



Armenian National Committee of America

1711 N Street NW | Washington DC 20036 | Tel: (202) 775-1918 | Fax: (202) 223-7964 | anca@anca.org | www.anca.org

U.S.-Armenia Economic Relations: Current Status and Future Prospects

Stronger U.S.-Armenia trade relations will reinforce Armenia's economic progress, support Armenia's transition from a reliance on aid toward a relationship based on trade, and empower an economy that has emerged as one of the freest economies in the region.

- The World Bank, in its 2015 Doing Business report, ranked Armenia #45 worldwide in terms of overall ease of doing business and #4 for ease of starting a business.
- The Wall Street Journal/Heritage Foundation's 2015 Index of Economic Freedom rates Armenia #52 worldwide, and #23 among the 43 European states.
- The World Economic Forum's 2014 Global Enabling Trade Report ranks Armenia #7 in domestic market access and #34 in foreign market access.
- The Millennium Challenge Corporation's 2015 scorecard reports that Armenia is rated in the 100th percentile in business start up and 92nd percentile in trade policy.

The growth of mutually beneficial commercial ties will also help strengthen both the close bilateral relationship between the U.S. and Armenian governments, and the enduring friendship between the American and Armenian peoples.

Current U.S.-Armenia Economic Relationship:

- **Trade and Investment Framework Agreement - TIFA (2015)** provides strategic frameworks and principles for high-level, government-to-government dialogue on trade and investment issues. The U.S. government has negotiated over 50 TIFAs, many of which are with developing economies and democracies. The negotiation of such an accord has been on the agenda of several past meetings of the U.S.-Armenia Joint Economic Task Force. Topics of discussion and consultation include market access issues, labor, the environment, protection of intellectual property rights, and capacity building.
- **Investment Incentive Agreement (1992)** provides the legal framework for the Overseas Private Investment Corporation, which protects investors through financing, guarantees, political risk insurance, and private equity investment funds.
- **Agreement on Trade Relations (1992)** protects intellectual property and ensures fair competition.
- **Bilateral Investment Treaty (1992)** regulates the investment climate and provides for dispute arbitration. As an integral part of the framework for expanding trade relations, it is designed to encourage economic opportunities for investment, trade, and growth in both countries. It also encourages market-oriented domestic policies so that private investment is conducted in an open, transparent, and non-discriminatory environment.
- Armenia joined the **World Trade Organization (WTO)** in 2003, and was granted **Permanent Normal Trade Relations (PNTR)** status in 2005.

- **Generalized System of Preferences (GSP)** promotes economic growth in the developing world by providing preferential duty-free treatment. Ninety-one percent of Armenian exports to the U.S., worth over \$65 million a year, are covered by GSP. In addition to being advantageous for Armenian exporters, this program keeps American manufacturers and their suppliers competitive. In 2005, three quarters of U.S. imports using GSP were raw materials, parts and components, or machinery and equipment used by U.S. companies to manufacture goods domestically.
- **Joint Economic Task Force (1999)** provides an annual platform to further economic cooperation between the two countries, discuss trade and investment issues, advance financial and market reforms in Armenia, and identify opportunities for the U.S. and Armenia to work together to foster long-term economic development. Over the years, the focus of the taskforce has shifted from aid to trade. The most recent Task Force meeting took place in October 2012 in Yerevan, and focused on tax and customs policy, fair and equitable competition, and respect for intellectual property rights. In addition, a Memorandum of Understanding on Cooperation in the Energy Sector was signed.

Policy Options for Promoting Growth in U.S.-Armenia Economic Relations:

Consistent with the views expressed by Microsoft, FedEx, NASDAQ and other American companies doing business in Armenia, as well as the American Chamber of Commerce in Armenia, the ANCA supports targeted U.S. government efforts to promote bilateral trade and investment. The U.S. and Armenian governments, business interests, and the Armenian American community all seek the growth of this bilateral commercial relationship. Particular sectors of interest include IT, banking, tourism, healthcare, education, and pharmaceuticals.

Among the options available to improve U.S.-Armenia trade relations are the negotiation of bilateral accords and the growth of government-to-government cooperation, as well as the expansion of dialogue at the businesses and individual levels. Specific policy options for promoting growth over the short- and medium-term include:

- **Double Taxation Treaty (DTT)** is needed to replace the outdated U.S.-U.S.S.R. Double Tax Treaty from 1974. The agreement was originally intended as an agreement between two hostile superpowers when commerce and trade in services were limited. The lack of an unambiguous, updated treaty is an impediment to U.S. investment in Armenia and hinders economic relations between the countries. The U.S.-U.S.S.R. treaty is inadequate in a number of areas, including taxes on dividends, interest, and royalties, as well as with regard to information exchange and arbitration.
- **Social Security Agreement** clarifies the obligations and entitlements of workers who divide their careers between the U.S. and Armenia. It relieves the employer and employee from double Social Security tax and "totalizes" the employee's social security tax paid to both countries in order to receive the combined benefits in only one country.
- **Visa relaxation** facilitates business travel between the U.S. and Armenia. In order to further encourage investment and trade, as well as training and information exchange, a variety of visa policies can be implemented. These include waiving or reducing fees and can be applied to specific groups of people such as official delegations or researchers.
- **Trade missions** are overseas programs for U.S. firms that want to explore and pursue opportunities by meeting directly with potential clients. Trade missions are often sector-specific and are designed to meet specific business objectives, such as increasing revenue or decreasing costs.