

## Economic Policy in Armenia: *What Does It Look Like?*

### **Holistic approach is required in order to understand**

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To understand the logic of the state's economic policy one needs to cast a look at the long-term goals it has defined. This is a truism and in this regard, one can both understand and accept the policy being implemented in our country. Indeed, goals such as building a dynamically developing, competitive free market economy with modern infrastructures, which are pursued in every state program, does not really have an alternative.

Having set goals is just fine, but let's agree that the means to reach these goals can differ considerably. How does the state manage the economic development process in a given period of time? How does it implement this policy today, at this very moment? These are questions the answers to which can hardly be found in strategic programs. The mission of such programs is to develop a "should-do" list, whereas the mission of implementation at the given moment is to ensure multi-lateral cooperation and logic of complementarity.

To get an overall picture of an economic policy in a given period quite clearly it is necessary to consider three dimensions:

1. efforts aimed at the establishment of the institutional field (defined rather broadly);
2. activities implemented within various economic branches and sub-branches;
3. macro-economic policy: to what extent does it contribute to the development of the two dimensions mentioned above?

The complex of overall economic policy implies each of these dimensions individually and all of them together.

### **Grant mercy, O Lord, we beseech Thee, to Thy servant departed**

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It may sound ridiculous, yet the overall logic of implementing state's economic policy in the 90s was more predictable. It was clear who was doing what and what indicators should be ensured within what time. In terms of macro-economic policy IMF loan programs were being implemented, which clearly defined the variables of essential macro-economic indices for each quarter and year and which, incidentally, were mandatory. On the institutional dimension and in the branches of economy various loan programs of World Bank and other international financial organizations were being implemented, which also outlined compulsory activities and required monitoring. Monitoring referred to issues such as the pace of privatization process, logic of budgetary expenses and a number of other issues similar to the above-mentioned. It should be noted that in terms of economic trends characterizing the development of the real sector of economy (dynamics of development of the essential branches of real economy, pace of export growth, substitution of imported goods with local produces, etc.) the end of the 90s and the first

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two years of the 21st century can be considered as a successful period for leading the economy of the country into the right direction.

### **When parts have to serve the whole**

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What do we have today? How shall we evaluate the economic policy being implemented in our country as a whole? Eventually, what kind of economy are we building? What are the features of the RA economic state policy today? Have we selected a few economic branches/sub-branches and focused our efforts on increasing their competitiveness, or are we establishing strong institutions which are called on to serve the development of free and competitive market? Might it be both? What is our economic strategy: the state program, Poverty Reduction Strategy, or a totally different document? Might it be that all those together comprise the economic strategy?

If several state agencies invest all their efforts to increase the compatibility of certain economic branches/sub-branches, doesn't anyone notice that the brisk valuation of the Armenian Dram blows all these efforts out of the water? Why can't we accept the truth that it is not worth strengthening a state with weak institutions, that the state cannot be an effective shareholder and it better does nothing on the economic field, than do things poorly?

Who can remember any conceptual statement or speech during the recent years, that has been publicly made by a high rank official and which has revealed the fundamentals of the economic policy being implemented currently, their interconnectedness, which has attempted to explain why things are being done in a certain way and how one is connected to another. For instance, does anyone have the answer to a question like "If we do not spare any resources to increase the attractiveness and competitiveness of Information and Communication Technologies, how do the trends developed in the currency market 'contribute' to these efforts?" The list of such questions can be rather long.

Nowadays little research is being done in our country; academic studies which offer recommendations regarding current policies are rarely conducted. Even the few that are being done fall into the dimension of strategic goals. Today a dialog aimed at the discussion of economic policies is virtually absent between policy makers and the society. Perhaps there are occasional hearings at the National Assembly, but even those remain inside the walls of the Parliament. Instead, various discussions are held among the expert circles, which unfortunately, do not yield any results, since there is no mechanism to include the outcomes of such brainstormings into the existing political agenda.

In the given conditions doesn't it sound urgent to create a "high council of economic policy" or any other similar institution which will turn into a discussion platform for all the stakeholders in economic policy and which will attempt to bring together all individual diverting efforts in the field into one common pot?

*The paper is elaborated based on the opinions passed by the participants of the discussion on "RA Economic Development Strategy", which took place on November 14, 2006. The roundtable discussion was attended by independent analysts, government officials, and representatives of the international organizations.*

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