



UNCTAD–UNECE Regional Policy Dialogue: the role of Competition Policy in supporting MSMEs economic recovery in the post COVID-19 crisis

ARMENIA

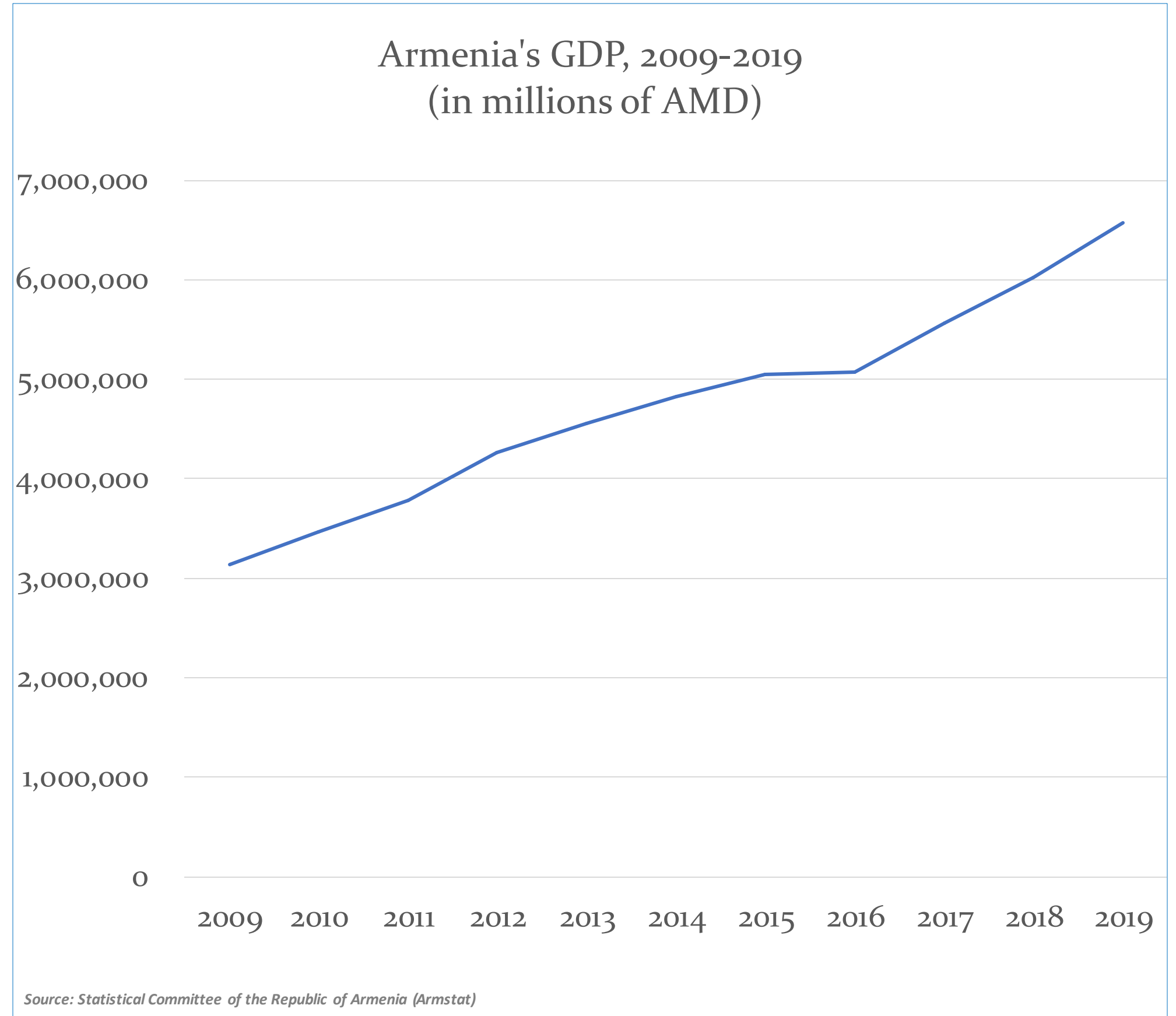
25 March 2021



ARMENIA: Trade as a means for structural transformation

- A World Trade Organization (WTO) member since 2003.
- Linked with regional and global markets through bilateral free trade agreements (including with Belarus, Georgia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, Tajikistan, Turkmenistan, and Ukraine) and regional cooperation arrangements.
- Member of the Commonwealth of Independent States (CIS) and, since January 2015, the Eurasian Economic Union (EAEU), which includes as members Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation.
- Beneficiary of the Generalized System of Preferences (GSP) programmes of Canada, Japan, Norway, the United States of America and Switzerland.
- Enjoys a GSP+ status with the European Union (EU), and signatory to a Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU.

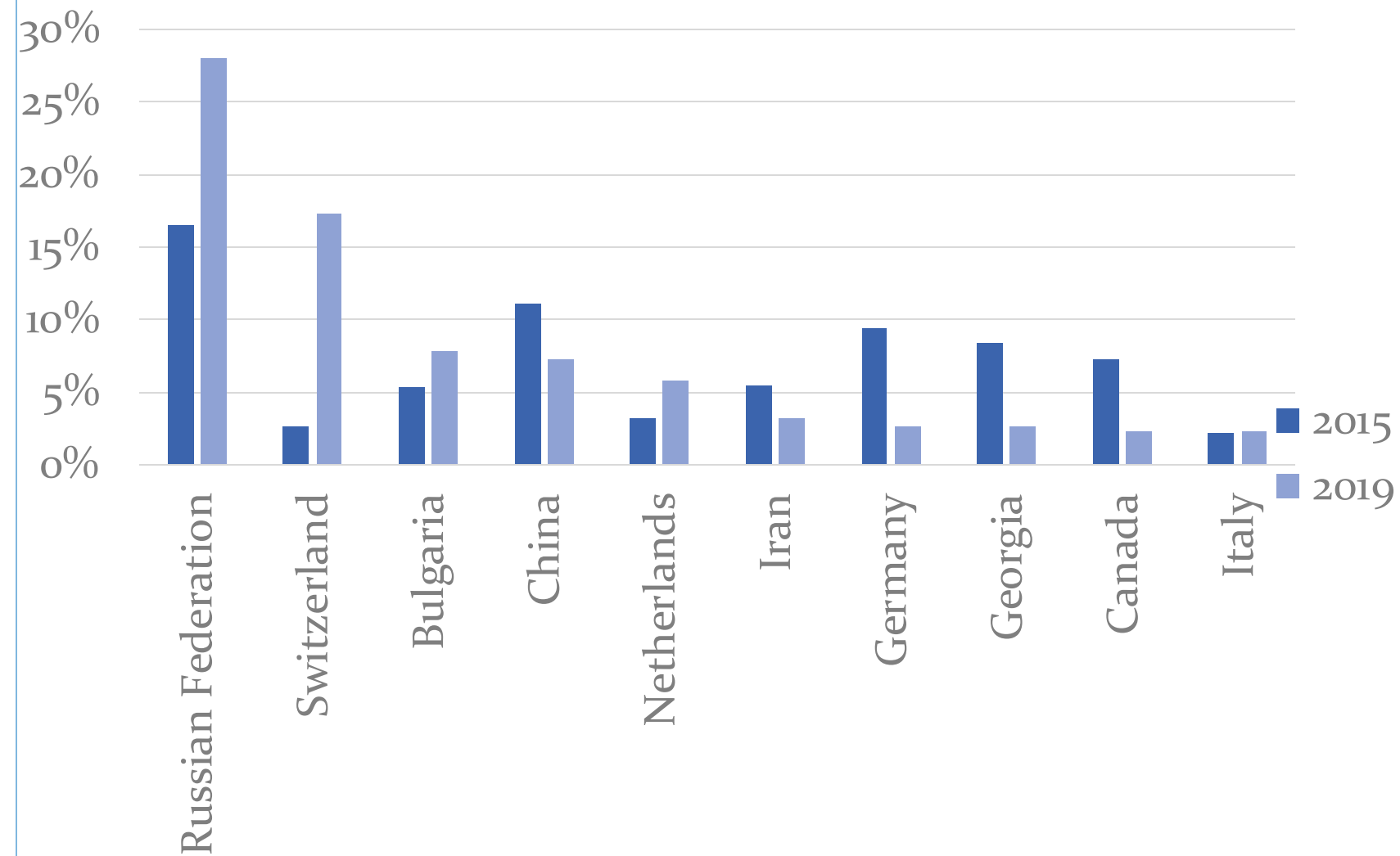
01



Trade challenges

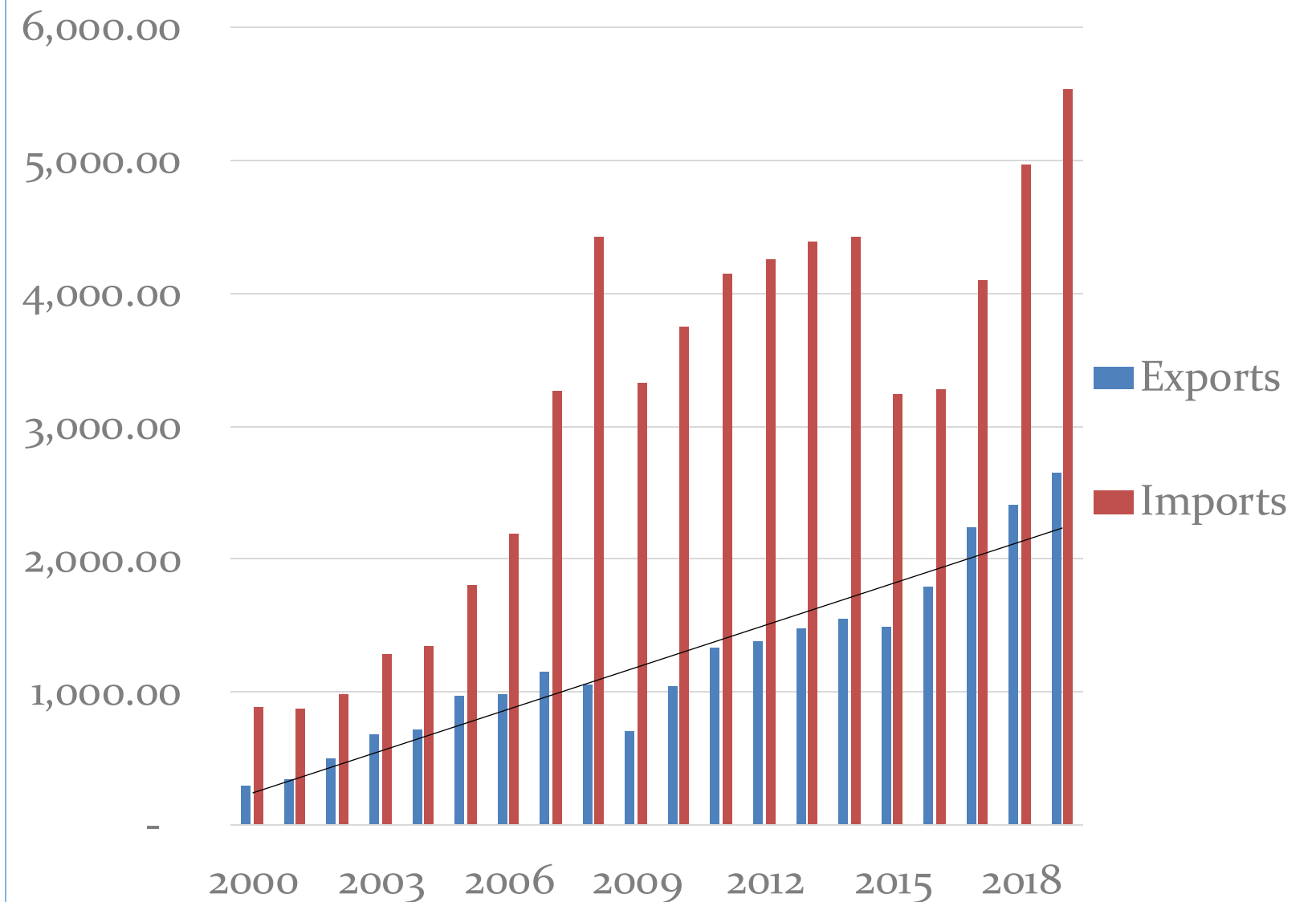
Diversify export partners and reduce trade deficit

Armenia's top 10 export markets
(percentage of total exports)



Source: Armstat

Evolution of Armenia's exports and imports
(USD in millions)



Source: Armstat

Demand

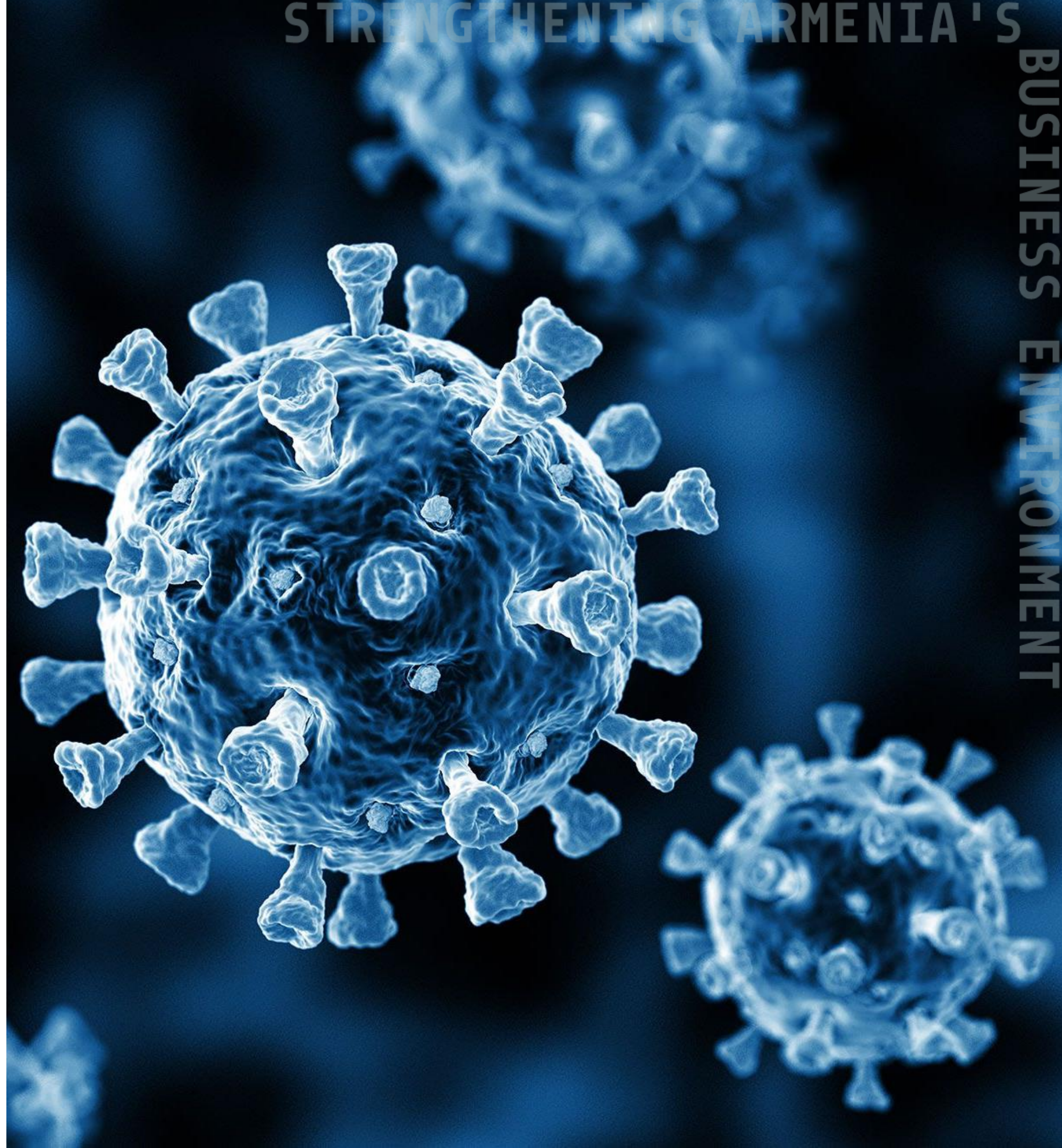
- Reduced international demand due to closure of non-essential businesses
- International buyers, particularly European buyers, cancelled orders placed before the outbreak of the pandemic.
- Several buyers, particularly European buyers, also backed out of their financial commitments and refused to pay for the goods ordered, which the MSMEs had already produced.

Had it not been for their proactive planning and success in arranging shipments in January and February 2020, the impact of the pandemic would have been more severe

Supply

- Shortages due to closure of non-essential businesses
- MSMEs were struggling with delayed deliveries
- Several faced higher prices as international suppliers renegotiated price levels established under their pre-pandemic sales contracts
- Finding new suppliers was difficult. Particularly the case for food producers due to impossibility of fulfilling national regulatory requirements applicable to non-EAEU suppliers

Source: UNECE Survey of Armenian MSMEs



Logistics and trade facilitation issues

Logistic issues

- Landlocked country
- Under-developed road and rail networks
- Air cargo is limited
- Lack of adequate facilities at BCPs

Trade facilitation issues

- Overreliance on physical inspection, continuing a practice from the pre-pandemic period
- Paper based procedures

MSMEs weaknesses

Weak production capabilities

- Compliance with the regulatory requirements pertaining to safety, health, and environmental protection in export markets is a challenge, particularly in the EU.

Access to skilled labor at affordable prices

Limited outreach

Competition issues

- MSMEs surveyed drew attention to the limits of government support: wary of their increased reliance on financial support, which is not only unsustainable but also aggravates their financial stress.
- Without a surge in demand, tax deferrals and subsidized loans might push enterprises into bankruptcy.
- A more sustainable solution would be to complement support packages with measures for enabling MSMEs to participate in government procurement processes. The MSMEs are inherently incapable of engaging in such processes, since they lack the capacity (in terms of scale economies) to compete based on cost, and to navigate the demanding procurement procedures.

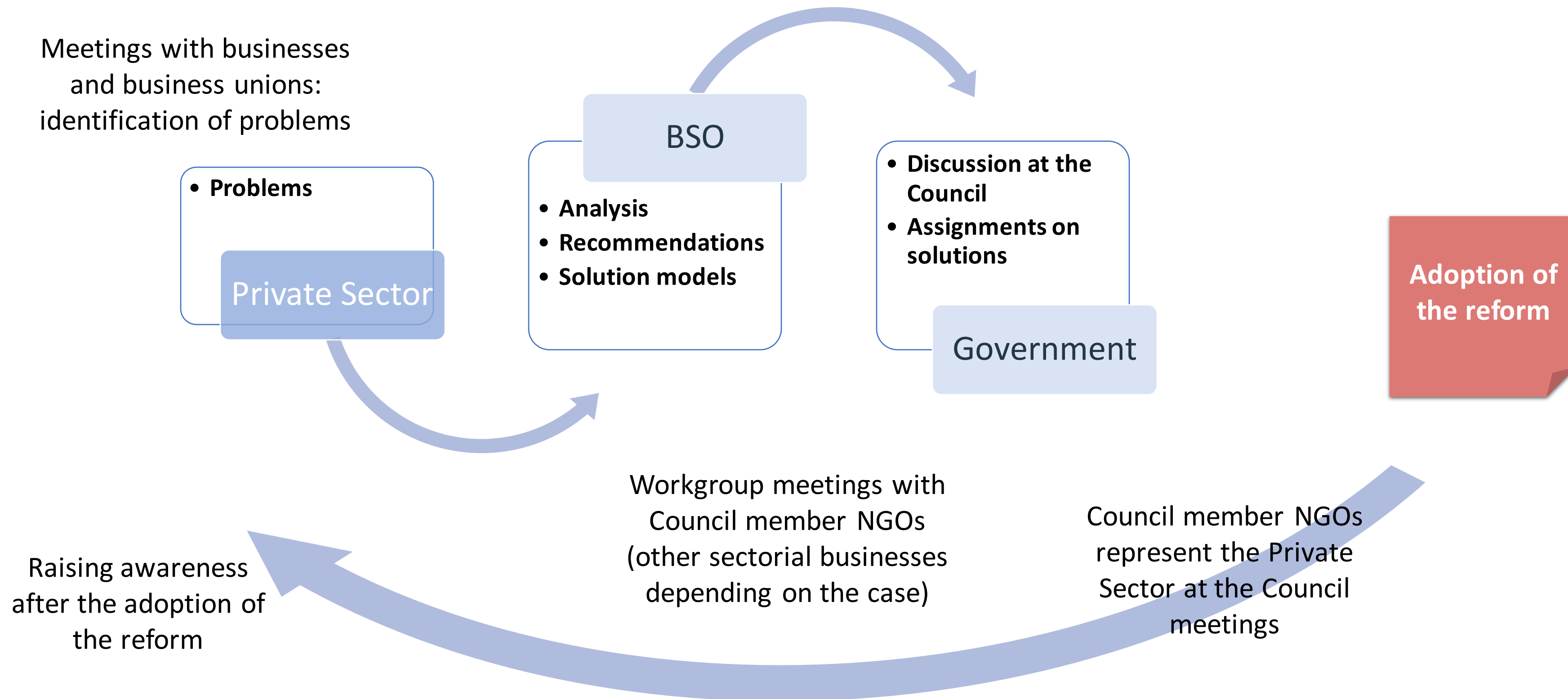
SMART
CREATIVE
INNOVATIVE



The BSO was established by the EBRD and is currently financed by the UK Government's Good Governance Fund with the **objective** of promoting a structured partnership and constructive policy dialogue between the state and the private sector in Armenia.

Our **vision** is to become an integral and valuable catalyst between the Government and business community through ensuring an effective dialogue aimed at improving the country's business environment and investment climate.

COOPERATION WITH THE PRIVATE SECTOR





Contact us:

Address: V. Sargsyan 10, 2-nd floor, Yerevan 0010, Yerevan, Armenia

Tel.: +374 11 70 33 70

E-mail: info@bso.am

URL: www.bso.am

Find us on Facebook:

<http://www.facebook.com/BSO.Armenia>



THANK

YOU!