

REPORT

on the main results of the scientific and scientific-organizational activities of the M. Kotanyan Institute of Economics of the National Academy of Science of the Republic of Armenia for the year of 2019

1. The Most Important Results

Within the scope of the Research project entitled “Tourism sector Development as a prerequisite for sustainable economic growth, the development problems and their solution ways in the Republic of Armenia” (Research Team Leader: Vladimir Liparit Harutyunyan, Corresponding Member of the National Academy of Sciences of the Republic of Armenia, Doctor of Sciences (Economics), professor) it has been suggested to restore the issue of licensing of guides, which is also an important impetus to promote perspective development of this sector, as well as to refine innovative solutions, applied in the field of tourism, and in order to show their positive impact we have referred to the museums, operating in our country, moreover, it was suggested to restore the former status of Lake Sevan as a recreation area, which will not only enable the citizens of Armenia to spend their holidays in our homeland, but also will create preconditions for increasing the alternative touristic flows and will facilitate short-term tourism visits from neighboring countries, the results of which will eventually be presented in the form of positive economic indicators.

Within the scope of the research project entitled “Assessment of the consequences of Armenia's membership to the EAEU and possible further developments” (Research Team Leader: Lilit Norayr Sargsyan, Ph.D. in Economics) it was revealed that in terms of export competitiveness, Armenia acquired new comparative advantages in the EAEU market along with earlier advantages. In particular, instead of the previous 9, 14 products are currently competitive in the Russian market, in Belarus instead of the previous 3, now 8 products are competitive, in Kazakhstan instead of the previous 3, 6, and in Kyrgyz Republic 4, instead of the previous 3. It is fact, that a number of Armenian goods currently occupy stable minimum positions in 2 markets of the EAEU countries.

Within the scope of the Research project entitled “ Energy Security Issues of Armenia in the Context of Current Economic and Geopolitical Developments ” (Research Team Leader: Hayk Ashot Markosyan, Candidate of Sciences (Economics)) the concept of energy security in the economic security system, the challenges of the RA energy security, the development prospects and the connection of energy security are analyzed.

It has been shown that uninterrupted and predictable long-term price stability of primary energy sources remains the most important energy security challenge for the Republic of Armenia. In the context of expert and public opinion, Russia's annual review of dominant energy source – natural gas prices, is perceived as a largely political tool aimed at enforcing the country's "energy slavery".

2. Results of the Projects with the State Funding

Within the scope of the Research project entitled “Tourism sector Development as a prerequisite for sustainable economic growth, the development problems and their solution ways in the Republic of Armenia” (Research Team Leader: Vladimir Liparit Harutyunyan, Corresponding Member of the National Academy of Sciences of the Republic of Armenia, Doctor of Sciences (Economics), professor) has been reflected the history, the main directions and the types of tourism sector development, tourism marketing, as well as in the result of factual numbers and analyzes the sector has been considered as a starting point and a priority branch of the RA economy. It is necessary to represent the Republic of Armenia worldwide as the first state to adopt Christianity as a state religion which will promote greater involvement of touristic masses to our country. And also we

must increase the number of professionals who represent and master the geography, history and culture of the country, which will enable us to properly propagate our country's values.

Within the scope of the research project entitled “Assessment of the consequences of Armenia's membership to the EAEU and possible further developments” (Research Team Leader: Lilit Norayr Sargsyan, Ph.D. in Economics) Armenia's export to the EAEU market is analyzed in accordance with the competitiveness of products. As a result, it turned out that Armenian products, which were competitive in the EAEU market maintained their competitiveness, and new ones were added to them, in new circumstances, due to customs and other changes, the volume and diversification of export of Armenia expanded. It should be noted that a number of Armenian goods, which were previously competitive only in one of the EAEU countries, are now strengthening their positions the other countries too, as well as a number of goods, such as knitwear, dairy products, fruits, vegetables, etc. become competitive in the new realities. However, in the case of exports and investments, there is still a significant discrepancy between expected results and reality.

Within the scope of the research project entitled “Issues of International Tax Relations Management in the Republic of Armenia” (Research Team Leader: Kristine Yuri Baghdasaryan, Ph.D. in Economics) the problems of expanding the resource framework through gradual increase in tax revenue and improving the business environment and competitiveness, as well as the features of international taxation and tax burden optimization mechanisms.

Within the scope of the Research project entitled “Energy Security Issues of Armenia in the Context of Current Economic and Geopolitical Developments” (Research Team Leader: Hayk Ashot Markosyan, Candidate of Sciences (Economics)) was revealed the potential prospects of using energy security enhancement tools in Armenia. Importance was made of introducing non-economic mechanisms aimed at reducing energy efficiency and energy demand. A toolkit has been proposed to promote the use of alternative energy sources, which implies both economic and non-economic mechanisms. It was argued that in the long run, given the current trends in the development of hydraulic-powered energy storage facilities and the current trends in deflation of electrochemical technologies, it would be possible to ensure an acceptable level of energy security and independence for the Republic of Armenia, which should be considered as an important target of the RA energy policy.

Within the scope of the research project entitled “The Role of Crediting in the Development of the Armenian Agrarian Sector and the Ways to Improve it” (Research Team Leader: Mery Gagik Manucharyan, Ph.D. in Economics) were analyzed the contemporary peculiarities and problems of development of agrarian sector of the Republic of Armenia, international experience of agricultural crediting, etc. It has been found that targeted crediting is an important factor of support for strengthening the capacities of agricultural and agricultural raw materials processing companies, as well as for the formation of new entities in different regions of the Republic of Armenia. The increase of production capital and working capital to further expand agricultural production in the Republic of Armenia should not only be at the expense of equity but also additional material and monetary investments, which can be demonstrated both in the short and long term. These investments should be used to replace outdated and worn out equipment, introduce new technologies and modern equipment, expand agricultural production and develop new types of production.

Within the scope of the research project entitled “Main Problems and Perspectives of Development of High-Tech Enterprises Activity” (Research Team Leader: Svetlana Arkadi Dallaqyan, Ph.D. in Economics) the international indexes of innovation activity assessment, the system of measures for promotion of high-tech enterprises activity, the scientific research and experimental-designing works Research and development (R&D) have been analyzed as a major factor in promotion of innovation economy. The innovation activity promotions by involvement of share capital in RA, as well as the peculiarities of the national innovation system have been analyzed.

Within the scope of the research project entitled “Contours of the history of Armenian economic thought” (Research Team Leader: Robert Nerses Sarinyan, Doctor of Sciences (Economics), professor) the study of Armenian economic thought continued in both the past and present era. On the one hand, the prospects of a new era of Armenian reality are analyzed, on the

other hand, various issues of the national economy are analyzed. Are they an integral part of the cognitive flow of phenomena? This experience of studying modern economic thought of the last three decades is unique in the field of social sciences of the republic.

3. Results of the Thematic Projects with the State Funding

Within the scope of the thematic research project with the State Funding, entitled “The Possibilities for Innovative Development of the Defense Industry in Armenia” (Research Team Leader: Gayane Ernik Harutyunyan, Ph.D. in Economics, Associate Professor) Using the SWOT-AHP method, an assessment of the defense industry potential of Armenia is given, which made it possible to justify the priority areas of the defense industry development strategy. Through the analysis of Force Field, an assessment of the real feasibility of this strategy was also made. In the context of proposed strategic scenarios, the interests of stakeholders, their potential impact on strategic plans and political actions (through the Power / Interest matrix) also assessed.

Using Johansen cointegration test and Granger causality test, the impact of military spending on the external debt is estimated. The results of the study showed that military spending and the negative balance of foreign trade are the main factors that have contributed to a significant increase in foreign debt in Armenia over the past 25 years.

Within the scope of the thematic research project with the State Funding, entitled “The current key of improving anti-crisis measures and enhancing their efficiency in the Republic of Armenia” (Research Team Leader: Tatevik Vazgen Shahinyan periodic fluctuations in the world economy, foreign and Armenian experience of anti-crisis measures, as well as a number of macroeconomic indicators were studied and analyzed. Innovative approaches to increase the effectiveness of anti-crisis measures and prospects for improving the performance of all sectors of the economy have also been studied.

As a result of the analysis and research, a number of proposals were presented, in particular:

✓ Undertake the development of the agricultural, tourism and construction sectors, given their crucial role in the formation of the country's GDP;

✓ Introduce and apply innovative technologies in various sectors of the economy that will effectively promote the development of the economy in the post-crisis period and will ensure high rates of economic growth;

✓ Expand the digital sector of the economy based on the fact that the digitalization of the economy contributes to the growth of the transactional sector, which makes up more than 70% of GDP in developed countries. This sector includes public administration, financing of consulting and information services, wholesale and retail trade, as well as various utilities, personal and social services. Digital solutions, which are a key tool in enhancing the effectiveness of anti-crisis policies, will contribute to the development of these areas and will ensure sustainable economic growth.

Within the scope of the thematic research project with the State Funding, entitled “Development of the strategy necessary to attract foreign direct investment as a priority for the development of the Armenian economy” (Research Team Leader: Lilit Norayr Sargsyan, Ph.D. in Economics) The dynamics of FDI in the RA was analyzed, the dynamics of FDI by sector and investor country was interpreted, and the main reasons for the change in FDI were studied. Statistics show that since 2004 there has been a sharp increase in investment in the Republic of Armenia, which was due to investments in the communications sector. FDI inflows reached their highest level in 2008, declining sharply in 2010. Based on a set of factors that determine the investment environment proposed by various experts, a comparative analysis was carried out between the investment environment of the Republic of Armenia, neighboring countries and the EAEU on 50 factors and indicators. A comparative analysis showed that Armenia out of 50 indicators selected for assessing investment potential and investment risk lags behind all EAEU countries in only 15 indicators, and in 13 indicators our estimates are the best. However, Armenia surpasses Georgia by 9 and lags behind Georgia by 26 out of 50 indicators. And in the case of Iran, the picture is different: in 22 out of 50 indicators, the position of the Republic of Armenia is incomparably better than that of

Iran. Of the 50 indicators mentioned above, RA indicators are worrying in terms of FDI inflows, per capita GDP, poverty, taxes paid by businesses.

4. Applied Research Results

Within the scope of the Research project entitled “Tourism sector Development as a prerequisite for sustainable economic growth, the development problems and their solution ways in the Republic of Armenia” (Research Team Leader: Vladimir Liparit Harutyunyan, Corresponding Member of the National Academy of Sciences of the Republic of Armenia, Doctor of Sciences (Economics), professor) is suggested to restore consistently the status of Lake Sevan as a recreational area, which can make our country a destination for short-term touristic visits. It is necessary also to prepare affordable packages and implement effective marketing policy for domestic and outbound tourists with different purchasing power, as well as continuously replenish the tourism industry with young staff and innovative solutions. We need also to underline the reputation and ranking of the Republic of Armenia through diplomatic, internal and external tools, consistently promote the increase of tourist flows to our country, and show a special attitude towards every tourist visiting our country.

Within the scope of the research project entitled “Assessment of the consequences of Armenia's membership to the EAEU and possible further developments” (Research Team Leader: Lilit Norayr Sargsyan, Ph.D. in Economics) sectors of the Armenian economy were identified that could be attractive to foreign investors in the medium term. This is the production of meat, fish and other seafood products, soap, cleaning products, etc. In addition, using the econometric model, the effect of RA exports to the EAEU on the growth of the GDP of the Republic of Armenia has been calculated. As a result, it turned out that an increase the EAEU export by 1 unit contributes to the GDP growth by 2.5 units. To this end, mechanisms were suggested that promote the growth of exports to the EAEU market, including partial reimbursement of fees for participation in exhibitions, a payment mechanism for the permanent Food Citi Pavilion in the Russian Federation, etc.

Within the scope of the research project entitled “Issues of International Tax Relations Management in the Republic of Armenia” (Research Team Leader: Kristine Yuri Baghdasaryan, Ph.D. in Economics) is suggested that in the coming years, it would be of particular importance for tax policies to reduce the scope of existing tax privileges, as well as to expand and strengthen the tax base, which would allow to gradually improve the tax / GDP ratio and strengthen the principle of horizontal tax equity. In particular, the notion of fair taxation stems from the fact that equal treatment is applied to equals.

Within the scope of the research project entitled “The Role of Crediting in the Development of the Armenian Agrarian Sector and the Ways to Improve it” (Research Team Leader: Mery Gagik Manucharyan, Ph.D. in Economics) is suggested to apply various crediting mechanisms and technologies aimed at accessibility and efficient use of credit resources, which will also contribute to agricultural loan repayment, credit risk mitigation, agricultural insurance introduction and its further development. It has been suggested to attract foreign direct investment and to promote leasing, as well as to promote information-based technologies and efficient use of high quality state-supported human resources to prevent labor outflow.

Within the scope of the research project entitled “Main Problems and Perspectives of Development of High-Tech Enterprises Activity” (Research Team Leader: Svetlana Arkadi Dallaqyan, Ph.D. in Economics) is suggested to provide measures for promotion of high-tech enterprises activity, in particular, external trade privileges, as well as tax, financial, administrative privileges.