolution of commercial and other disputes are contained in the Civil Code, the Civil Procedures Code, the Law on Arbitration Courts and Arbitration Procedures, and the Law on Enforcement of Court Verdicts and Decisions.

Mechanisms: commercial disputes between private entities can be resolved either in state courts or through alternative dispute resolution mechanisms. Economic Court shall rule on cases involving commercial or economic disputes. The verdict of an Economic Court can be appealed to the Court of Cessation, which is the Supreme Court of Armenia. In case Court of Cessation overrules the ruling of the Economic Court, the final ruling on case will be taken by the panel of judges of the Economic Court.

The Law on Arbitration Courts and Arbitration Procedures allows any legal entity functioning in Armenia to settle a commercial or property-related dispute outside the court system through institutional or ad-hoc panels. The law recognizes that such business and commercial organizations as chambers of commerce and bank associations can create panels of experts (institutional panels) authorized to settle disputes between legal entities (usually members of their organization), should the entities agree to

settle the dispute in this manner. Alternatively, the two entities may specifically write into their contract that any dispute between them should be settled by an ad-hoc arbitration panel. In the event of a dispute, each party nominates a member of the arbitration panel. The two panelists, in turn, select a third panelist. The decision of the arbitration panel is binding and may be revoked by a court of first instance only if the court finds that legal procedures were not properly observed.

If one side fails to implement the verdict of the arbitration panel, the other may appeal to a state court with a request to enforce the decision. After the Court of First Instance reviews the case to ensure that panel procedures were properly followed, it may issue a court order to a marshal mandating enforcement of the decision. Marshals are employed by the Ministry of Justice.

Although Armenian courts are still subject to political pressure from both the executive and legislative branches, they are becoming increasingly independent. The Ministry of Justice is gradually limiting its involvement in civil cases. Armenia will soon sign the International Convention on Investment Disputes and become a member of the International Center for the Settlement of Investment Disputes (ICSID).

For more information contact:

- Ministry of Justice (Minister: David Harutyunian); 8 Khorhrdarani street, Yerevan 375010, tel: (374-1) 582-157; fax: (374-1) 582-449
- Economic Court, 18 Paronyan street, Yerevan 375015; tel.: (374-1) 532-411; fax: (374-1) 582-449
- Ministry of Trade and Economic Development (Minister: Karen Chshmaritian). Information center. 5 Hanrapetuttsyan st., Yerevan 375010: tel: (374-1) 538-082, fax: (374-1) 588-321, 151-081.

7.5 PERFORMANCE REQUIREMENTS/INCENTIVES

Foreign investment companies pay taxes and are subject to similar tax privileges as Armenian companies. Specific privileges apply to corporate taxation if foreign investment in a company exceeds one million dollars. No limitation on foreign ownership, the number of foreign employees, access to financial sources, or other discrimination is imposed.

Armenia currently has no generalized investment incentive programs other than incentives available to exporters (no export duty; VAT refund on goods and services exported), income tax holidays, and the ability to indefinitely carry forward losses. However, in accordance with the Law on Foreign Investment, several ad hoc incentives may be negotiated on a case-by-case basis for investments targeted at certain sectors of the economy and/or of strategic importance to the economy.

Foreign investment incentives:

Ownership:	100 percent ownership permitted
Admission:	no screening and no specific approval/authorization for investment entry
Land access:	long-term leases are freely permitted
Tax holidays:	available for foreign investments into charter capital of organization over 500,000,000 AMD (equal to around 900,000 USD)
Import duty:	no duties on statutory capital and raw materials
Export duty:	none
Vat on export:	refund is provided
Income tax:	no special incentives or exemptions

Corporate tax:	holidays for 3 years following investment into charter capital of organization over 500,000,000 AMD (equal to around 900,000 USD)
Losses:	losses may be carried forward indefinitely
Exchange control:	free operation of foreign currency accounts
Remittance:	no restrictions on remittances
Staff recruitment:	no restrictions
Location:	no sectoral or geographical restrictions on investment. Some incentives for the earthquake zone, mountainous rural areas, and certain rural areas located along the border.
Sectoral:	negotiable
Invest. guarantees:	5-year protection clause, 17 bilateral treaties, and membership in MIGA
Dispute resolution:	ICSID signatory

7.6 RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Foreign investors have the right to private ownership and the establishment of business organizations in Armenia. Although foreigners have no right to own land (they can only lease it), a company registered by a foreigner in Armenia as an Armenian business entity has the right to buy land. Foreigners have the right to own all other types of property and have rights equal to Armenian citizens to establish different types of companies. Exploitation of natural resources is to be made only with a concession agreement signed by the Government of Armenia.

7.7 PROTECTION OF PROPERTY RIGHTS

The right of citizens to own property is protected by the constitution. The new Civil Code explicitly defines ownership and other property rights. The law on property registration, which was adopted in April 1999, regulates issues related to the registration of property rights according to the new Civil Code. Property rights of U.S. businesses in Armenia are protected by the Law on Property, the 1992 Trade Agreement between the U.S. and Armenia (described below), the Bilateral Investment Treaty, and the Foreign Investment Law. According to the Foreign Investment Law, foreign investments cannot be nationalized or confiscated. Investors must be fully compensated for any confiscation resulting from a state of emergency, although the law does not define a methodology for valuing this compensation.

A Bilateral Trade Agreement between Armenia and the United States signed in 1992 states that both parties shall ensure that domestic legislation provides for the protection of intellectual property rights on literary, scientific and artistic works (including computer programs and databases), patents and other rights of inventions, industrial design, know-how, trade secrets, trademarks, and service-marks. The agreement also includes protection against unfair competition. Though intellectual property rights legislation has been adopted, enforcement mechanisms are still weak. Piracy of literary, video, audio, and software materials is widespread and poorly controlled. Enforcement mechanisms will likely be strengthened since Armenia joined the WTO earlier this year. Armenia joined the WIPO's Berne convention in 2000.

7.8 TRANSPARENCY OF THE REGULATORY SYSTEM

The Armenian regulatory system pertaining to business activities, though formally one of most

developed in NIS, still lacks transparency. Ambiguous laws and state-controlled activities have led to a situation where certain sectors, though officially open, maintain near monopolies that are difficult to break (e.g., the fuel sector). The lack of a legal infrastructure to fight the shadow economy, especially in the area of trade, often undermines fair competition. Changes in legislation are only rarely announced or publicly disclosed before implementation.

Labor, safety and health requirements, mostly remaining from the Soviet period, generally do not impede investment activities. Armenia has made significant progress converting from Soviet-style accounting standards to international accounting standards, which provide tax incentives and facilitate tax reporting for foreign-owned firms and joint ventures. Bureaucratic procedures can be burdensome and time consuming when an investor negotiates a contract with the Armenian government, as the contract may require approval by several ministries. Seemingly arbitrary decisions by individual officials still provide opportunities for petty corruption.

27. Key business laws and regulations in force affecting the business environment:

01/22/90	Law on Farms and Collective Farms (amended 3/30/92)
03/19/92	Lithosphere Code
04/27/94	Law on Land Tax
06/17/94	Law on the Status of Foreign Citizens
07/31/94	Foreign Investment Law
05/19/95	Basic Principles for Retail Trade
06/15/95	Bankruptcy Law
04/30/96	Advertisement Law
06/30/96	Law on the Central Bank
06/30/96	Law on Banks and Banking Activities
11/19/96	Insurance Law
05/12/97	Law on Taxes
11/09/99	Standardization Law
06/15/97	Law on Value Added Tax
11/27/97	Law on Profit Tax
12/10/97	Law on the Privatization of State Property (amended April 1999)
12/27/97	Law on Income Tax
12/27/97	Law on State Duties
02/03/98	Law on Tax Privileges for Energy Sector Organizations
02/03/98	Law on Intellectual Property Protection for Microchip Technologies
02/03/98	Law on Transportation
02/17/98	Law on Telecommunications
03/18/98	Law on Tax Privileges for State Procurement, Clearing Shipments, And Goods and Services Provided Under Inter-Governmental Agreements
05/05/98	Law on Arbitration and Arbitration Courts
05/19/98	Law on Accounting Records
06/17/98	Law on Adopting A New Civil Code
12/28/98	Law on Environmental Protection and Payments for Environmental Damage
01/01/99	Civil Procedure Code
01/12/99	Civil Code
04/14/99	Law on Property Registration
11/09/99	Law on the Conformity Assessment of Products and Services to Normative Requirements
11/23/99	Law on Firm Names
03/20/00	Law on Trademarks and Service Marks, Designation of Places of Origin
05/27/00	Law on Copyright and Neighboring Rights
06/19/00	Law on Procurements
08/01/00	Law on Excise Tax
07/28/00	Securities Market Regulation Law

12/05/00	Protection of Economic Competition
12/05/00	Amendments to the Tax Law
01/01/01	Customs Code
03/07/01	Energy Law
03/20/01	Law on Land Tax Waivers
04/03/01	Law on Private Entrepreneurship
04/03/01	Law on State Registration of Juridical Entities
04/18/01	Law on Protection of Domestic Market
04/26/01	Law on State Registration
05/02/01	Land Code
06/03/01	Law on Protection of Consumer Rights
06/27/01	Licensing Law
06/27/01	Law on Privatization Plan for 2001-2003
06/29/01	Law on Imports by Organizations and Individuals, Which are Exempt from Duty , Excise Tax and VAT
07/27/01	Law on Privatization of Electricity Distribution Companies
09/11/01	Work Compensation Law
09/25/01	Law on Joint Stock Companies
10/23/01	Law on Amendments To The Securities Regulation Law
10/24/01	Law on Chambers of Commerce
10/24/01	Law on Limited Liability Companies
10/24/01	Bank Bankruptcy Law
05/20/02	Law on Aviation
05/29/02	Law on Activities for Organizations Licensed at Zvartnots International Airport and "Yerevan" Free Trading Zone.
05/29/02	Law on Credit Organizations
06/04/02	Water Code of Armenia
06/19/02	Anti-Dumping Law
07/03/02	Law on Customs Service
07/03/02	Law on Tax Service
10/05/02	Law on Concession Agreements For Exploring and Mining Natural Resources of Armenia.
10/06/02	Natural Resources Code of Armenia
12/26/02	Law on Property Tax
08/01/03	Criminal Code

7.9 EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

The economic policies and legislation in Armenia do not restrict the freedom of capital flow and current account. They stimulate also direct investments, including foreign investments, through the capital market. In general, the legislative base regulating the capital markets complies with the international standards and International Organization of Securities Commissions (IOSCO) requirements. No restrictions exist for foreign investors to invest in existing companies and corporations. No regulations exist that would limit or prohibit foreign investment, participation, or control at the time of incorporation.

The Securities Commission of Armenia (SCA) is the authorized independent body of state regulation. Since 2001, the Armenian Stock Exchange (Armex) and Central Depository of Armenia (CDA) have been operating in the status of self-regulatory organizations. The CDA performs the functions of clearing and settlement house, central depository and central registry. Armex, the members of which are all 19 broker-dealer firms licensed by the SCA, is equipped with up-to-date electronic trading system, is a member to FEAS and International Association of Exchanges of NIS countries and in its activity basically complies with the international standards.

However, only shares of privatized previous state enterprises, which are complying with the SCA requirements to be qualified as a Reporting Issuer, are listed on the Armex. Particularly, Armex has

four qualitative listing tiers (A, B, C1 and C2 categories), which are differentiated by the Armex listing rules on the basis of minimum period of the issuer's activity; own capital; number of shareholders; average profitability for the past 3 years; monthly turnover of securities; and previous 3 years financial reports approved by an independent auditor. The lower C1 and C2 categories include shares of those issuers, which in accordance with the legislation have to be registered on the SCA or Armex but do not meet the Armex listing requirements for A and B tiers. On the basis of the Armex listing rules, shares are listed on Armex as followed: there are no shares in the highest qualitative A tier; 18 shares are in B tier; 184 in C1 and 5 in C2 tiers. These listed shares are mostly circulated in the Armex, but their capitalization, liquidity and turnover are still extremely insignificant (1-4 companies are traded daily, and 10-20 companies – monthly).

There is a lack of corporate and municipal bonds in the Armenian capital markets. The Government bonds are the most liquid securities in Armenia, with the volumes of its turnover exceeding dozens of times the Exchange turnover of shares. However, the Government debt instruments still are circulated solely on interbank market. Thus, although the capital markets is organized and regulated basically in compliance with international standards, it is still in its initial stage of development, with only a handful of more or less attractive domestic companies trading locally. Physical ownership of shares or bonds is rare as these instruments are just starting to enter into circulation as investment and fundraising tools.

Credit is allocated on market terms with annual interest rates ranging from 15 to 24 percent as of September 2003. Credit is mostly limited to high-interest, short-term commercial lending from local banks and other subsidized programs established by international financial institutions and foreign governments (including the United States). The private banking system is slowly developing into a structure that will allow only relatively strong and solvent banks to function. The introduction of stricter regulations in 1995 led to a process of bank consolidation and a reduction in the number of banks, a process that still continues. The required level of bank capitalization is gradually increasing, with a minimum requirement of USD 2 million for existing banks, and USD 5 million for new banks. The minimum will rise to USD 5 million for all banks in 2005. In 2002, total assets of all banks in Armenia totaled probably USD 500 million. IMF and USG assistance helped to establish regular audits and competent central bank supervision. After consolidation, a core of 10-15 solid banks is predicted. Since the adoption of the Law on Bank Bankruptcy in 2001, the government's role in the management of major banks and its ability to bail out banks has been limited.

7.10 POLITICAL VIOLENCE

No incident involving politically motivated damage to commercial property has been observed in Armenia. It is unlikely that civil disturbances, should they occur, would be directed against U.S. businesses or the U.S. community. Armenia has experienced an influx of residents from neighboring Iran, mainly for trading purposes; that influx is currently declining. No incidents involving Iranian citizens directed against U.S. or other businesses have occurred.

7.11 CORRUPTION

Armenia has inherited the corrupt practices that were common throughout the USSR. Factors such as the Karabakh war of 1992-1994, which sharpened the decline in economic activity and real income of the population, a growing gap between rich and poor, the predominant use of cash in the economy, flaws in newly adopted laws, and the absence of effective law enforcement mechanisms have aggravated the situation. In late 1996, the Armenian government openly admitted that corruption had grown beyond previous limits and had become a major problem. The government has since taken some anti-corruption steps. A number of senior government officials have been arrested for alleged corruption. The government has forcefully stated its commitment to fighting corruption, and the U.S. Government provides technical assistance to the Government of Armenia to address the problem of corruption.

In 2003 the National Assembly adopted new Criminal Code, which is enforced from August 1, 2003 and

replaced the old Soviet Criminal Code. It contains several articles pertaining to corrupt practices. For example, abuse of power and exceeding one's authority (related to state officials) are punishable by up to 2-6 years imprisonment. Accepting, mediating, and giving bribes is a criminal offense and is punishable by up to 12 years imprisonment and, in some cases with confiscation of personal property for.

Despite severe penalties, bribery is widespread and is the most common form of corruption, especially in the areas of government procurement, all types of transfers and approvals, and such business-related services as company registration, licensing, and land or space allocation. It may also take a bribe and/or the support of a high-ranking acquaintance for a public servant to be hired by a government office, depending on the position's "money generating" potential.

Relationships between high-ranking government officials and the emerging private business sector encourage influence peddling between officials and the private firms from which they benefit. Powerful officials at the federal, district, or local levels acquire direct, partial, or indirect control over emerging private firms. Such control may be exercised through a hidden partner position or through majority ownership of a prosperous private company. The involvement can also be indirect, e.g., through close relatives and friends. These practices promote protectionism, encourage the creation of monopolies or oligopolies, hinder competition, and undermine the image of the government as a facilitator of private sector growth.

The new law on civil service has been in force since January 1, 2002. Articles 23 and 24 of this law restrict participation by civil servants in commercial activities. The new law on the disclosure of property and income of heads of state authorities has increased transparency in government officials' decision-making and influence. Reform efforts are also underway in the judicial system, including the drafting of a new commercial law and training for lawyers and judges. Corrupt practices exist widely within private companies as well, mostly in the form of tax fraud and unregistered business activities.

The Embassy receives a moderate number of complaints by U.S. firms operating in Armenia regarding corruption. Related problems include non-transparent competition practices; bribes solicited by customs and tax officials; and the unauthorized, unjustified intervention of law enforcement agencies into a company's daily operations. The Embassy will take action upon the request of the U.S. firm to ensure the fairness of government actions. The U.S. Embassy regularly and forcefully conveys to the Armenian government the unacceptability of corrupt practices. American firms that encounter corruption in any form should contact the U.S. Embassy's Economic Section.

7.12 BILATERAL INVESTMENT AGREEMENTS

Armenia has signed bilateral treaties on investment and investor protection with 16 countries: the U.S., Argentina, Canada, China, Cyprus, Egypt, France, Germany, Greece, Georgia, Iran, Kyrgyzstan, Romania, Turkmenistan, Ukraine, and Vietnam. It is also a signatory of the CIS Multilateral Convention on the Protection of Investor Rights.

A "Treaty between the Republic of Armenia and the United States of America Concerning the Reciprocal Encouragement and Protection of Investment" (BIT) was signed on September 23, 1992. This treaty was ratified by the Armenian parliament in September 1995.

The BIT sets forth investment conditions for investors of each party to be no less favorable than for national investors (national treatment). It protects investment against expropriation and nationalization, and regulates dispute settlements between foreign companies and the governments of each party. Armenia does not have a bilateral taxation treaty with the United States.

7.13 OPIC AND OTHER INVESTMENT INSURANCE

The "Investment Incentive Agreement Between the Government of the Republic of Armenia and the

Government of the United States of America," signed in 1992, provides a legal framework for OPIC's operations in Armenia. OPIC offers political violence insurance in Armenia and insures against expropriation. OPIC insures against currency inconvertibility only on a case-by-case basis. Armenia has also joined the Multilateral Insurance and Guarantee Agency (MIGA).

7.14 LABOR

Armenia's human capital is one of its best resources. The labor force is highly educated and well trained, particularly in engineering and technology. Almost one hundred percent of Armenia's population is literate; 59 percent have completed secondary school, and 13 percent have a university degree.

The 1992 Law on Employment guarantees employees the right to form or join unions of their own choosing without previous authorization. However, the number and influence of labor unions is minimal. The law prohibits forced labor. The statutory minimum age for employment is 16. A standard workweek is 40 hours. Minimum annual paid leave is 15 working days, although the predominant practice in the state bodies and organizations is 24 working days. The minimum wage is set by governmental decree and has increased periodically since 1993. Wages are normally paid biweekly or monthly. Female employees are granted privileges that include prohibitions against: hard and hazardous jobs, night shift-work (in certain cases), overtime, working on holidays, and business trips for women with children under the age of 2. The provisions also grant partially paid maternity leave from 140 days to one year with a further year of unpaid leave guaranteed; companies are also prohibited from firing pregnant women and women with children under the age of 18 months.

There is a significant supply of qualified specialists in research/engineering and production in the following sectors: electrical and electronic components and devices; electrical components and appliances; electric motors and generators; optics (including space optics); apparel production; chemistry; architecture and construction; jewelry; arts and crafts; and food processing. Pilot training programs have increased the supply of qualified software programmers.

7.15 FOREIGN TRADE ZONES/FREE PORTS

Armenia has no foreign trade zones or free ports at present. The government and the local business community are exploring the possibility of establishing several industrial parks. Such parks may also enjoy an FTZ regime in the future. The company that took over management of the airport in June 2002 has had discussions with the Armenian government to establish a FTZ on the territory of the airport. A government-owned bonded warehouse exists near Gyumri in northern Armenia.

7.16 FOREIGN DIRECT INVESTMENT STATISTICS

Approximately 2,000 partially or fully foreign-owned companies are registered in Armenia today. Over 50 percent of these are involved in trading activities. A number of multinational companies are now operating in Armenia, including Coca-Cola, Huntsman, KPMG, Marriott International, ABB, Alcatel, Glaxowellcome, HSBC, and Pernod Ricard.

The annual inflow of foreign direct investment (FDI) from 1998-2000 ranged between USD 120 million and USD 230 million. Even though FDI decreased to USD 75.9 million in 2001, it reached USD 140 million in 2002. The Ministry of Trade and Economic Development estimates that total direct foreign investment in Armenia was USD 750 million as of January 2003. A large share of FDI comes from the Armenian Diaspora communities in the U.S., Russia, Iran, France, Greece, the U.K., Germany, and Syria.

The Government of Armenia stated that foreign investment is unacceptably low and does not approach the full potential of available opportunities. In 1993-1996, the government organized several international conferences (including one in Los Angeles in June 1996 and one in Washington, DC in

October 1998, and in NYC 2001) targeting potential investors. While these events produced very modest results, certain economic improvements observed in Armenia in 1995-1997 and a lasting cease-fire with Azerbaijan, have resulted in a noticeable positive change in U.S. business interests in Armenia. After a long period of hesitation (1990-1994), during which only two to four U.S. firms per year registered in Armenia, more than 15 U.S. firms settled here in 1995 alone. Interest among foreign investors grew further from 1996-2000. A U.S. Trade and Development Agency/IFC-sponsored investment conference in May 2001 in New York launched a new effort by the Government of Armenia and its international partners to attract investment to Armenia. The government will continue to organize investment conferences to generate interest among potential American investors. The Armenian Development Agency (ADA), a state-run investment promotion organization, was recently restructured to become a one-stop-shop for investors located directly in the Prime Minister's office, although the agency has yet to live up to its billing.

U.S. firms in Armenia have formed many joint ventures and subsidiaries, thereby bringing the total number of U.S.-owned firms to about 70. While such multinationals as Procter & Gamble, M&M-Mars, Xerox, Dell, IBM, and many others have begun supplying the Armenian markets with their products, a few high-profile investment projects are also underway. Two major hotels, the Armenia and the Ani, were privatized through international tender in 1998. Both hotels have been purchased by American investors: the Hotel Armenia for USD 8 million with an investment commitment of USD 22 million, and the Hotel Ani for USD 4 million with an investment commitment of USD 11 million. The owners of the Hotel Armenia contracted Marriott International to manage the hotel. OPIC provided a USD 18 million loan to Hotel Armenia for renovations and upgrade. Hy-Business Suites is also owned by U.S. Investors. In addition to exporting high quality carpets and developing handicrafts and construction business, Tufenkian Transcaucasus operates an upscale hotel in Yerevan and a more moderately priced one on the northern shore of Lake Sevan. It also has plans to build hotels in Lori and Vayots Dzor provinces.

The Greek-owned Coca-Cola bottling plant began production in 1996. The American-Armenian Exploration Company has spent over USD 20 million on oil and gas exploration. Dicalite purchased a large perlite (a light volcanic rock) mining and processing plant in 1999; the operation has suspended production because of high transportation costs through Georgia. Jermuk, an American-Armenian joint-venture, produces one of the more popular brands of mineral water in Armenia. At least a dozen U.S. firms have established subsidiary operations in Armenia, primarily in the area of software development. Silicon valley based company Viasphere has established a private it incubator in Yerevan, Viasphere Technopark, which houses a number of these firms. A number of smaller shops and restaurants have U.S. connections as well.

U.S. investors own the Artbridge Cafe, Dolmama, the Salt Sack, Bacchus restaurant, and Yum-Yum donuts.

CHAPTER 8

TRADE AND PROJECT FINANCING

8.1 BRIEF DESCRIPTION OF THE BANKING SYSTEM

The Central Bank of Armenia is the country's governing bank. The bank conducts national monetary policy, ensures the stability, liquidity and creditworthiness of the banking system, as well as maintains the orderly payment system. Armenia's banking sector consists of 25 private commercial banks with over 200 branches in Armenia and abroad. Foreign banks are represented by HSBC Bank, UniBank (Russia), ArdShinInvestBank (Russian), Commercial Bank of Greece (Greece) and Mellat Bank (Iran). The number of private banks has been slowly declining as the Central Bank has pursued a policy of tightening bank capitalization requirements to push the weak banks into closing or into mergers with stronger banks (the new capital requirement for the banks is \$5 million, starting 2005). As of September 2003, 20 of 25 commercial banks were operating in the standard regime, while 5 were under temporary administration. The increased requirements and competition force the banks to begin to meet international standards. Remaining banks are subject to close supervision. New investment is helping to offset old uncollected loans (energy, utilities) remaining on the banks' books. Significant assistance to the development of the banking sector is being rendered through foreign bilateral aid and multilateral financing. USAID has helped to establish the electronic transfer and data exchange inter-bank system (CBANet) in Armenia and link it with SWIFT. Loan programs, conducted by USAID, the World Bank, and other organizations are administered through selected Armenian banks. To open a business account in a local bank, an organization must present its registration documents and a completed application with notarized signatures.

8.2 FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

At present, official exchange rates in Armenia are set by the Central Bank based on balanced daily average rates used in Interbank currency trading, by currency exchange offices, and in currency auctions conducted at the Stock Exchange. Aside from numerous exchange offices owned by banks, physical persons (individual entrepreneurs) can also get a license for establishing an exchange office.

Despite a negative trade balance, inflation remains relatively low (around 2-3 percent annually), primarily due to strict fiscal policy and dollar interventions by the Central Bank. The Armenian dram is one of most stable currencies in the CIS (exchange rate as of September 2003: 580 drams to the dollar).

As of September 2003, several Armenian banks have issued their own credit or debit cards, including HSBC, Converse Bank, ArmEconBank, ACBA, and a few others. Some Armenian banks have begun limited credit card services and may issue VISA, Mastercard, or other cards by ordering them from Russian banks in Moscow. Many of these banks offer ATM machines, and no widespread infrastructure exists in the country capable of accepting payments by credit card. The Armenian Card (ARCA) System member banks are able to issue and serve local cards, as well as Visa, MasterCard/EuroCard, and American Express cards. The Armenian Card is enrolled in the Europay International payment system.

8.3 GENERAL FINANCING AVAILABILITY AND TERMS OF PAYMENT

Corporate resources: a majority of Armenian companies are experiencing a critical shortage of funds. Newly emerging private companies, with a few exceptions, are too weak to provide serious financing for long-term projects of their own. No venture capital financing of any sort is available.

Lending from the government: the Armenian government is experiencing a shortage of resources, making loans from state lending institutions almost impossible. The newly established SME Development National Center (a semi-government organization), with the support of USAID, piloted a

loan guarantee facility through selected commercial banks to support the sector.

Lending from private banking institutions: this is limited by their low capacity. At present, many private banks limit their lending operations to short-term loans in local or hard currency at a high rate of interest (15-24 percent). These banks usually demand collateral of adequate or higher market value (houses, cars, gold, etc.). Project financing is very limited and is currently implemented through subsidized loan programs funded by foreign governments and multilateral financial institutions, and aimed at private business development for specific categories of organizations. These programs are serviced by a few local banks and offer loans ranging from \$500 to \$500,000 with, on average, 15 percent annual interest. The loans are normally supported by a business plan and are secured by adequate collateral.

8.4 HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

Most Armenian banks presently offer their services for administering payment for foreign trade operations. Methods of payment include advance payment, letter of credit, and other internationally accepted forms of payment, however use of credit cards and checks is limited. Transactions are made on the basis of a written contract between buyer and seller.

8.5 TYPES OF EXPORT FINANCING AND INSURANCE

In 1997, Ex-Im Bank signed a General Project Incentive Agreement with Armenia which provides a framework for financing the purchase of U.S. exports, with the loans to be repaid with revenues generated by production from the organizations buying American goods or services. For more information regarding types of export finance available, contact:

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington D.C. 20571
Tel: (800) 565-EXIM or (202) 565-3946
Fax: (202) 565-3380
Web: <http://www.exim.gov>

Information on Ex-Im Bank's programs is also available from the National Trade Data Bank (NTDB) through the U.S. Department of Commerce (DOC) on the Internet at <http://www.stat-usa.gov> and the NTDB CD-ROM. Call the DOC (202) 482-1986 for details.

Local Armenian banks provide limited short-term or long-term financing to Armenian importers in local currency or dollars secured by collateral. Some procurement projects are being financed by the World Bank and EBRD (see para 8.6). The insurance sector in Armenia is poorly developed, although a growing number of companies are now offering these services.

To insure their risks in dealing with Armenian partners, American businessmen are encouraged to contact the Overseas Private Investment Corporation (OPIC) in Washington (see also para 8.6). OPIC is a U.S. government agency that provides insurance (and reinsurance) coverage against three types of political risks: currency inconvertibility, expropriation, and political violence. OPIC provides currency inconvertibility insurance in Armenia only on a case-by-case basis.

For more information contact:

Insurance Application Officer
Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Tel: (202) 336-8620
Fax: (202) 408-5142

Telex: 493-8219.

Caspian Finance Center
U.S. Embassy, Ankara
110 Ataturk Bulvari
06100 Kavaklidere
Ankara, Turkey
Phone: [90] (312) 466-6081
Voicemail: [90] (312) 468-6110 ext. 2075
Fax: [90] (312) 466-6082
Email: emel.erdemir@mail.doc.gov
Web: <http://www.caspianfinance.com>

8.6 PROJECT FINANCING AVAILABLE

At present, the World Bank, EBRD, USAID, OPIC, and TDA finance the majority of projects in Armenia. Most projects financed by international institutions such as the World Bank or EBRD are contracted on a tender basis. Listings of sources of financing for projects in the NIS, including Armenia, can be ordered from:

Multilateral Development Bank Operations (MDBO)
U.S. Department of Commerce
USA Trade Center
Ronald Reagan Building, Mezzanine Level (14th Street Entrance)
Washington, DC 20004
Tel: (202) 482-3399
Fax: (202) 482-3914
Web: <http://www.usatrade.gov/mdbo>.

U.S. Trade and Development Agency (TDA) programs

TDA's primary activity is the funding of feasibility studies performed by American firms that examine the technical, economic, environmental, and financial aspects of major development projects. TDA helps U.S. companies pursue overseas business opportunities through: funding of feasibility studies, orientation visits, specialized training grants, business workshops and various forms of technical assistance.

For more information on TDA programs and application procedures, contact:

U.S. Trade and Development Agency
Room 309, SA-16
Washington DC 20523-1602
Tel: (703) 875-4357
Fax: (703) 875-4009
E-mail: info@tda.gov
Web: <http://www.tda.gov>

Caspian Finance Center
U.S. Embassy, Ankara
110 Ataturk Bulvari
06100 Kavaklidere
Ankara, Turkey
Phone: [90] (312) 466-6081
Voicemail: [90] (312) 468-6110 ext. 2075
Fax: [90] (312) 466-6082

Email: emel.erdemir@mail.doc.gov
Web: <http://www.caspianfinance.com>

Overseas Private Investment Corporation (OPIC) programs

OPIC is a U.S. government agency that encourages U.S. businesses to invest in developing countries and emerging market economies, creating U.S. jobs and exports. OPIC assists American investors through three principal programs: (1) financing investment projects through direct loans and loan guarantees (project finance), (2) insuring investment projects against a broad range of political risks, and (3) providing a variety of investor services. OPIC participation per project can range from as low as \$2 million to as high as \$200 million.

For further information on OPIC's regular finance program, contact:

Finance Department
Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Tel: (202) 336-8480
Fax: (202) 408-9866
Telex: 493-8219.
Web: <http://www.opic.gov>

Caspian Finance Center
U.S. Embassy, Ankara
110 Ataturk Bulvari
06100 Kavaklidere
Ankara, Turkey
Phone: [90] (312) 466-6081
Voicemail: [90] (312) 468-6110 ext. 2075
Fax: [90] (312) 466-6082
Email: emel.erdemir@mail.doc.gov
Web: <http://www.caspianfinance.com>

Caspian Finance Center

TDA and OPIC have established a Caspian Finance Center (CFC) office located in Ankara, Turkey. Each agency has designated one representative to the CFC, and it covers the markets of Turkey, the Caucasus, and Central Asia.

For further information contact:

Caspian Finance Center
U.S. Embassy, Ankara
110 Ataturk Bulvari
06100 Kavaklidere
Ankara, Turkey
Phone: [90] (312) 466-6081
Voicemail: [90] (312) 468-6110 ext. 2075
Fax: [90] (312) 466-6082
Email: emel.erdemir@mail.doc.gov
Web: <http://www.caspianfinance.com>

World Bank Group

IDA, ITF, IBRD: The World Bank has a portfolio of IDA, ITF, and IBRD credits under implementation in Armenia. Projects include institution building, rehabilitation of earthquake-damaged territories, irrigation rehabilitation, structural adjustment, social investment fund, rehabilitation of highways and bridges, private sector organization development, municipal development, agricultural reform support, electricity transmission and distribution, social sector adjustment, etc.

For information on current programs and related project/procurement opportunities contact:

The World Bank Group
1818 H Street, N.W.
Washington DC 20433
Country Officer
Tel: 202-458-0564, room 5-167
or
Mr. Thomas Kelsey or Ms. Janice Mazur
Commerce Liaison Office
Tel: 202-458-0118
Fax: 202-477-2967

World Bank Field Office
2 Khorhertarani Street
Yerevan 10, Armenia
Tel: (374-1) 520-992, 151-883
Fax: (374-1) 151-787
Mr. Owaise Saadat, Resident Representative

IFC and **MIGA** are open for project investments and insurance, respectively, in Armenia. For information on investment/insurance requirements and project eligibility, contact:

IFC (International Finance Corporation) - local office
2 Khorertarani Street, Republic Square
Yerevan
Tel: (374-1) 599-546, 599-545
Fax: (374-1) 599-544
Web: <http://www.ifc.org>

IFC (International Finance Corporation)
Attn: Investment Officer Europe
1801 K Street, NW, Room No. K 11-108
Washington, DC 20433
Tel: (202) 458-5504
Fax: (202) 676-9593
Web: <http://www.ifc.org>

MIGA (Multilateral Investment Guarantee Agency)
Ivan Rossignol, Guarantee Officer
600 Nineteenth Street, N.W.
Washington, DC 20433
Tel: (202) 458-0354
Fax: (202) 477-9886
Web: <http://www.miga.org>

European Bank for Reconstruction and Development (EBRD)

The European Bank for Reconstruction and Development also actively supports public and private

sector development in Armenia. EBRD strategic priorities include restoration of secure and environmentally safe energy supplies, critical air transport bottlenecks removal, financial sector restructuring and development, and private sector development through the post-privatization support and financing of new private organizations. Projects financed in Armenia include construction of a thermal power plant and an air cargo terminal.

To learn more about these and other EBRD projects in Armenia contact:

The European Bank for Reconstruction and Development (EBRD) - local office
20/1 Marshal Baghramian Avenue
Yerevan 375019
Phone: (374-1) 540-425, 540-426, 542-427
Fax: (374-1) 540-430
E-mail: ghazarye@env.ebrd.com
Web: <http://www.ebrd.com>

The European Bank for Reconstruction and Development (EBRD)
One Exchange Square
London EC2A 2EH
United Kingdom
Mark Sullivan, U.S. Executive Director:
Tel: 011-44-71-338-6503
Gax: 011-44-71-338-6487
Sarah Shakelton, Commercial Specialist:
Tel: 011-44-71-338-6569
Fax: 011-44-71-338-6487
Web: <http://www.ebrd.com>

U.S. Agency of International Development (USAID) projects

USAID offers two Small Loan Programs to finance local SMEs, one through the Eurasia Foundation and the other through the Loan Portfolio Guarantee Program.

The Loan Portfolio Guarantee is designed to provide access by small and medium enterprises to loans from Armenian commercial banks through the utilization of the DCA portfolio guarantee mechanism. The project directly serves the USG's objective in Armenia of promoting economic development, specifically, small and medium enterprise development by addressing two key Mission goals: (1) competitive private sector development and increased employment and (2) financial sector reform.

This DCA activity presently offers a Loan Portfolio Guarantee (LPG) to three local commercial banks (Anelik, Converse and Ineco) to cover up to 50% of net portfolio losses resulting from lending operations to SMEs. The maximum cumulative amount of all loan disbursements made subject to this guarantee shall not exceed US \$4,500,000 or the Armenian Dram (AMD) equivalent. The loan guarantee ceiling (per individual loan) is \$200,000.

For more information on USAID-funded projects contact:

USAID Armenia
18 Marshal Baghramian Avenue
Yerevan 375019
Tel: (374-1) 569-656, 151-117
Fax: (374-1) 151-131

Lincy Foundation

The Lincy Foundation has begun funding loans under its \$100 million Entrepreneurial Lending Program. Four initial commercial loans mark the first step in Lincy's program to foster the development of small and medium size organizations in Armenia.

The funds contributed by the Lincy Foundation are no-interest loans to the Central Bank of Armenia, which then loans these funds to local Armenian banks at a 3% per year interest rate. These banks in turn will lend to local businesses at an interest rate not to exceed 15% per annum. The loan amounts are for a minimum of \$100,000 and a maximum of \$1,000,000. The loans are made in Armenian Drams. The 14 domestic banks selected to participate in this program make all decisions and credit evaluations. The Loan Implementation Program stipulates that in order to apply for a loan, Armenian residents must own a minimum of 51% of the business and the Armenian Government should own no more than 20% of such an entity.

Contact: The Lincy Foundation Representative Office in Armenia
Armen Gyulkhasyan, Director of Representative Office
9 Alex Manogian Street, 2nd Floor
Yerevan 375070
Armenia
Phone/Fax: (374- 1) 51 20 50

8.7 LIST OF BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

HSBC Armenia - with Wells Fargo (California)
ArmlImpexBank - with Bank of America (Concord, CA), Bank of New York, Credit Lyonnais (New York)
ArdShinInvest Bank (ASHB) - with Citibank, Bank of New York (New York)
Anelik Bank - with Bank Trust Company (New York), SWIFT (New York),
Armenian Development Bank - with Citibank (New York); Los Angeles Bank (Los Angeles)
INEKO Bank - with Republic National Bank (New York), Bank of New York (New York).

See complete addresses of these and other resident commercial banks in Appendix E.

CHAPTER 9 BUSINESS TRAVEL

9.1 BUSINESS CUSTOMS

Many Armenians, despite decades of Soviet rule, have maintained an entrepreneurial spirit. However, foreigners working in Armenia may sometimes encounter remnants of the Soviet work mentality. Business visitors should be aware that in many cases, every stage of their contacts/negotiations with Armenian businessmen might be accompanied by much wining and dining. Gift giving and visits to homes and historic sites in the countryside are also common. Reliable international communication is very expensive and often not accessible to many Armenians. This, combined with old Soviet working habits, means that many Armenian firms answer only correspondence that is of vital interest to them. The need to respond promptly is, however, gradually becoming accepted in the Armenian business community.

Due to differences in interpretation and understanding of some business terminology (some of which is very new for Armenia), U.S. businessmen are strongly encouraged to make absolutely sure that the content of their communications, negotiations and agreements with Armenian partners is thoroughly understood. Information resources in Armenia are mainly concentrated in the hands of state ministries and agencies, employees of which, below the top management level, often have limited decision-making power or access to information. Often, they are unwilling to provide necessary information. Corruption is a factor in the majority of state organizations in Armenia, including such enforcement bodies as the police and customs departments. Though foreigners are largely exempt, there may be cases where officials will delay a process, hinting that a good "tip" may fix things immediately. When this happens, U.S. businessmen are encouraged to consult with the U.S. Embassy's Commercial Section.

9.2 TRAVEL ADVISORY AND VISAS

To travel to Armenia, an applicant must obtain a visa from any Armenian Embassy or Consulate. Residents of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Missouri, Nevada, New Mexico, Oregon, Texas, Utah, Washington and Wisconsin are advised to address:

Consulate General in Los Angeles
50 North La Cienega Blvd.
Beverly Hills, CA 90211
Tel: (310) 657-6102
Fax: (310) 657-7419

Residents of all other states may address inquiries to the Embassy in Washington, DC:

Embassy of the Republic of Armenia
2225 R Street, NW
Washington, DC 20008
Tel: (202) 319-1976
Fax: (202) 319-2982
Email: amembusadm@msn.com

To obtain a visa through the Armenian Embassy, applicants are required to submit the following paperwork to the Consular Section:

1. A completed visa application form (one per applicant).
2. One recent passport-size photo, attached to the application form. The picture can be black-and-white or color.

3. The original passport valid for at least 4 months
4. Money order or certified check payable to the Embassy of Armenia (no cash or personal checks will be accepted).

Duration of Stay

No letter of invitation is required from Armenia to obtain a single-entry tourist visa for a stay of up to 21 days. For stays of longer than 21 days or any other type of visa, an official invitation is required. For stays longer than three months, a residency permit must be obtained through the Foreign Ministry in Yerevan.

Fee Schedule

- \$18 for a single transit visa (3 days)
- \$36 for a double transit visa (3 days)
- \$60 for a tourist visa (21 days)
- \$60 for ordinary visa (21 days)
- \$35 for a single visa with an official invitation (up to 90 days)
- \$65 for a multiple visa with an official invitation (up to 90 days)

Note: visa processing can take 7 business days (no additional fee), 3 business days (\$86 rush charge), or 24 hours (\$95 rush charge). Rush service exists only for tourist and ordinary visas.

Travelers to Armenia are strongly encouraged to bring with them as much cash as they need in new bills, although ATMs are becoming more prevalent in Yerevan. Credit cards and checks are rarely accepted outside of hotels. A few banks have started to cash travelers' checks. It is recommended that travelers register with the Consulate of the U.S. Embassy in Yerevan (see the address in the appendix).

9.3 HOLIDAYS

Jan 1	New Year's Day
Jan 2	New Year's Day
Jan 6	Christmas Day
March 8	Women's Day
Apr 7	Mothers' and Beauty Day
April 24	Genocide Memorial Day
May 1	Labor Day
May 9	Victory and Peace Day
May 28	First Republic Day
July 5	Constitution Day
Sep 21	Independence Day
Dec 31	New Year's Eve

9.4 BUSINESS INFRASTRUCTURE

Language

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

Hotels:

Hotel ANI PLAZA ****, 19 Sayat Nova Street, Yerevan, tel: (374-1) 594-575, 594-500, fax: (374-1) 565-343, e-mail: info@anihotel.com

Hotel ARMA ***, 275 Norki Ayginer Street, Yerevan, tel: (374-1) 581-843, 505-636

Hotel ARMENIA ****, 1 Amirian Street, Yerevan, tel: (374-1) 525-393 (Armenia 1), 599-119 (Armenia 2), fax: (374-1) 151-803, 599-256, e-mail: armhotel@moon.yerphi.am

Astafian Complex ***, 5/1 Abovian Street, Yerevan, tel: (374-1) 564-572, 528-553, 586-748

Hotel Aviatrans ****, 4 Abovian Street, Yerevan, tel: (374-1) 567-228, 567-226, fax: (374-1) 584-442

Hotel Bass ****, 3 Aygedzor Street, Yerevan, tel: (374-1) 222-638, 261-080, 262-751, fax: (374-1) 151-429

Hy-Business Suites (hotel & office rental), 8 Hanrapetutian Street, Yerevan, 375010, Armenia. Tel: (374-1) 523-983, 583-543, 580-070 fax: (374-1) 151-678, US telephone: (310) 377-5266

Hotel Hrazdan ***, 72 Pionerakan St., Yerevan, 375002 ; Tel: (374-1)535-332, 535-302; Fax: (374-1) 537-095 (reservations require governmental permission)

Hotel Sil ***, 20 Tigran Mets Street, Yerevan, tel: (374-1) 540-708, 540-711, fax: (374-1) 545-000, e-mail: silhtl@arminco.com

Hotel YEREVAN ****, 14 Abovian Street, Yerevan 375010, tel: (374-1) 58 94 00, fax: (374-1) 52 82 91, web: <http://www.hotelyerevan.com>

Restaurants & Clubs:

Al Leoni (Italian)

Amigo, 1 Marshal Baghramian Ave., Yerevan. Tel: (374-1) 529-922

Ararat, Republic Square, Yerevan. Tel: (374-1) 527-933, 527-382, 73-70

Ashtarak Gorge Restaurant, Ashtarak

Astafian Complex, 5/1 Abovian Street, Yerevan, tel: (374-1) 564-572, 528-553, 586-748

Beijing (Chinese)

Cafe Riviera, 8 Sayat Nova St., Yerevan. Tel: (374-1) 58-44-20.

Cactus (Mexican), 42 Mashtots Avenue, Yerevan, tel: (374-1) 53 99 39, 53 63 99

Charlie's

Dino Club (Restaurant & Bar), 17 Marshal Baghramian Ave., Yerevan

Dolmama, Pushkin St., Yerevan

Doka Pizza, 38 Abovian, (374-1) 52 26 99, 555 555

Don Pepe (Mexican and Indian), Hotel Armenia, 1 Amirian Street, tel: (374-1)59 91 13

Downtown Jazz Club, 3 Pushkin Street, Yerevan

Dzoragyugh, 1 Paronian St., Yerevan. Tel: (374-1) 537-670

Eastern Cuisine (Turkish)

Gold Star

Golden Fork

Hotel Bass Restaurant, 3 Agedzor St., Yerevan. tel: (374-1)221-353, 26-41-56.

Karaoke Restaurant & Bar, 12 Amiryan St., Yerevan, Tel: (374-1) 532-110

Kars, tel: (374-1) 635-596, 636-583

Le Divelec (French), 50 Komitas St., Yerevan, tel: (374-1)230-495, 234-350

Lotus (Chinese)

Monte Cristo (French)

Moscow (Russian)
Old Yerevan
Olympia (Greek)
Peking (Chinese)
Pizza Di Roma, Tigran Mets Avenue, Yerevan. Tel: (374-1)
Pullman (R/B), 33 Sayat-Nova St., Yerevan (374-1) 564-232
Rus (Russian)

Telecommunications:

The telecommunications network in Yerevan is currently run by Armentel - a Greek-Armenian joint venture that enjoys a monopoly on most telecom services. The company also operates paging and cellular services. Most parts of Yerevan enjoy direct-dial telephone service, although the quality of connections can be inconsistent.

For information on long distance service options contact: Armentel, Long Distance Telephone Exchange, Azatutian Avenue, Yerevan, 375044, Armenia: tel: (374-1) 288151, 151-002, fax:(374-1) 151-333.

To subscribe to international telex services, contact the Ministry of Transportation and Communication, Union Bldg., Republic Square, Yerevan 375010; Tel:(374-1) 526-632, Fax: (374-1) 151-446.

Various providers based in Yerevan offer e-mail services:

ARMINCO LLC, 28 Isahakyan St. Yerevan, 375009, Armenia; tel: (374-1) 526 326, 281 425, Fax: (374-1) 285-082; E-mail: postmaster@arminco.com and support@arminco.com.

INFOCOM, 22 Saryan Street, floor 4, Yerevan, 375002, Armenia; tel & fax: 7(8852) 528-856, or 151-926; E-mail: postmaster@mtd.armenia.su

Public Transportation:

Armenia has a developed, if deteriorating, public transportation system that includes buses, trolley buses, trams, shared vans, and a subway in Yerevan. Taxis are available in the capital and a few major cities. The rates in Yerevan as of June 2001 are:

Trolley, Tram, Metro - 50 drams/ride
Urban Bus - 50 drams/ride (50-70 drams for private buses)
Mini-Van - 50-100 drams (200 drams night rate)
Taxi - 90-250 drams/km

International Travel Agents

Besides a number of flights to many CIS cities, regular weekly flights connect Armenia with Paris, Amsterdam, Frankfurt, Athens, Prague, Sofia, Beirut, Teheran, and Dubai. British Airways operates three flights weekly to London, and Austrian Airlines offers three flights to Vienna. Czech Air is starting weekly service to Prague. For reservations contact any of the following travel agents:

Eurostan Uyut, 39/12 Mashtots Avenue, Yerevan, tel: (374-1) 56 38 09, 65 57 52.

Levon Travel Yerevan (Director - Ms. Ahahit Torosian), 10 Sayat-Nova Street, Yerevan 375001; Tel: (374-1) 525-210, 525-284; Fax: (374-1) 151-133, Telex: 243398 LEVON SU; e-mail: klm@arminco.com.

Address in the U.S: Levon Travel, 7083 Hollywood Blvd., Hollywood CA 90028; Tel: (213) 871-8711,

(800) 445-3866, Fax: (213) 462-7410, telex: 298842.

Saberatour-Sevan (Director - Mr. Ruben Avetisian), 37 Hanrapetutian Street, Yerevan 375010; Tel: (374-1) 525-448, 528-548, Fax: (374-1) 564-030.

Sidon Travel & Tourism, Inc. (Director - Mr. Hrair Babayan), 19 Sayat Nova St., Hotel Ani, Floor 1, Yerevan 375001, Tel: (374-1) 522-967, fax: (374-1) 151-684.

Medical Services:

The Ministry of Health supervises most medical institutions in Armenia. Many of them are in poor condition and the quality of service does not meet Western standards. For recommendations on hospitals, private doctors, and pharmacies, U.S. visitors may contact the Consular Section of the U.S. Embassy or the International Relations Administration, Ministry of Health of Armenia, 8 Tumanyan Street, Yerevan, 375001, Armenia; tel: (374-1) 526-987, Fax: (374-1) 562-923 or (374-1) 151-097.

Chapter 10 Appendices

- Appendix A. Country data
- Appendix B. Domestic economy
- Appendix C. Trade
- Appendix D. Investment Statistics

Chapter 11

- Appendix E. U.S. and country contacts

CHAPTER 10

APPENDIX A COUNTRY DATA

POPULATION: According to Census 2001 preliminary results, 3,002,800 people reside in the country.

RELIGION: 97% Christian (Armenian Apostolic).

GOVERNMENT SYSTEM: Presidential Republic

LANGUAGES: Armenian is the official language of the country. The majority of Armenians speak Russian as well.

WORK WEEK: 40 hours

APPENDIX B DOMESTIC ECONOMY

	2000	2001	2002
Real GDP (\$ 000,000)	1,911	2,118	2,340
<i>Composition: Agriculture—24.1%, industry—24.8%, services—23%, net taxes—9.1% (2001)</i>			
Real GDP Growth (%)	6.0	9.6	12.9
Real GDP Per Capita (\$) ^[1] _[1]	501.1	557	623
Note: According to our own estimates, GDP per Capita with the new Census 2001 results are 790 USD in 2002, and 706 USD in 2001			
Real GDP per <u>Capita Growth (%)</u> ¹	0.6	11.35	11.85
Unemployment (%)	11.7	10.3	9

Government Spending (% of GDP)	21.57	20.37	19.17
CPI increase (%)	0.4	2.9	2.0
Foreign Reserves (\$ 000,000)	135.7	153	216
Average Exchange Rate (Dram per \$1)	539.52	555.1	573.4
Foreign Debt (mln US\$)	858.7	904.5	1,025.2 ^[2]
Foreign Debt (% of GDP)	45.1	43.4	43.8
U.S. Economic Assistance (\$ 000,000)	124.18	110.56	103

APPENDIX C TRADE

(All figures in \$ 000,000.)

	2000	2001	2002
Total Armenian Exports	300.5	342.8	507.2
Exports – major partners: Belgium 18.2%, Israel 17.43%, Russia 12.8%, UK 10.1%, USA 9.2% and Iran 6.2%			
Total Armenian Imports	884.7	874.3	991
Imports – major partners: Russia 19.8%, Belgium 9.2%, Israel 8.3%, Iran 6.3%, and USA 5.4%			
U.S. Exp to Arm	102.7	84.2	53.1
U.S. Imp from Arm	37.86	52.3	46.4

APPENDIX D U.S. FIRMS IN ARMENIA

Following is a list by sector of fully or partially U.S. owned companies and Armenian companies acting as representatives, distributors or dealers for U.S. firms. The list is not complete and includes only those companies known to the U.S. Embassy.

Construction Services and Materials

Areg Block, Ltd.

Manufacturing of concrete blocks

Hrach Tumanian, Director

14a Artsakh St., 4th Alley, Yerevan, Armenia

Tel: (374-1) 471-177

Joint venture with Sipan, Karapet Arisyan, President; 6569 North Tilmon Fresno, CA 93711;

Fax: (559) 298-2711

Established in 1998

Hayshen

Construction, civil engineering, design, and CAD

Henrik Tigranyan, Director.

5 Nalbandian St., Room 22, Yerevan, Armenia 375010

Tel: (374-1) 523-983, 583-543, Tel/fax: (374-1) 151-678

Founded in 1992 as a JV between HayArd Ltd., Armenia and Hybusiness (USA), Director - Vartkes Barsam

37218 Phantom Drive, Rancho Palos Verdes, CA 90275

Tel: (310) 377-5266

Hill International Armenia

Construction management

Renny Borhan, Vice President

Raouf Ghali, Financial Director.

5 Nalbandyan St., 2nd floor, Yerevan 375010, Armenia

Tel:(374-1) 529-871, 151-394, Fax: (374-1) 151-394

Founded in 1995 as a subsidiary of Hill International, Inc., One Lavitt Parkway Willingboro, NJ 08046

Hovnanian International

Construction

Vahagn Hovnanian, President (US)

Harutiun Khachatryan, Director

50a Gevorg Chaush, Yerevan, Armenia

Tel.: (374-1) 355-501, 341-077, 408911, 400415; Fax: (374-1) 341-077

E-mail: hovint@mbox.amilink.net

Established in 1999 as JV with Hovnanian Group, Suite 12, Dag Hammarskold Blvd, Freehold, NJ 07728; Tel: (732) 462-8200; Fax: (732) 462-2789

Huntsman Armenia Concrete Corporation

Manufacturing of prestressed concrete slabs

Mr. Roy Harrison, U.S. Director-General

Mr. Jirair Zabunian, Executive Director

49 Artsakh St., Yerevan, Armenia, 375021

Tel: (374-1) 471-188, 471-218, 452-689, 458-080, 453-410, 151-735

Fax: (374-1) 151-735

E-mail: hunts@arminco.com

Registered in 1990 as a JV between the Ministry of Construction and the Huntsman Corporation

500 Huntsmanway, Salt Lake City, Utah 84108

2000 Eagle Gate Tower, Salt Lake City, Utah 84111, Tel: (801)532-5200, fax: (801) 536-1581

E-mail www.huntsman.com

(John Huntsman, President)

Metal Prince

Construction and manufacturing

Serop Der-Boghossian, President (U.S.)

7 Nalbandian St., Suite 1, Yerevan 375010, Armenia

Tel: (374-1) 582-077, 582-850 151-167; Fax: (374-1) 151-167;

E-mail: araxinternational@mailcity.com

Registered in 1999

Tufenkian Construction

Construction

Hambartsum Chilingaryan, General Manager

21/1 Tumanian St, Yerevan 375001

Phone: (374 1) 520-911, 520-912

Fax: (374 1) 520 913
Web: www.tufenkian.am

Consulting

ARAX

Legal Consulting
Ashot Poghosyan, Director
2a Tamanyan Apt. 2, Yerevan
Tel: (374-1) 589-856, 564-013
Fax: (374-1) 545-689
E-mail: info@aua.am

Alpha Plus Consulting

Armenian-US JV specialising in SME development, financing, consulting
Dr. Alex Poghossian, Managing Director
21 Baghramyan Avenue, Suite 8, Yerevan 375019
Tel/ fax: (374-1) 271071
E-mail address: office@alphaplusconsulting.com

Arlex International Ltd.

Legal and Business Consulting
Tom Samuelian, Managing Attorney
15 Grigor Lusavorich St., Yerevan, Armenia
Tel/Fax: (374-1) 580-213, 40-84-60 (mobile)
E-mail: tsamuelian@arlex.am, www.arlex.am

International Legal Consulting

Legal Consulting
Edith Khachatryan, Director
10 Tumanian St., Apt. 30, Yerevan, Armenia
Tel: (374-1) 562-117, 405-645
E-mail: ekhach@arminco.com

Education

American University of Armenia (AUA)

Harutiun Armenian, President
Don Fuller, Director of Administration.
40 Marshall Baghramyan Ave., Yerevan, Armenia 375019;
Tel (374-1) 271-602, 270-309; fax: (374-1) 151-048, e-mail: dfuller@aua.am
Established in 1991, as a JV between the University of California at Los Angeles, Armenian General Benevolent Union (USA), and the Ministry of Education of Armenia, AUA provides several Master degree programs, including in Business Administration, Seismic and Civil Engineering, Political Science, and LLM (joint program with Bolt University).
American University of Armenia Corporation, 300 Lakeside Drive, IV Floor, Oakland, CA 94612
Richard Youatt, Operations Manager
Tel: (510) 987-9452, Fax: (510) 208-3576, E-mail: ryouatt@ix.net.com

Export/Import/Sales

Arm Key, Ltd

Foodstuffs imports/sales
Viktor Saryan, Director

51 Komitas Street, Yerevan 375051 Armenia;
Tel: (374-1)238-010, 236-001; Fax: (374-1)236-001
Founded in 1996 as a subsidiary of Cozy Foods (USA).

Imperial International Ltd.

Imports/retail of jewelry, leather clothing, and shoes
Rafael Khazaryan, Director
39, Mashtots Ave., Yerevan-375002, Armenia
Tel: (374-1) 531-045, 565-734; 151-962; Fax: (374-1) 151-962
Registered in 1996 as a JV (Partnership) with Ms. Jacqueline Vardanyan, 20 North Brand Blvd.,
Glendale, CA.; Tel: (818) 242-2404, Fax: (818) 246-4081.

Phillip Morris Management Services, B.V.

Tobacco products
Agaron Tatevosyan, Manager of the Representation Office in Armenia
Nerkin Zeitun, 2nd street, house 38, Yerevan 375037, Armenia
Tel (374-1) 248-511, Fax: 248-501
Registered in December 1995. Parent company: Phillip Morris Management Services, B.V., Holland

Sexess Petroleum Corporation

International trading of cars, and general merchandize
Karapet Astvatsatryan, President.
49 Komitas St., Yerevan, Armenia
Tel: (374-1) 237-050, 274-004(h)
Established in 1993 as a subsidiary of Sexess Petroleum Corp, Glendale, California (same president).
George & Arthur Corp. is the subsidiary of Sexess Petroleum Corp of Armenia

Food Processing

Agroinvest Management LLC

Agricultural Input Supply and Professional Management for Agricultural Investments
Aleksan Elbakyan; President and Owner
Chuck Specht; Vice President (USA)
37 Nzhdeh St.; Yerevan
Tel (3749) 407306
Fax (3741) 447380
Email alel@agroinvest.infocom.amilink.net
Registered in 1997 as a Limited Liability Company

Ararat Cognac-Wine-Vodka Co.

Production of alcoholic beverages
Zaven Guiragossian, CEO, Executive Director (USA)
Samvel Tadevosyan, Chairman, Board of Directors
9 Admiral Isakov St., Yerevan 375010, Armenia
Tel: (374-1) 525-810, 407035, 404670; Fax: (374-1)525-810, E-mail: zavenin@cs.com
Registered in 1997
Reregistered in 1999 as an Armenian American JV, sponsored by Yerevan Ararat Cognac-Wine-Vodka
OJSC

Coca-Cola Bottlers Armenia

Mr. Angelos Rorris, Manager
Azatutyun 3rd Lane, Yerevan 375052
Tel: (374-1) 280-552, 285-260; Fax: (374-1) 151-434
Registered in August 1995 (Leventis, Greece)

Jermuk Closed Joint Stock Company

Bottling and export of "Jermuk" mineral water

Kaizak Zetlian, Partner (U.S.)

Artsrun Ikilikyan, Executive Director

1 Gortsaranain St., Jermuk 378840

Tel: (374-77) 21117, 21285, Fax: (374-77)21119

Registered in 1995 as a joint venture between "Jermuk" plant and Zetlian Enterprises (LA)

Sipan Amazon

Coffee processing

Edward Ivanian, Executive Director

3 Koriun St., Yerevan, Armenia

Tel: (374-1) 521-032, Fax: 565-248

Established in July, 1999 as JV with Sipan Enterprises Inc., (70% share)126 Jackson Street, Suite 307, Glendale, California 91205; Tel: (818) 248-7117; Fax: (818) 249-7117;

E-mail: sipanent@aol.com; Raffi Zavetian, President

Voske Hats

Bakery

Vahe Aghabekyants, President (U.S. Partner)

12 Tigran Mets St., Yerevan 375010, Armenia

Tel: (374-1) 526-592, 567-246, Fax: (374-1) 526-592, E-mail: voske@hats.arminco.com

Registered in 1997 as a joint venture (LLC) between Armenian Development Investment Corporation (Los Angeles, USA) and three Armenian partners

Hotels & Restaurants**Ani Plaza Hotel**

Rico Kasprik, General Manager

Vache Kirakosian, Manager

19 Sayat Nova St., Yerevan 375010, Armenia

Tel: (374-1) 520-724; 520-815, 523-961; Fax: 520-545

Hotel Armenia

Anil Sampat, General Director

1 Amirian St., Yerevan, Armenia

Tel: (374-1) 599-190; Fax: (374-1) 151-803; E-mail: armhotel@moon.yerpi.am

Hy-Business Suites

Hotel, business center

Souren Yavruyan, General Manager

8 Hanrapetutyun St., Yerevan 375010, Armenia

Tel: (374-1) 567-567, 580-422, 151-522; Fax: (374-1) 580-422, 151-522

E-mail: hybusiness@infocom.am

Registered in February 1997 as a subsidiary of Hy-Business, Inc., Vardges Barsam, President

32218 Phantom Dr., Rancho Palos Verde, CA 90274; Tel: (310) 377-5266; Fax: (310) 377-5266

Tufenkian Heritage Hotels

Hambartsum Chilingaryan, Manager

Norki 13th Street, Yerevan 375048

Tel: (374-1) 547-888

Fax: (374-1) 547-877

E-mail: tufhosp@arminco.com

Yum-Yum Donuts

Fast food restaurant business

Arsen Vardanian, Director

39/12 Mashtots Ave., 1 Hakob Hakobian, Yerevan, Armenia

Tel: (374-1) 561-984, 269-033, Fax: (374-1) 561-984

Established in December 1997 as a joint venture with G&H Enterprises, Inc.; Toros Sahakian, President; Tel.: (732) 922-3858; Fax: (732) 922-9544, E-mail: toross@msn.com

Information Technologies**Arset Logic**

Chip programming

Haik Hovhannesian, President

Martiros Manaseryan, Manager

41 Arshakunyants Street, Yerevan 375026

Tel: (374-1) 440-651, 441-537

Fax: (374-1) 441-536

E-mail: arset@arset.com

Subsidiary of Arset Logic Inc. C/O 1138 Western W. Evelyn Avenue, Sanivale, CA 94086, phone: (408) 774 5200, fax: (650) 9490176

Boomerang Software

Internet Software

Gurgen Balyan, Director

6/1 Abelian, V floor, Yerevan, Armenia

Tel: (374-1) 350-570, 350-488;

E-mail: office@boomerang.am

Established in 1997 as subsidiary of Boomerang Software Inc., 90 Concord Ave., Belmont, MA 02478;

Tel: (617) 489-1647.

Credence Systems Armenia Llc

Software Engineering

Contact: Manuk Gevorgyan, Director

Address: 48 Mamikonyants Street, Yerevan-51

Phone: (374-1) 530-433, 530622

Fax: (510) 217-9448

E-Mail: manuk_gevorgyan@credence.am

Subsidiary of Credence Systems Corp; Tel: 215 Fourer Ave., Fremont, CA 94539; Tel: (510) 657-7400;

Fax: (510) 623-2560; & Fluence Technology Inc., 8700 SW Creekside PL, Beaverton, OR 97008, Tel: (503) 672-8774

Epsilon Logic**Software Engineering**

Nazik Khudaverdian, Director

4 Tigran Mets, Yerevan, Armenia

Tel: (374-1) 587-740

Established in 1998 as subsidiary of Epsilon Logic Systems

Epygi Labs Am LLC

Software engineering

Haroutun Akilian, Director

41 Arashakuniants Street, Yerevan, 375026

Tel: (374-1) 442-160; (374-9) 403-799

Fax: (374-1) 442-155

Web Site: www.epygi.com

Registered in 2000.

Hailink JSC

Research and development in natural sciences and architecture, wireless communication networks, software and hardware engineering

Gagik Evoyan, Director

24a Marshall Bagramian Ave, Yerevan-375019, Armenia

Tel:(374-1) 521-664

Fax:(374-1) 526-637

E-mail: gagike@hailink.am

Founded in 1992 as a subsidiary of Cilink Corp., Hermosa Court 910, Sunnyvale, CA 94086

3131 Jay Street, Santa Klara, CA 95454, (new address), Bill Crowell, President

Tel: (408) 735-5800, Fax: (408) 735-6645

Hi-Tech Gateway (Armenian Branch Of Hi-Tech Gateway, USA)

Software development and integration; telecommunications; IT consulting

Hagob Manucharyan, General Manager

1, Charetsi Street, Yerevan 375025

Tel/fax: (374-1) 573770

E-mail address: info@hi-teck.com

Hitegrity

Software engineering

Gagik Evoyan, Director

24b Marshal Baghramyan Ave, Yerevan, 375019

Tel: (374-1) 568-267

Fax:(374-1) 526-637

E-mail: gagike@hailink.am

HPL Armenia

Software engineering.

David Y. Lepejian, President (USA)

Andranik Hovhannisyan, Director.

49/3 Komitas St., Floor 9, Yerevan-48

Tel:(374-1) 238-550, 234-581, 238-309, 236-643, 236-764

Fax: (374-1) 230-362

E-mail: andrew@arm.hpl.com

Registered in February 1995 as a subsidiary of HPL Heuristic Physics Laboratories, Inc., 1649 South Main St., Milpitas, California 95035 USA; Tel: (408) 263-1475, Fax: (408) 263-1584.

Infinite Technologies Corporation

Contact: Khoren Kotanjyan, Director

Address: 54 Komitas Ave., Yerevan-51

Phone: (374-1) 234-889

E-Mail: khoren@itc.am

Leda Systems, INC.

Information circuit design

Hovhanes Musaelyan, Country Director

Vahram Mouradian, President and Chief Technical Officer

60 Chelyuskintsinery Street, Yerevan, Armenia

Phone: (374-1) 540-169, 540-868, (374-9) 414-147

Fax: (374-1) 540168

Email: hmusayelyan@fys.led.am, vahramm@ledasys.com

Web Site: www.ledasys.com

Subsidiary of Leda Systems, Inc., 1108 Summit Avenue, Suite 3, Plano, TX, 75074, Tel: (972) 991-6391, Fax: (972) 381-0965

Solaren

Serge Adamian, President
2/2 Shrajanayin Street, Yerevan 375068, Armenia
Phone: (374-1) 777-113
Fax: (374-1) 777-182

Synergy International Systems

Software Engineering
Sergey Zigelyan, Director
6 Koryuny Street, Suite 4, Yerevan-09
Tel: (374-1) 567-681
Fax: (374-1) 567-681
E-mail: szigelyan@arm.synys.com
Website: www.synisys.com

Virage Logic International Yerevan

Developing circuits and software tools for DPTL circuits
Hakop Tuvalyan, Director
12 Vagharshyan Street, Yerevan-33
Tel: (374-1) 271-580, 272-772
Fax: (374-1) 271-580
e-mail: nlucy@viragelogic.am
website: www.viragelogic.com
Established as a subsidiary of the Virage Logic Corp., 46501 Landing Parkway, Fremont, CA 94538,
Tel: (510) 360-8000, Fax: (510) 360-8099, Web Site: <http://www.viragelogic.com>

Manufacturing

Andok

Assembly and sale of optical equipment and glasses, biomedical services.
Manuk Ohanyan, Director.
20 Charents St., Suite 2-4, Yerevan, Armenia 375025
Tel: (374-1) 553-365, 551-747, Tel/Fax: 151-763
Founded 1993 as a subsidiary of Armenian Relief Society of Western USA Inc., 80 Bigelow Ave.,
Watertown, MA 02172; tel:(617)926-5892; fax:(617)926-4855

Garni Investment Development Corporation

Production of textiles and apparel
Zareh Balasanyan, President
26a Abovian, Apt. 39, Yerevan 375010
Tel: (374-1) 545-960, 596-061
Fax: (374-1) 545-962
E-mail: garni@arminco.com

Haitex

Production of electric home appliances, plastic goods, instant lottery.
Levon Meliksetian, Chairman of the Board
3A Hakobyan St., Yerevan 375033, Armenia
Tel: (374-1)221-021, Fax:(374-1)151-073
Established in 1990 as a JV with Texarm Inc. (Texas)

ONYX

Production of building materials and bathroom equipment

Artur Mirzoyan, Director (Armenia)

Tigran Petrosyan, Director (U.S.)

Plastic Factory, 59 Arshakunyats St., Yerevan

Tel: (374-1) 445-023; Fax: (374-1) 442-494, E-mail: root@onyx.arminco.com

Registered in 1997 as a JV between Plastic factory and Intertone Communications, 445 9-th Street, Fairview, NJ 07022; Tel: (201) 941-5128; fax: (201) 943-2996.

Tufenkian TransCaucasus

Production and export of hand-made carpets and threads

James Tufenkian, President (USA).

Hambartsum (Garik) Chilingaryan, Manager.

21/1 Tumanyan St., Second Floor, Yerevan 375001, Armenia

Tel:(374-1) 521-259, 520-885, Tel/ax:(374-1) 151-751, E-mail: Tufenk@arminco.com

Registered in July 1994 as a subsidiary of Tufenkian Import/Export Ventures, Inc (NY).

902 Broadway, Second Floor, New York, 10010-6202

Tel: (212) 475-2475, Fax: (212) 475-2629, E-mail: Tufen@octet.com

Mining

Ararat Gold Recovery Company (AGRC)

Gold mining/processing

Keith Faulkner, General Director

19 Khanjian St., Yerevan-375010

Tel: (374-1)548-361, 542-263, 226-854, 151-699, 151-707, Fax: (374-1)151-690,

E-mail: agrc@arminco.com, keithf@agrc.com

Registered in November 1996 as a Joint Venture between "ArmGold" /Ministry of Industry of Armenia and Global Gold Corporation

Reregistered in 1999 as JV with First Dynasty Mines

Armenian American Exploration Company

Oil and gas exploration

Tim Papworth, General Manager

55 Orbeli St., Yerevan 375028, Armenia

Tel: (374-1) 275-092, 273-319, 225-563; 225-804, 273-578; Fax: (374-1)151-625; 151-483, 151-174; E-mail: timpap@acc.am, shans@arminco.com

Registered on August 6, 1997 as a subsidiary of Armenian American Exploration Co. Inc., P.O.Box 92067, Rancho Santa Fe, CA 92067; tel: (619) 759-5990; Fax: (619) 756-3194. Jeff Rand, President; Allen Paulson, Chairman

Postal services

DHL Worldwide Express-Armenia

Agent - Michael Yukhanayev, Director

36 Demirchyan St., Floor 1, Yerevan 375002

Tel: (374-1) 586-688, 528-058, Fax: (374-1) 528-158, E-mail: dhlevn@arminco.com

Founded in 1995.

Express Haik Ltd.

Courier and representation services

Hambatsum Kupelian, President (USA - Texas)

35 Komitas St., room 410, Yerevan-375051, Armenia

Tel: (374-1) 258-706, 259-191, Fax: (0 39) 06211; E-mail: upsarm@arminco.com
Registered Jan 1997 as a Limited Company (50/50percent) with JV status.

Federal Express

Agent – Martun Makarian, Director
1 Charents St., Yerevan 375025 Armenia
Tel:(374-1)574-686, 574-859, Fax:(0-39) 07155
Founded in 1995

Rent-a-Car

Limousine Service

Limousine rental
Mher Muradian, CEO
1 Marshal Baghramian Ave., Yerevan-375019, Armenia
Tel: (374-1) 58-96-38
Registered in 1996 as a joint venture with D&T Holsers Inc., 520 Greenwood Ave., Montebello CA

Shipping/Freight-Forwarding/Customs Brokers

Seaborne International JV JSC .

Int'l air, sea, road and rail transportation, freight forwarding, project logistics, customs brokers
Steve Robinson, President
Eva Troyan, Operations Manager
8 Hanrapetutyan St., Yerevan 375010 Armenia
Tel: (374-1) 566-699, 566-599, 566-499, 151-538; mobile: (374-1) 406350, Fax: (374-1) 151-538
E-mail: seaman@arminco.com
Web site: www.seaborne-intl.com
Registered in November 1997 as a joint venture between Seaborne International Inc (Steve Robinson, President), 11222 La Cienega Blvd., Suite 470, Inglewood, CA 90304 USA; Tel: (310)216-4225, 800-662-6722; Fax: (310)216-1124, E-mail: sarlax@aol.com, and Eva Troyan, Yerevan, Armenia

Standart, Ltd.

Transportation, Customs broker
Serop Der-Boghossian, President
Tigran Taroyan, Director
10 Admiral Isakov St., Yerevan, Armenia
Tel: (374-1) 563-250; 151-167; Fax: (374-1) 151-167; E-mail: standart@hotmail.com
Registered in 1996 as a JV with a U.S. partner, Mr. Serop Der-Boghossian (50 percent)

Telecommunications

American and Armenian Television Communications (AATV)

Wireless cable TV
Shane Sorg, President
Hy-Business Suites, Suite G, 8 Hanrapetutyan St., Yerevan-375010, Armenia
Tel: (374-1) 562-992, 545-454, 581-857, 581-675; Fax: (374-1) 581-675;
E-mail: aatv@ambox.amilink.net
Registered in August 1997 as joint venture (corporation) between Eastward Bound, Inc. (EBI), United Cable Company (UCC), 119 Pembroke St., Boston, MA 02118; tel: (617) 375-9244, fax: (617) 421-0188 (60 percent) and the Republican Cable Television Center (40percent).

Travel Services & Tourism

Areg CJSC

Tourism Emmigration (Canada, Australia, New Zealand)
Mr. Levon Dunamalyan, President (U.S. citizen)
13 Ervand Kochar St., Suite 1, Yerevan-375070, Armenia
Tel: (374-1) 556-915; Fax: (374-3) 906-060, E-mail: gbabaian@ccinet.com
Founded in 1996 as a closed joint venture corporation

Levon Travel Yerevan

Travel agent
Gary G. Titizian, President (USA).
Anahit Papazian, Director of Yerevan Office.
10 Sayat Nova Blvd., Yerevan, 375009, Armenia
Tel: (374-1) 525-210, 525-284, 520-959, 50-54-20, Fax: (374-1) 151-133
E-mail: klm@arminco.com
Founded in 1991 by Levon Travel Bureau, Inc., 7083 Hollywood Blvd., Los Angeles, CA 90028;
Sako Berberian, Managing Director
tel:(323) 871-8711; fax: (323)462-7410; E-mail: levontravel@msn.com

Northwest Airlines/KLM (general sales agent)

10 Sayat Nova Blvd., Yerevan, 375009, Armenia
Tel: (374-1) 525-210, 525-284, 567-208, 567-308, Fax: (374-1) 151-133, 151-510
E-mail: klm@arminco.com

Sidon Travel Armenia

Travel agent
Edward Hovakimian, Director
19 Sayat Nova St., Yerevan, Armenia
Tel: (374-1) 522-967; Fax: (374-1) 151-684, E-mail: sidon@sidon.arminco.com
Operating in Armenia since 1987 as an agent of Aeroflot (Russia). Re-registered in 1990 as a subsidiary of Sidon Travel and Tourism, Garo Avakian, President.
5825 Sunset Blvd., Suite 218, Los Angeles, CA 90028; tel: (213) 466-9161; fax: (213) 466-2869, E-mail: sidontrvl@aol.com

Armenian firms - Agents, Distributors, and Dealers of U.S. Firms

For Carrier

(Heating and Air Conditioning)
Katham International
Mr. Karen Simonian, General Director
20 Moskovyan Street, Yerevan, Armenia
Tel: (374-1) 581-200, Fax: (374-1) 568-808, E-mail: Katham@mbox.amilink.net
George Katrandjian, President, Katham Industries Inc., 15 Engle Street, NJ 07631,
Tel: (201) 569-7192, Fax: (201) 569-0644

For Dell Computer Corp.

(computers & peripherals)
Vallex CJSC, reregistered in 1998
Mkrtich Martirosyan, Director
Sergey Solakhyan, Deputy Director
9 Nalbandian Street, Yerevan 375010, Armenia
Tel/fax: (374-1)560-900, 526-690, E-mail: vallex@vallex.am

For **IBM, ABC American Power Conversion, Cisco Systems**

Bi-Line Armenia

Haik Khanjian, General Manager

Artak Zakarian, Executive Director

Sarkis Karapetyan, Commercial Director

50 Khanjian St., Yerevan 375025, Armenia

Tel: (374-1) 578-825, 576-659, 573-358, e-mail: az@bi-line.am

Registered in 1996

For **Johnson & Johnson**

Bodycare products

PARTNER

Ashot Azatyan, CEO

Suren Sahakyan, General Sales Manager

18 Mashtots Ave, Yerevan, Armenia

Tel/Fax: (374-1) 537-471, 538-055, 538-033, E-mail: partner@freenet.am

Registered in June 1997 as a distributor of Johnson & Johnson, Switzerland division.

For **Kodak**

Next Vision

14 Pushkin Str., Yerevan, Armenia

Tel: (374-1) 569-100, 569-101, 569-102, Fax: (374-1) 569-103

E-mail: nxtvision@arminco.com

Sebouh Ohanian, Director

Established in 1998

For **Levi Strauss & Co.**

(sales/clothing)

Avant Garde Jeans, Ltd.

Armen Khachatryan, Director

39/12 Mashtots Ave., Yerevan, Armenia

Tel: (374-1) 589-302; 561-243; Fax: (374-1) 561-243

Registered in 1995 as official dealer of Levi Strauss in Armenia

For **Mars**

(chocolate and candy bars).

Dzerjava CJSC, official distributor of Mars since 1995.

Arkadi Hambartsumian, Representative

Vardan Mashakarian, Executive Director

15 Tigran Mets St., Yerevan, Armenia:

Tel:(374-1)586-045, 522-619; Fax: (374-1) 522-619, E-mail: haik@arminco.com

For **Miller Beer**

(Distributor for Miller Beer)

Uniservice, Ltd.

Ara Karapetian, Armenia Representative

24 Giulbekian St., Yerevan 375033, Armenia

Tel: (374-1) 277-670; 276-034; Fax: (374-1) 277-680

For **Pepsi**

(beverages)

OSN Group

Levon Meliksetian, Director

Artak Mikaelian, Sales Manager

Tel: (374-1) 270-015

For **Procter & Gamble**.

(cleaning products, pampers)

Unisan, Unitex - distributor of P&G cleaning products.

Arman Zargaryan, Armenia Representative.

11 Smbat Zoravar St., Yerevan, Armenia

Tel: (374-1)442-466, 442-515; Fax: (374-1)442-466; E-mail: unisan@arminco.com

Registered in November 1995

Reregistered in 1998

For **Xerox**

(photocopiers)

Computer Service Ltd.

1 Charents Street, Yerevan, Armenia

Tel: (374-1) 574-965, 575-137, Fax: 151-668

Eduard Gabrielyan, President

Registered in January 1996 as an official dealer for Xerox Buro Araclari Ticaret ve Servis A.S. Kasap

Sokak, Konak Azxer Ishani No: 12, 80280/ Esentepe - Istanbul: tel: 90 212 - 274 93 54, fax: 90 212 -

267 12 80. Yervant Tirpan, Area Manager, Eurasia CBU.

For **Texaco**

(lubricants, machine oil)

LubTex CJSC

Robert Mihranian, General Director

19 Sayat Nova St., Yerevan, Armenia

Tel: (374-1) 564-162, 505-378, 521-905, Fax: (374-1) 520-863

E-mail: lubtex@arminco.com

Registered in December 1999 as distributor for Texaco Global Lubricants and Coolants, a division of

Texaco Global Products LLC

for **USG DONN**

Sales and assembly of construction materials (fiber tiles, ceiling systems)

Tsaig Co., Ltd

Levon Vardanian, President

1/3 P. Buzand St., Yerevan-375010, Armenia

Tel: (374-1) 567-025, 563-019; Fax: (374-1) 567-177

Registered in 1996. Exclusive distributor in Caucasus of USG International Ltd. 125 South Franklin Street, PO Box 4470, Chicago IL, 60680-4470, Tel: (312) 606-5840, Fax: (312) 606-5443.

for **3M Italy-AM-PG Group**

Security printing, high security labeling, security products

Albert Taroyan, President

25 Charents St., Yerevan, Armenia

Tel: (374-1) 552-614, 556-183; 640-778, 40-62-03, Fax: (374-1) 151-297

E-mail: ampg@arminco.com

Exclusive Distributor for 3M Italy-AM Security System, Co., Ltd., Pagani Artigrafiche, via Degli Artigiani

8/10, 20020 Lazzate (Milan)-Italy; Tel (39-2) 96-320-209, 96-720-288, Fax: (39-2) 96-329-646.

USAID Implementing Partners

AAA (Armenian Assembly of America)

Contact: Arpie Vartanian

2 Republic Sq., 101, Yerevan

Tel: (374-1) 52-95-13; 56-06-74

Fax: (374-1) 52-70-32(F)
E-mail: centoff@arminco.com

NGOC

Contact: Margarit Piliposyan
20 Yeznik Koghbatsi St., Yerevan
Tel: (374-1) 53-92-04; 54-40-12
Fax: (374-1) 54-40-15
E-mail: maga@ngoc.am;ngoc@ngoc.am

ABA/CEELI

Legal association development
Heidi Silvey
42/2 Darabagh St., Yerevan, Armenia
Tel: (374-1) 221-969, 261-770, 151-530
E-mail: Heidi@abaceeli.am

ACDI/VOCA

(Agricultural Cooperative Development International/ Volunteers in Overseas Cooperative Assistance)
Contact: Artak Harutyunyan
12 Tumanian St.,# 4, Yerevan
Tel/fax: (374-1) 56-38-35, 56-38-36
E-mail: acdivoca@netsys.am

AEAI

(ADVANCED ENGINEERING ASSOCIATES)
Contact: Hovhannes Kantuni
2 Proshyan St., Yerevan
Tel: (374-1) 26-17-70
Fax: (374-1) 27-54-91
E-mail: mworzala@aeai.am

ARD

(Associates in Rural Development)
Contact: Barbara Britton
7 Alehanyan St., 1st Lane
Tel: (374-1) 58-71-41; 54-51-06
Fax: (374-1) 54-49-76
E-mail: ardincam@arminco.com

AED

Education training
Anush Yedigarian
10 Agedzor Lane, Yerevan, Armenia
Tel: (374-1) 22-10-48
E-mail: aed@arminco.com

AIHA

Ruben Avetisyan
Tel: (374-1) 51-20-10
9 Alek Manukyan St., Yerevan, Armenia
E-mail: aiha@uau.am

ASE

Astghine Pasoyan
5 Spendiarov St, Yerevan, Armenia
(3741) 53-38-96

BearingPoint

Tax, Fiscal and Customs Reform
Dana Frey, Chief of Party
20 Eznik Koghbatsi St., Yerevan, Armenia
Tel: (374-1) 54-56-56
E-mail: dfrey@arminco.com

Bearing Point

CLERP
Jon Davidson
16 Kond St. Yerevan, Armenia
(3741) 58-56-86

BearingPoint

Bank supervision
Larry Boren
6 Vazgen Sargsyan, Yerevan, Armenia
Tel: (374-1) 52-66-93

CRS

(Catholic Relief Services)
Contact: Richard Hoffman, Contact:
39 Tumanian ST Apt #2,3 Yerevan
Tel: (374-1) 53-12-53
Fax: (374-1) 53-27-52
E-mail: office@crs.am

CARELIFT

Contact: Misak Gharagozyan
9 Alex Manukian St., Suite 104, Yerevan
Tel/fax: (374-1) 51-20-57; 51-20-56
E-mail: misak@carelift.org

CHEMONICS Int.

Chrysanthos Miliaris
32 Proshyan Lane, Yerevan Armenia
(3741) 54-17-32
info@medi.am

DAI Development

Alternatives Inc.
Contact: Gary Kilmer, Fred Harris
38 Pushkin St., Apt 14, Yerevan
Tel: (374-1) 53-92-95; 53-92-96
Fax: (374-1) 53-04-86
E-mail: info_arm@dai.com

DAI Regional Water Management

Contact: Vahagn Tonoyan
9 Alek Manukyan # 207, Yerevan
Tel: (374-1) 51-20-66; 51-20-67
Fax: (374-1) 51-20-68
E-mail: Vahagn_tonoyan@dai.com

DA/DAI ALSP

(Armenia Legislative Strengthening Program)
Contact: Elianor Valentine, Alex Sardar
28 Zarubyan St., Yerevan
Tel/fax: (374-1) 54-26-08, 54-26-09, 54-26-10; 52-05-05
E-mail: Ellie@alsp.am

EIICG Ltd.

Ashot Gevorgyan
Charents 40
(3741) 40-08-75
eiicg@yahoo.com

The Eurasia Foundation

Yerevan Office
Contact: Ara Nazinyan, Country Director
4 Demirchyan St., Yerevan
Tel/Fax: (374 1) 56 54 78/58 60 59/58 61 59

Fund for Armenian Relief

Grigor Tatoulian
22 Khorenatsi, Yerevan
(3741) 58-13-45
far@arminco.com

IBM_ Business Consulting Services

Contact: Manvel John Vartanian, COP
Stan Manoogian, NBFi Team Leader
16 Vardanants St, Yerevan
Tel: (374-1) 52-89-26
Fax: (374 1) 54-00-78

IESC

(International Executive Service Corps)
Contact: Lena Majarian
19 Sayat Nova St., Ani Plaza Hotel, Yerevan
Tel: (374-1) 52-50-97; 52-51-97
Fax: (374-1) 52-66-61
E-mail: lmajarian@iesc.org

IFC

Nerses Karamanukyan
9 Vazgen Sargsyan St
(3741) 54-52-41
nkaramanukyan@ifc.org

IFES

(International Foundation for Electoral Systems)

Contact: Albert Decie

9 Alek Manoukian St., 5th Floor, Yerevan

Tel: (374-1) 51-20-18, 51-20-16; 51-20-51

Fax: (374-1) 51-20-15

E-mail: agdecie@ifes.am

IRD

(International Relief and Development)

Contact: Mariam Sianozova

2A Agatangeghos St, Yerevan

Tel: (374-1) 52-14-79

Fax: (374-1) 52-14-62

E-mail: irdarm@netsys.am

INTERNEWS

Contact: William Canter

3 Arshakunyants St, Yerevan

Tel/fax: (374-1) 58-36-20; 52-55-27

E-mail: office@internews.am

Junior Achievement of Armenia

Contact: Armine Hovhannisyan

4/6 Saryan St, Yerevan

Tel: (374-1) 56-73-91

Fax: (374-1) 56-74-53

E-mail: jaa@arminco.com

MIR-A International

Herbert Stepanyan

26a Abovyan St., Yerevan Armenia

(3741) 54-52-61

mir-a-int@infocom.am

NDI (National Democratic Institute)

Contact: Marilyn Evans

1 Baghramyan St., Apt.24, Yerevan

Tel/fax: (374-1) 58-05-60; 58-20-59; 58-14-46

E-mail: ndi@arminco.com

PA Consulting Group

Contact: Masoud Keyan

18 Proshian St, Yerevan

Tel: (374-1) 26-64-13; 22-66-21; 26-91-09, 26-65-50, 26-65-51

Fax: (374-1) 26-65-54

E-mail: root@paarmenia.am

PADCO

(Armenian Social Transition Program)

Contact: Roger Vaughan

14 Sundukian St, Yerevan
Tel: (374-1) 27-31-75; 27-31-76; 27-31-79, 27-32-57
Fax: (374-1) 27 27 43
E-mail: rvaughan@padco.am

INTRAH/PRIME

Contact: Rebecca Kohler
31 Moskovian St., Apt. 76a, Yerevan
Tel/fax: (374-1) 53-26-97
E-mail: prime@arminco.com

Save The Children

Contact: Irina Saghoyan
2a Agatangeghos 2nd floor, Yerevan
Tel: (374-1) 56-23-35; 56-22-83
Fax: (374-1) 52-07-60
E-mail: save@save.airnet.am

UMCOR

(United Methodist Committee on Relief)
Contact: Paul Danniels
16 Karapet Ulnetsy St, Yerevan
Tel: (374-1) 24-81-41; 28-29-77
Fax: (374-1) 24-92-15
E-mail: umcor@umcor.am

**Urban
Institute**

Housing Certificate
Contact: Steven J. Anlian
9 Alek Manukian St., Rm.407, Yerevan
Tel: (374-1) 51-20-70, 51-20-71, 51-20-72
Fax: (374-1) 51-20-73
E-mail: sanlian@aua.am

USEA

Antony Bitonti
26 Saryan St., 5th floor, Yerevan
Tel: (374-1) 54-18-14
Fax: (374-1) 54-18-15
E-mail: hgayane@arminco.com

World Learning

Contact: Jan Karpowicz
24 Moscovian St., Apt.1, Yerevan
Tel: (374-1) 52-08-51; 58-26-20
Fax: (374-1) 54-35-78
E-mail: jan@worldlearning.am

CHAPTER 11

APPENDIX E U.S. AND COUNTRY CONTACTS

U.S. EMBASSY TRADE RELATED OFFICIALS

Country Address: American Embassy – Economic/Commercial Section
18 Marshal Baghramyan Avenue, Yerevan 375019, Armenia
Tel: (374-1) 524-661, 520-791, 505-710, 151-551,
Fax: (374-1)151-550
E-mail: gudiet@state.gov

U.S. Address: American Embassy Yerevan, Economic/Commercial Section,
Department of State, 7020 Yerevan Place, Washington D.C. 20521-7020

Attn:
Traver Gudie, Economic/Commercial Officer,
George Isayan, BISNIS representative, or
Armine Yeghiazarian, Econ/Commercial Assistant

ARMENIAN TRADE AND INDUSTRY ASSOCIATIONS

American Chamber of Commerce in Armenia
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[1]^[1] The Census 2001 results are not applied to 2002 official statistics.

[2] Does not include debt for equity swap with Russia.