

Armenia

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Armenia	
Sanctions:	OSCE - Weapons
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US State Department Money Laundering Assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>fruit (especially grapes), vegetables; livestock</p> <p>Industries:</p> <p>diamond-processing, metal-cutting machine tools, forging-pressing machines, electric motors, tires, knitted wear, hosiery, shoes, silk fabric, chemicals, trucks, instruments, microelectronics, jewelry manufacturing, software development, food processing, brandy, mining</p> <p>Exports - commodities:</p> <p>pig iron, unwrought copper, nonferrous metals, diamonds, mineral products, foodstuffs, energy</p> <p>Exports - partners:</p> <p>Russia 19.9%, Germany 11%, Belgium 9.4%, Bulgaria 8.8%, Iran 7.1%, Canada 6.2%, US 6.1%, Georgia 5.9%, Netherlands 5.2%, Switzerland 5% (2012)</p> <p>Imports - commodities:</p> <p>natural gas, petroleum, tobacco products, foodstuffs, diamonds</p> <p>Imports - partners:</p> <p>Russia 24.6%, China 9%, Germany 6.2%, Iran 5.4%, Ukraine 5.4%, Turkey 4.7% (2012)</p>	

Investment Restrictions:

There are no restrictions on the rights of foreign nationals to acquire, establish or dispose of business interests in Armenia.

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Section 1 - Background

Armenia prides itself on being the first nation to formally adopt Christianity (early 4th century). Despite periods of autonomy, over the centuries Armenia came under the sway of various empires including the Roman, Byzantine, Arab, Persian, and Ottoman. During World War I in the western portion of Armenia, Ottoman Turkey instituted a policy of forced resettlement coupled with other harsh practices that resulted in at least 1 million Armenian deaths. The eastern area of Armenia was ceded by the Ottomans to Russia in 1828; this portion declared its independence in 1918, but was conquered by the Soviet Red Army in 1920. Armenian leaders remain preoccupied by the long conflict with Azerbaijan over Nagorno-Karabakh, a primarily Armenian-populated region, assigned to Soviet Azerbaijan in the 1920s by Moscow. Armenia and Azerbaijan began fighting over the area in 1988; the struggle escalated after both countries attained independence from the Soviet Union in 1991. By May 1994, when a cease-fire took hold, ethnic Armenian forces held not only Nagorno-Karabakh but also a significant portion of Azerbaijan proper. The economies of both sides have been hurt by their inability to make substantial progress toward a peaceful resolution. Turkey closed the common border with Armenia in 1993 in support of Azerbaijan in its conflict with Armenia over control of Nagorno-Karabakh and surrounding areas, further hampering Armenian economic growth. In 2009, senior Armenian leaders began pursuing rapprochement with Turkey, aiming to secure an opening of the border, but Turkey has not yet ratified the Protocols normalizing relations between the two countries.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Armenia is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Armenia was undertaken by the Financial Action Task Force (FATF) in 2016. According to that Evaluation, Armenia was deemed Compliant for 18 and Largely Compliant for 17 of the FATF 40 Recommendations.

Key Findings

Armenia has a broadly sound legal and institutional framework to combat money laundering (ML) and financing of terrorism (FT). Armenia's level of technical compliance is generally high with respect to a large majority of FATF Recommendations.

Armenia is not an international or regional financial centre and is not believed to be at major risk of ML. The predicate offences which were identified by the 2014 national risk assessment (NRA) as posing the biggest threat are fraud (including cybercrime), tax evasion, theft and embezzlement. The findings of this assessment indicate that corruption and smuggling also constitute a ML threat. The real estate sector, the shadow economy and the use of cash all constitute significant ML vulnerabilities. Competent authorities have assessed and demonstrated an understanding of some, but not all, ML risks in Armenia.

The NRA concludes that the risk of FT is very low. Although Armenia shares a border with Iran, which is considered by the FATF to pose a higher risk of FT, the evaluation team found no concrete indications that the Armenian's private sector and non-profit organisations (NPOs) are misused for FT purposes. There have never been any investigations, prosecutions and convictions for FT. There is an effective mechanism for the implementation of Targeted Financial Sanctions (TFS). No terrorist-related funds have been frozen under the relevant United Nations Security Council Resolutions (UNSCRs).

The financial intelligence unit (FIU) has access to a wide range of information sources and is very effective in generating intelligence for onward dissemination to LEAs. Law enforcement access to information is somewhat restricted by a combination of issues connected with the legislation dealing with law enforcement powers to obtain information held by financial institutions and law enforcement ability to successfully convert intelligence into evidence. Law enforcement authorities (LEAs) did not demonstrate that they make effective use of FIU notifications to develop evidence and trace criminal proceeds related to ML.

The number of ML investigations and prosecutions has increased in the period under review. However, it appears that LEAs target the comparatively easy self-laundering cases mainly involving domestic predicate offences. One ML conviction (described as autonomous) was secured, although the judiciary appears to have based its ruling on the admission that the predicate offence had been committed. Overall, law enforcement efforts to pursue ML are not fully commensurate with the ML risks faced by the country.

Seizure and confiscation of criminal proceeds, instrumentalities and property of equivalent value are not pursued as a policy objective. It is doubtful whether LEAs are in a position to effectively identify, trace and seize assets at the earliest stages of an investigation, since proactive parallel financial investigations for ML and predicate offences are not conducted on a regular basis.

The banking sector is the most important sector in terms of materiality. Banks understand the risks that apply to them according to the FATF Standards and the AML/CFT Law. However, they have not demonstrated that they have incorporated the risks identified in the NRA into their internal policies. The real estate sector, notaries and casinos pose a relatively higher risk compared to other DNFBPs. Their understanding of risk is limited.

The application of customer due diligence (CDD), record-keeping and reporting measures by financial institutions is adequate. Major improvements are needed by the DNFBP sector with respect to preventive measures.

The approach of the Central Bank of Armenia (CBA) to anti-money laundering/counter financing of terrorism (AML/CFT) supervision is to some extent based on risk. Developments in this area are on-going. Adequate procedures for the imposition of sanctions are in place. However, the level of fines could be improved. The supervision of the DNFBP sector was found to be in need of improvement relative to casinos and notaries, and inadequate relative to real estate agents, dealers in precious metals and stones, lawyers and accountants.

Most basic information on legal persons is publicly available through the State Register. All legal persons in Armenia are required to disclose the identity of their beneficial owners to the State Register upon registration and, inter alia, whenever there is a change in shareholding. Information on beneficial ownership of legal entities is also ensured through the application of CDD measures by banks.

While all the banks understand that they have to apply freezing of funds to proliferation financing and there is an innovative system in place in financial institutions to ensure that matches are detected, there is a concern that the legal framework based on the AML/CFT Law could be open to legal challenge. Coordination between the different competent authorities involved in this area needs to be further developed.

Risks and General Situation

The 2014 NRA identifies swindling, theft, tax evasion, contraband and squandering/ embezzlement as posing the highest ML threat. The General Prosecutor's Office indicated that, from its perspective, the highest risk of ML arises from fraud (including cybercrime), falsifying plastic cards and theft through ICT, embezzlement, theft, smuggling and drug

trafficking. This is more or less the view of the FIU and other law enforcement authorities. The evaluation team identified corruption as also posing a ML threat. The level of foreign proceeds introduced into the Armenian financial system could not be determined with certainty, since little information was made available to the evaluation team. However, STR information suggests that attempts to launder proceeds from cybercrime and other ICT-related crime committed outside Armenia are not uncommon. The FMC has procedures in place to monitor cross-border movement of funds with subsequent analysis and comparison with applicable foreign trade indicators. There are no indications that the risk of FT faced by Armenia is any way elevated.

The large majority of funds from and to Armenia flow through the banking sector. In terms of materiality, this sector constitutes the biggest ML vulnerability to the Armenian private sector generally and financial sector particularly. The real estate sector, which involves various DNFBPs, including real estate agents and notaries, is considered to pose a relatively higher risk of ML. Casinos are also vulnerable to ML due to shortcomings in supervision and weaknesses in the application of preventive measures, although the fact that they do not provide certificates of winning (i.e. documentary basis for facilitating the laundering of illicit proceeds) certainly mitigates the potential for their use in ML. The large presence of the shadow economy, the use of cash and financial exclusion create a favourable environment for the commission of economic crime, especially tax evasion and related ML that could possibly detract from law enforcement efforts in detecting crime.

US Department of State Money Laundering assessment (INCSR)

Armenia is deemed a "Primary Concern" Jurisdiction by the US Department of State International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Insufficient transparency and statistics hinder money laundering analysis in Armenia. Money laundering crimes may be unreported, undetected, or protected. Legal persons are not criminally liable for money laundering. Armenia has not made recent progress in enforcing money laundering, organized crime, or corruption criminal laws. In 2016, there were no money laundering prosecutions or convictions, according to the Financial Monitoring Center (FMC), Armenia's FIU.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Armenia is located on a trade route between narcotics source countries and European and Russian markets. Armenia maintains control over law enforcement, prosecution, and judiciary functions; however, Russian border guards staff Armenia's land borders with Turkey and Iran and provide immigration staff at international airports in Yerevan and Gyumri.

In 2016, Armenia ratified a joint border and customs agreement with Iran. This may pose a money laundering and narcotics trafficking vulnerability, if fully implemented.

Corruption, smuggling, the real estate sector, the shadow economy, and widespread use of cash constitute vulnerabilities. Casinos are legal and regulated by the Ministry of Finance. There is insufficient transparency and statistical data to allow for accurate insight into how money is laundered, how investigations are handled, or what actors hinder the fight against narcotics-related or other money laundering.

KEY AML LAWS AND REGULATIONS

In 2014, amendments to the Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law) and 14 other laws regulating the AML/CFT framework became law. Article 190 of the AML/CFT Law criminalizes money laundering and the money laundering legal framework is generally solid. The central bank regulates the financial sector, including the banks that account for about 90 percent of all financial system assets. The financial sector is required to implement KYC provisions and report suspicious transactions to the FMC.

Armenia is a member of MONEYVAL, a FATF-style regional body.

AML DEFICIENCIES

Armenia needs to address several areas to increase its compliance with international AML standards. Armenia should focus on building the capacity and political will to identify and assess money laundering risks; apply criminal liability to legal persons; simplify investigative techniques; create sanctions for legal persons' failure to provide the State Register with registration information, including beneficial ownership information and changes in shareholders; enable the Chamber of Advocates to conduct on-site inspections; increase authorities' powers to request information from casinos; require additional scrutiny for domestic PEPs; increase fit and proper requirements to prevent criminals from being professionally accredited or holding a management function; create sanctions for AML breaches; enable and require enforcement authorities to pursue proactive parallel financial investigations; and create formal arrangements to coordinate seizure or confiscation actions with other countries.

The significance of the illicit economy (as much as 40 percent of recorded Gross National Product, per the IMF) indicates that illegal enrichment, money laundering, tax avoidance, and other financial criminal laws are generally not enforced. Law enforcement efforts to pursue money laundering are not fully commensurate with the risks in Armenia. Armenia is not currently subject to U.S. or international economic money laundering sanctions or penalties.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

There is no MLAT with the United States and implementation of relevant mutual assistance treaty provisions is weak. New ethics rules are scheduled to be implemented in 2018 but will not apply to all involved in money laundering enforcement.

The lack of AML convictions indicates investigations are not proactive or effective. Additionally, the government does not actively provide law enforcement agents the tools, training, or capacity to investigate complex, international money laundering cases. For example, a significant narcotics smuggling case typically ends with the arrest and prosecution of a low level person, without any major effort to determine who was able to finance and direct the smuggling operation. Business interest and beneficiary ownership

shielding is widely prevalent and not criminalized. Recent arrests of border, investigative, judicial, prosecution, and customs officials for corruption raise concerns about justice sector vulnerabilities.

Armenia should prosecute financial and drug crimes, corruption, and money laundering; provide criminal penalties for legal persons involved in money laundering; enhance capacities and independence of enforcement authorities to effectively identify, trace, and seize assets at all stages of investigations; criminalize tipping off of individuals under investigation; ensure all reporting sectors provide mandated financial intelligence reports; criminalize misrepresentation; and create vetting mechanisms to prevent corrupt criminal actors from serving as PEPs. There is a large Armenian migrant worker population in Russia. Armenian authorities should review informal transfer systems that may pose money laundering vulnerabilities.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Armenia does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

Armenia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Armenia is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2016 (introduction):

Armenia is not a major drug producing country, and domestic abuse of drugs is modest. Because Armenia is landlocked and the two longest of its four borders (with Turkey and Azerbaijan) are closed, the resulting limited transport options make the country less attractive for drug trafficking. With U.S. and European Union assistance, Armenia continues to develop and implement an integrated border management regime, improving its ability to detect illegal narcotics shipments.

International liaison visits were greatly expanded in 2015 as the first-ever Armenian contingent attended the International Drug Enforcement Conference in June, held in Cartagena, Colombia. In May, two representatives from the Republic of Armenia Police (RAP) and two from the National Security Service (NSS) attended a Middle East/Caucasus Multilateral Exchange meeting outside Tbilisi, Georgia, led by the United States. The meeting brought U.S. and counterpart narcotics investigators together to discuss major transnational cases and provided an opportunity for front-line investigators and supervisors to listen to and brief on relevant regional trafficking trends. Armenia also participated in the Collective Security Treaty Organization's Coordination Council to discuss counter-drug strategies with regional partners in October.

In January and February, the United States and NSS coordinated on three cocaine seizures totaling 10 kilograms (kg) at the Yerevan Zvartnots International Airport, and on November 12, Armenian authorities arrested a courier carrying 13kg at the airport, the largest-ever seizure of cocaine in Armenia. The United States facilitated investigative data sharing between Armenian counterparts and 11 different nations in 2015.

The Armenian Police Main Department of Combating Organized Crime reports drug-related crimes were up by six percent over the first nine months when compared to the same period in 2014. Total drug seizures over this period (32.2 kg) were up slightly from the same period in 2014 (24.1 kg) when discounting a record 850 kg heroin shipment seized in January of 2014. By volume, cannabis (10.1 kg) and cocaine (10.1 kg) were the most prevalent drugs interdicted, with seizures of each drug more than doubling from 2014. Most drugs are smuggled in trucks driven across the Iranian border crossing at Meghri.

U.S.-sponsored training included a one-week Narcotics Investigators Course held in Yerevan and a bilateral, one-week Anti-Money Laundering Course in Tbilisi. Law enforcement coordination between U.S. authorities and their RAP and NSS counterparts on drug cases has progressed considerably over the past two years, evolving from what was once simple post-seizure/post-arrest sharing of information to proactive collaboration on joint investigations and has led to historic seizures of methamphetamine, cocaine and heroin within Armenia over the past two years.

US State Dept Trafficking in Persons Report 2016 (introduction):

Armenia is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

Armenia is a source and, to a lesser extent, destination country for men, women, and children subjected to sex and labor trafficking. Armenian women and children are subjected to sex and labor trafficking within the country as well as sex trafficking in United Arab Emirates (UAE) and Turkey. Chinese women have been subjected to sex trafficking in Armenia. Armenian men are subjected to forced labor in Russia and, to a lesser extent, in Turkey. Armenian women and children are vulnerable to forced begging domestically. Some children work in agriculture, construction, and service provision within the country, where they are vulnerable to labor trafficking. Men in rural areas with little education and children staying in child care institutions remain highly vulnerable to trafficking. Conflict-displaced persons, including Syrian Armenians, living in Armenia are at risk of exploitation and have been subjected to bonded labor.

The Government of Armenia fully meets the minimum standards for the elimination of trafficking. A law entered into force in June 2015 establishing standard procedures for the identification, support, protection, and reintegration of suspected and identified trafficking victims across national and local government bodies, NGOs, international organizations, and civil society. It also affords foreign trafficking victims the same rights and services as Armenian citizens, and ensures assistance is provided regardless of a victim's cooperation with law enforcement efforts. The government maintained strong collaboration with anti-trafficking NGOs, local media, donor organizations, and regional partners. The government had dedicated resources for victim services and provided funding to one NGO-run shelter for trafficking victims. The anti-trafficking interagency group met regularly to coordinate activities across the government. The government provided training and materials on victim identification to police investigators and border officials, as well as appropriate human rights training to employees at correctional institutions. The government increased the number of trafficking investigations, but initiated fewer prosecutions and secured slightly fewer convictions. The government continued to lack formal victim-witness protection.

US State Department Terrorism Report 2011

Overview: Armenia made progress in improving border security. The Armenian government worked closely with the North Atlantic Treaty Organization (NATO) and other partners to establish and outline responsibilities for a 24-hour Situation Centre within the Armenian Ministry of Emergency Situations. The Situation Centre is intended to assure effective interagency coordination in crisis management, including in response to terrorist attacks.

Legislation and Law Enforcement: In the area of border security, progress included the addition of sensors designed to detect the movement of people and vehicles on the Georgian border. Armenia continued to improve its export control laws and procedures, as well as its maintenance of recently installed radiation portal alarms at all ports of entry, including the main airport. Furthermore, the Defense Threat Reduction Agency reached an agreement to provide support in the form of equipment and infrastructure upgrades along the Georgian border, including border post towers and relay stations, to improve Armenia Border Guard Service communications. The Border Guard Service continued to optimize its

use of the automated Border Management Information System (BMIS) at all points of entry, to include a BMIS criminal and terrorist watch list updated by the Armenian National Security Service. The Armenian government planned to update the BMIS and bring all border crossing checkpoints with Georgia up to European Union (EU) standards. The Armenian government began to implement a National Integrated Border Management Strategy, to include a complete re-building of northern points of entry over the next two to three years.

Countering Terrorist Finance: Armenia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force-style regional body. Armenia is also a member of the Egmont Group of Financial Intelligence Units. Armenia is not a regional financial centre, and no cases of terrorist financing have been discovered. Within the Armenian Central Bank, a Financial Monitoring Centre analyzed suspicious financial transactions to detect evidence of money laundering and other financial crimes.

Regional and International Cooperation: Armenia participated in several bilateral and multilateral assistance, security, and training organizations and initiatives targeted at strengthening its ability to counter terrorist financing and the smuggling of illicit and hazardous materials. These included: the Global Initiative to Combat Nuclear Terrorism, the Nuclear Smuggling Outreach Initiative, the Biological Threat Reduction Program, and related training programs sponsored by the Organization for Security and Cooperation in Europe and the EU Advisory Group.

International Sanctions

In February 1992, the Organisation for Security and Co-operation in Europe (OSCE) requested that all OSCE participating states should introduce an embargo on 'all deliveries of weapons and munitions to forces engaged in combat in the Nagorno-Karabakh area'. This embargo is still in force.

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	35
World Governance Indicator – Control of Corruption	33

Businesses operating or planning to invest in Armenia face high corruption risks. Progress has been made to fight pervasive corruption; however, the close relationship between oligarchs, and political and business circles raise concerns about cronyism and influence. The Criminal Code criminalizes several forms of corruption including active and passive bribery, extortion, and abuse of office. Gifts and Facilitation payments are also considered illegal in Armenia, nonetheless, these practices are widespread. **Information provided by GAN Integrity.**

US State Department

Corruption remains a significant obstacle to U.S. investment in Armenia. GOA introduced a number of reforms in the last few years, including the simplification of licensing procedures, registration of commercial legal entities, civil service reform, a new criminal procedure code, privatization in the energy sector, and anti-corruption laws and regulations. Nevertheless, corruption remains a problem in critical areas such as the judiciary, tax and customs operations, health, education, and law enforcement. The police and investigative services are responsible for investigating corruption, and the prosecutor general is responsible for prosecuting it. Both large scale and petty corruption are widespread.

Armenia is a member of the UN Anticorruption Convention, but is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The GOA's most recent anti-corruption strategy paper and action plan for 2009-2012 did not yield any significant results. Priorities set by the new strategy included improvement of legislation and infrastructure to combat money laundering, an increase of transparency in the public sector, and enhancement of the accountability of all branches of government. In July 2012, the President approved a new strategy and action plan for Justice Sector Reforms for 2012-2016 which addresses most of the problems in the judiciary, prosecutors' office, and civil, criminal, and administrative legislation. In January 2012, pursuant to the law on Public Service adopted in 2011, an Ethics Commission for High-Ranking Officials was established. The Commission collects and monitors the asset declarations of high-level officials. However, there are no criminal penalties for noncompliance or filing of false declarations.

The Law on Civil Service, in force since 2002, restricts participation by civil servants in commercial activities. Relationships between high-ranking government officials and the emerging private business sector encourage influence peddling. Powerful officials at the federal, district, or local levels acquire direct, partial or indirect control over emerging private firms. Such control is exercised through a hidden partner or through majority ownership of a

prosperous private company. This 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.

Corrupt practices are widespread within private companies as well, mostly in the form of tax fraud and unregistered business activities. The GOA has made several attempts to cut back on shadow economic activity and tax evasion, as well as to increase budget revenues, through tax amendments and stricter regulations and enforcement. A recent effort to increase tax compliance by larger companies was legislation permitting the State Revenue Committee (SRC) to place tax inspectors on the premises of large companies (those with annual turnover exceeding USD 10.5 million, and/or those with more than USD 1.3 million in imports in a three-month period) to oversee sales volumes, prices and corresponding documentation, product deliveries, etc. The amendment went into effect in January 2010; in 2012 the list of companies with resident tax inspectors increased from 25 to 37. In another move to increase transparency and awareness of major tax-dodgers, the GOA has published quarterly lists of the country's largest business taxpayers since 2006.

According to the Transparency International (TI) 2013 Corruption Perception Index (CPI) report, Armenia with a score of 36 (on a "100-0" scale, where "100" is the cleanest country and "0" is the most corrupt), ranked 94th among 177 countries. Global Corruption Barometer 2013, a worldwide public opinion survey, identified the Armenian judiciary as the most corrupt, followed by public officials and civil servants, and police.

Corruption and Government Transparency - Report by Global Security

Political Climate

Armenia is a transitional economy, with construction and services as the two main engines of economic growth. In the May 2012 parliamentary elections, President Serzh Sarksyan's Republican Party won the majority of seats, and in February 2013, Sarksyan was reelected president. OSCE monitors praised the open and peaceful campaign, but voiced concern about the general lack of confidence in the integrity of the electoral process among political parties and the general public. In the February 2013 presidential elections, Serzh Sarksyan was reelected for his second term, with almost 60% of the votes. By the end of February, thousands of protesters rallied against Sarksyan's victory, believing that the election polling was skewed. A number of the reports of voting irregularities were submitted to the police, and the investigation is ongoing, according to a 2013 article by Reuters. The executive enjoys broad discretionary powers, and the lack of judicial impartiality and independence has been criticised by international experts as fostering a culture of impunity and for institutionalising corruption.

Armenia joined the Council of Europe's Group of States against Corruption (GRECO) in 2003. Subsequently, a special council and monitoring committee to fight corruption were established in 2003 and 2004, respectively, with the aim of monitoring the implementation of anti-corruption strategies, which focuses on organisational and legal measures to combat corruption within the areas of banking, taxation, customs, health care, education, environment, licensing, public procurement, public administration, and the judiciary. The 2009-2012 Anti-Corruption Strategy involved the implementation of existing laws and put

special emphasis on taxation and customs, as these are areas that are deemed to be most affected by corruption. Other priorities set by the strategy included improvement of legislation and infrastructure to combat money laundering, increasing transparency in the public sector, and enhancement of accountability of all branches of government. However, as reported by the US Department of State 2013, the Anti-Corruption Strategy did not have any significant influence on the level of corruption in the country. In 2012, a new anti-corruption strategy and action plan for 2012-2016 was introduced for the Justice Sector. In addition, an ethics commission for high-ranking officials was established in Armenia. The results of these initiatives remain to be seen. According to an evaluation of Armenia's legal anti-corruption framework, the GRECO Evaluation Report on Incriminations 2011, the 2008 amendments to the country's criminal code were a very positive step, but in order to fully comply with the standards of the Council of Europe's Criminal Law Convention on Corruption, legal provisions need to be further amended. In recent years, the number of high-level officials arrested and convicted on charges of bribery and corruption in Armenia has increased. According to Freedom House 2012, Prime Minister Tigran Sargsyan initiated a series of top-level dismissals in November 2011, focusing on the ministries of agriculture, finance, education, and health.

Widespread and systemic corruption in government bureaucracy, coupled with inconsistent implementation of laws, weaken state institutions and restrict their efficiency. According to a survey published by the Caucasus Research Resource Centre (CRRC) in 2010 cited in the Freedom House 2011, 82% of citizens surveyed report that corruption is a very serious problem in the country. In Transparency International's Global Corruption Barometer 2013, 43% of the respondents believe that corruption has increased in the past two years, and 16% believe that corruption has slightly decreased. The most corruption-prone public institutions remain public officials and civil servants and the judiciary. More than two-thirds of the respondents believe that the police and the medical and health care services are affected by corruption. A 2013 report published by the European Commission on the Implementation of the European Neighborhood Policy in Armenia, points out that despite the adoption of certain important legal acts, such as the Law on Procurement, and Law on Public Service, fulfilment of obligations from the GRECO, OECD, and other international bodies, as well as increased number of arrests and indictments of corrupt officials, there have been no positive changes in the perception of corruption by the Armenian population.

Business and Corruption

A 2013 report by the European Commission emphasises that the business climate in Armenia suffers largely from corruption, which negatively influences the level of competition among companies. Despite the government's adoption and implementation of anti-corruption strategies, corruption remains an obstacle for foreign business operations in Armenia, as emphasised by a number of sources, including the US Department of State 2013 and the World Economic Forum Global Competitiveness Report 2012-2013. For a small, landlocked country like Armenia, corruption threatens to discourage both domestic and foreign investor confidence, even though investment policies in Armenia are among the most liberal in the Commonwealth of Independent States (CIS).

In Armenia, government and business elites are strongly interlinked. For example, according to the Bertelsmann Foundation 2012, many of the commodity-based sectors, such as energy and banking, have become monopolised by alliances between political and business elites.

These 'closed' sectors contribute to the lack of transparency and accountability of the government. Also Freedom House 2013 reports that the key industries in Armenia remain in the hands of oligarchs and influential elites, who receive preferential treatment in the early stages of privatisation. Similarly, US Commercial Service 2012 evaluates the relationships between high-ranking government officials and the emerging private business sector as encouraging influence peddling. According to this source, powerful officials at the national, district or local level acquire direct, partial or indirect control over emerging private companies. Such control is exercised through a hidden partner or through majority ownership of a prosperous private company. This involvement can also be indirect, through close relatives and friends. These practices encourage the creation of monopolies or oligopolies and distort the fight for increased transparency in the private sector.

Among business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013, corruption is identified as the most problematic factor for doing business in Armenia. Similarly, the World Bank & IFC Enterprise Surveys 2009 reports that almost 40% of the surveyed companies consider corruption a major constraint to their operations and 16% expect to make informal payments to 'get things done'. Correspondingly, according to Transparency International's Global Corruption Barometer 2013, corruption within the business and private sector is perceived to be widespread, with more than half of all respondents believing that the sector is affected by corruption. The US Department of State 2013 notes that licencing processes is an area where corruption thrives. Given a political environment rife with corruption, business executives surveyed in the Global Competitiveness Report 2012-2013 reveal that the level of public trust in politicians is low. Companies are recommended to develop, implement, and strengthen integrity systems and to conduct extensive due diligence when planning to invest and when already doing business in Armenia.

Regulatory Environment

Corruption is institutionalised in Armenia and permeates through all levels of government, including the regulatory bodies. Despite some recent reform efforts targeting the civil service, corruption within these structures remains a serious challenge. Public administration is highly bureaucratic and often functions with arbitrary implementation. In order to reduce bureaucracy and decrease the opportunities for corruption, one-stop shops have been established for citizens and companies to reduce face-to-face encounters with public officials. In addition, several governmental internet portals have been launched to make the regulatory processes more transparent. The government eased several processes for businesses, including better investor protection and the elimination of fees for registering a company. The one-stop-shop for registration, improvements in contract enforcement, more efficient procedures for dealing with construction permits, and improved trade across borders have had a generally positive impact on foreign investment, as reported in the 2013 report and 2012 report on Implementation of the European Neighbourhood Policy in Armenia. Salaries of civil servants have been raised in recent years and training has been undertaken to raise awareness among public officials about corruption. Nevertheless, companies continue to report that they encounter a high volume of demands for bribes. According to Freedom House 2013, bribery and nepotism are reported to be common among government bureaucrats, and government officials are rarely prosecuted or removed for abuse of office. Similarly, in Transparency International's Global Corruption Barometer 2013, more than two thirds of Armenian households perceive public officials to be

corrupt, and this category is considered to be among the most corruption-prone sectors in Armenia.

Armenian business regulations lack transparency in their implementation. By law, government officials are banned from engaging in business activities, but in practice they often have extensive business interests, and many parliamentary deputies run companies on the side, according to the US Department of State 2011. Similarly, the Law on the Disclosure of Property and Income of government officials is easily circumvented, since the financial statements of these officials are not verified by tax authorities. According to the US Department of State 2011, a few years after the adoption of this law, it still remains unclear to what extent government officials with high incomes comply with the law. Furthermore, the selective and non-transparent application of tax, customs, and regulatory rules, as well as the weak enforcement of court decisions, increase the opportunities for corruption. In general, SMEs believe that it is necessary to have personal connections with public officials, in order to run a successful business. Companies surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 identify tax regulations and inefficient government bureaucracy to be among the most problematic factors for doing business after corruption. This is supported by the World Bank & IFC Enterprise Surveys 2009, in which companies report that senior management spends more than 10% of its time each year dealing with requirements of government regulation.

The Law on Foreign Investment protects foreign investors against land nationalisation, expropriation, and confiscation, except in cases of state emergency. In these cases, the Constitution provides for a compensation paid in advance. According to the US Department of State 2013, many Armenian courts suffer from low levels of efficiency, independence, and professionalism, and there is a need to strengthen the country's judiciary. The Law on Commercial Arbitration (2007) provides investors with a greater number of options for resolving their commercial disputes. By law, disputes may be brought before any court, provided that the Armenian government is not a party to the dispute. The Economic Court was abolished in 2008, and a new specialised administrative court was established to hear, among others, commercial disputes. The Law on Arbitration Courts and Arbitration Procedures provides rules for the settlement of disputes by arbitration. Armenia is a signatory to several international conventions regulating the mutual acceptance and enforcement of foreign arbitration, including the New York Convention 1958 and the Washington Convention 1965. Access the Lexadin World Law Guide for a collection of laws in Armenia.

Section 3 - Economy

Under the old Soviet central planning system, Armenia developed a modern industrial sector, supplying machine tools, textiles, and other manufactured goods to sister republics, in exchange for raw materials and energy. Armenia has since switched to small-scale agriculture and away from the large agroindustrial complexes of the Soviet era. Armenia has only two open trade borders - Iran and Georgia - because its borders with Azerbaijan and Turkey have been closed since 1991 and 1993, respectively, as a result of Armenia's ongoing conflict with Azerbaijan over the separatist Nagorno-Karabakh region.

Armenia joined the WTO in January 2003. The government has made some improvements in tax and customs administration in recent years, but anti-corruption measures have been ineffective. Armenia will need to pursue additional economic reforms and strengthen the rule of law in order to regain economic growth and improve economic competitiveness and employment opportunities, especially given its economic isolation from two of its nearest neighbors, Turkey and Azerbaijan.

Armenia's geographic isolation, a narrow export base, and pervasive monopolies in important business sectors have made it particularly vulnerable to the sharp deterioration in the global economy and the economic downturn in Russia. Armenia is particularly dependent on Russian commercial and governmental support and most key Armenian infrastructure is Russian-owned and/or managed, especially in the energy sector, including electricity and natural gas. Remittances from expatriates working in Russia are equivalent to about 20% of GDP and partly offset the country's severe trade imbalance. Armenia joined Russia in the Eurasian Economic Union upon the bloc's launch in January 2015, even though the ruble's sharp depreciation in December 2014 led to currency instability, inflation, and a significant decrease in exports from Armenia to Russia.

Agriculture - products:

fruit (especially grapes), vegetables; livestock

Industries:

diamond processing, metal-cutting machine tools, forging and pressing machines, electric motors, knitted wear, hosiery, shoes, silk fabric, chemicals, trucks, instruments, microelectronics, jewelry, software, food processing, brandy, mining

Exports - commodities:

pig iron, unwrought copper, nonferrous metals, gold, diamonds, mineral products, foodstuffs, energy

Exports - partners:

Russia 15.2%, China 11.1%, Germany 9.8%, Iraq 8.8%, Georgia 7.8%, Canada 7.6%, Bulgaria 5.3%, Iran 5.3% (2015)

Imports - commodities:

natural gas, petroleum, tobacco products, foodstuffs, diamonds, pharmaceuticals, cars

Imports - partners:

Russia 29.1%, China 9.7%, Germany 6.2%, Iran 6.1%, Italy 4.6%, Turkey 4.2% (2015)

Banking

Armenia's economy is still cash-based. Most retail transactions are in cash. The large role of remittances and reliance on foreign partners has increased the significance of bank transfers. The use of debit and credit cards is increasing as the network of Automatic Tellers (ATMs) and point-of-sale (POS) terminals expands. Armenian banks provide a range of standard banking services, including bank transfers, lending programs, corporate deposit accounts, plastic card operations, trade finance (including LOC, collections and guarantees) as well as trust operations, dealer/broker transactions and others.

Section 4 - Investment Climate

Executive Summary

Armenia is located in the Caucasus region between Asia and Europe. The Government of Armenia (GOA) officially welcomes foreign investment. Armenia has a highly educated workforce and its high-tech and information technology (IT) sectors have attracted foreign investment – particularly from the United States. 2015 saw a major U.S. investment in Armenia's energy generation sector with ContourGlobal's acquisition of the Vorotan Hydroelectric Cascade. However, Armenia's investment climate poses several serious challenges through its small market (Armenia has a population of less than three million); relative geographic isolation due to closed borders with Turkey and Azerbaijan; per capita gross national income (GNI) of about USD 4,000; and high levels of corruption. In January 2015, Armenia formally entered the Eurasian Economic Union trading bloc, creating a single economic market of 176 million people between Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia. Furthermore, it is still implementing many EEU-related changes to its trade and customs regimes. In May 2015, Armenia signed a Trade and Investment Framework Agreement (TIFA) with the United States. The TIFA establishes a United States-Armenia Council on Trade and Investment to discuss bilateral trade and investment and related issues and examine ways to strengthen the trade and investment relationship between the two countries.

Armenia does not limit the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, and management or technical service fees. The banking system in Armenia is sound and well-regulated, but Armenia's financial sector is not highly developed. Foreign individuals who do not hold special residence permits cannot own land, but may lease it; companies registered by foreigners in Armenia as Armenian businesses have the right to buy and own land. There are no restrictions on the rights of foreign nationals to acquire, establish or dispose of business interests in Armenia. The U.S.-Armenia Bilateral Investment Treaty (BIT) provides that if a dispute arises between an American investor and the Republic of Armenia, the investor may choose to seek remedy through binding international arbitration. Although Armenian legislation complies with the Trade Related Aspects of Intellectual Properties (TRIPS) Agreement and offers protection of intellectual property rights (IPR), enforcement efforts need improvement.

The Armenian regulatory system lacks transparency. Major sectors of Armenia's economy are controlled by well-connected businesspeople who enjoy government-protected market dominance. Corruption remains a significant obstacle: although the government has introduced a number of reforms over the last few years, and the overall investment climate seems to be incrementally improving, corruption remains a problem in critical areas such as

the judiciary, tax and customs operations, health, education, military and law enforcement. Tax and customs procedures, while having improved, still lack transparency. Although the use of reference prices during customs clearance has reduced, it is still not uncommon to see manipulation of the classification of goods that increases costs for economic operators. The court system lacks independence, making it an unreliable forum for resolution of disputes.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	94 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	35 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	61 of 141	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2015	16.4 mln USD	Host government, covers January-September 2015
World Bank GNI per capita	2014	4,020 USD	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation (MCC), a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available at <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available at <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The GOA officially welcomes foreign investment; the country has received improved and respectable rankings on some global indices measuring the business climate. Armenia's investment and trade policy is relatively open; foreign companies are entitled by law to the same treatment as Armenian companies (national treatment). Armenia has strong human capital and a well educated population, particularly in the Science, Technology, Engineering and Math (STEM) field. The high-tech and information technology (IT) sectors have in particular attracted foreign investment. Many international companies have established Branches or subsidiaries in Armenia to take advantage of the country's pool of qualified specialists. However, Armenia's investment climate poses several challenges as a result of its small market (Armenia has a population of less than three million); relative geographic isolation due to closed borders with Turkey and Azerbaijan; per capita gross national income (GNI) of about USD 4,000; and high levels of corruption. Foreign businesses must frequently contend with non-transparent tax and customs procedures that increase costs; the application of reference prices and misclassification of imported goods during customs clearance prevents a level playing field for all businesses. On March 2, 2016

Armenia's President Serzh Sargsyan signed a decree on separating the tax collection and customs from the Ministry of Finance and assigned those functions to the reconstituted State Revenue Committee (SRC). The re-established SRC will function as a body adjunct to the Government of Armenia.

Major sectors of Armenia's economy are controlled by well-connected businessmen who enjoy government-protected market dominance, creating barriers to new entrants. The Armenian government has also on occasion deployed government agencies, including the tax and customs services, for political motives.

Other Investment Policy Reviews

Armenia has not undergone Investment Policy Reviews by either the Organization of Economic Cooperation and Development (OECD) or U.N Conference on Trade and Development (UNCTAD). The World Trade Organization (WTO) conducted a Trade Policy Review in 2010, which can be found at http://www.wto.org/english/tratop_e/tpr_e/tp328_e.htm. Armenia is a member of the following major international organizations: International Monetary Fund, World Bank Group, World Trade Organization, Organization for Security and Cooperation in Europe, Council of Europe, United Nations, International Labor Organization, World Health Organization, World Intellectual Property Organization, INTERPOL, European Bank for Reconstruction and Development, the Asian Development Bank, World Tourism Organization, World Customs Organization, International Telecommunications Union, and Organization of the Black Sea Economic Cooperation.

Laws/Regulations on Foreign Direct Investment

Basic provisions regulating American investments are set by the U.S.-Armenia Bilateral Investment Treaty (BIT) in force since 1996, and by the 1994 Law on Foreign Investment. In addition to providing for national treatment and most-favored nation treatment, the BIT sets out guidelines for the settlement of disputes involving the governments of either party. Armenia's 1997 Law on Privatization (amended in 1999) states that foreign companies have the same rights to participate in privatization processes as Armenian firms.

The seemingly open legislative framework and the government's visible effort to attract more foreign investment are complicated by instances of unfair tender processes and preferential treatment. The state's failure to ensure that a fair investigation is conducted into abuse and proper judicial review has undermined the government's assurances of equal treatment and transparency. However, in 2011 the Republic of Armenia became the first country among the Commonwealth of Independent States (CIS) to accede to the WTO's Government Procurement Agreement (GPA 1994). Armenia joined the GPA 2012 version in June 2015. Currently the Armenian Government is revising the Law on Foreign Investment to modernize it and strengthen the protection of foreign investors.

More information about the legislation, procedures and registrations can be obtained from the Development Foundation of Armenia (<https://www.facebook.com/TInExArm/timeline> , E-mail: info@dfa.am ; web-page currently under construction).

Business Registration

Companies can register electronically at <http://www.e-register.am/en/>. This single window service was launched in 2011 and allows individual entrepreneurs and companies to obtain the name reservation, business registration and tax identification at a single location and at the same time. The legal time limit for the process is two working days, but the application may be dealt with in one day. However, electronic signature is needed in order to be able to register online. Foreign citizens are able to get the e-signature and the more detailed

information can be obtained from the e-signature portal at http://www.ekeng.am/?page_id=69. Companies in Armenia are free to open and maintain bank accounts in foreign currency and there are no minimum capital requirements for foreign or domestic companies.

Industrial Promotion

The government adopted a new Industrial Strategy in December 2011 and developed action plans for the following priority industries: agribusiness; pharmaceuticals and biotechnology; architecture and engineering; information and communication technology; and textile, apparel, and sporting goods. The Government of Armenia offers foreign investors a one-stop-shop for assistance, the Development Foundation of Armenia, which was formed through the merger of the Armenian Development Agency, the Armenian National Competitiveness Foundation and the Industrial Development Foundation of Armenia. The Ministry of Economy also maintains a list of prospective investment projects which identifies local businesses looking for foreign investors or partners.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are no limitations on foreign ownership and control of commercial enterprises. There are also no sector specific restrictions.

Privatization Program

Most of Armenia's state owned enterprises were privatized in the 1990s and early 2000s. Many of the privatization processes for Armenia's large assets were neither competitive nor transparent, and political considerations in some instances trumped Armenia's international obligations to hold fair tender processes.

The privatization of Yerevan's largest hotels, two historic brandy factories, operations of the Zvartnots International (Yerevan) and Shirak (Gyumri) Airports, the telecommunications network, several mining assets, and much of the energy generation and distribution system account for the bulk of the foreign commercial presence in Armenia.

Screening of FDI

The Armenian government does not screen foreign direct investments.

Competition Law

The State Commission for the Protection of Economic Competition reviews transactions for competition related concerns. The law, regulations, commission decisions and more information can be found at <http://www.competition.am/?lng=2>

2. Conversion and Transfer Policies

Foreign Exchange

Armenia has no limitations on the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, or management or technical service fees. Most banks can transfer funds internationally within two to four days. Armenia maintains the Armenian dram (AMD) as a freely convertible currency under a managed float. The Central Bank of Armenia (CBA) sought to maintain the AMD through intervention in the foreign exchange market and through administrative measures in November– December 2014 to prevent market panic and drastic devaluation in the currency market and as a result it devaluated 17% by early 2015. This devaluation was roughly on par with the widespread decline of many currencies against the dollar over the

same period. The AMD/USD exchange rate as of March 2016 fluctuated around 495 AMD to the USD.

According to the 2005 law on Currency Regulation and Currency Control, prices for all goods and services, property and wages must be set in AMD. There are exceptions in the law, however, for transactions between resident and non-resident businesses and for certain transactions involving goods traded at world market prices. The law requires that interest on foreign currency accounts be calculated in that currency, but be paid in AMD.

Remittance Policies

Armenia has no limitations on the conversion and transfer of money or the repatriation of capital and earnings, including branch profits, dividends, interest, royalties, lease payments, private foreign debt or management or technical service fees. According to the Bureau of International Narcotics and Law Enforcement's 2015 report, Armenia's Financial Action Task Force (FATF) status is "monitored".

3. Expropriation and Compensation

Under Armenian law, foreign investments cannot be confiscated or expropriated except in extreme cases of natural or state emergency, upon obtaining an order from a domestic court. In all cases, proper and fair compensation is owed to the property owner. The U.S. Government is not aware of any confirmed cases of expropriation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Armenia has a hybrid legal system that includes elements of both civil and common law. Although Armenia is developing an international commercial code, the laws regarding commercial and contractual matters currently are set forth in the civil code. Thus, because Armenia lacks a commercial court, all disputes involving contracts, ownership of property, or commercial matters are resolved by litigants in the courts of general jurisdiction, which handle both civil and criminal cases. However, the courts which handle civil matters are overwhelmed by the volume of cases before them and are seen by the public as corrupt. Despite the ability of courts to use the precedential authority of the Court of Cassation and the European Court of Human Rights, many judges do not do so, making civil court decisions unpredictable.

Many Armenian courts suffer from low levels of efficiency, independence, and professionalism, creating a need to strengthen the Armenian judiciary. Very often in cases when additional forensic expertise is requested during the judicial proceedings, the court may suspend the process until the forensic opinion is received, which may take up to a year. Litigants are wary of turning to Armenian courts for redress because of the lack of judicial independence. Judges at the court of common jurisdiction are reluctant to make a decision without checking with their superiors at the appellate court. Thus, decisions may be influenced by factors other than the law and merits of the cases. In general, the government honors judgments from both arbitration and Armenian national courts.

Bankruptcy

According to the Law on Bankruptcy adopted in 2006, the creditors, equity and contract holders (including foreign entities) have the right to participate and defend their interests in the judicial proceedings of a bankruptcy case. Creditors have the right to access all materials relevant to the case, submit claims to the court in relation to the bankruptcy, participate in creditors' meeting, and nominate a candidate to administer the case. Monetary judgments are usually made in local currency. The Armenian Criminal code

defines penalties for false and deliberate bankruptcy, for concealment of property or other assets of the bankrupt party, or for other illegal activities during the bankruptcy process. Armenia amended its bankruptcy law in 2012 to clarify procedures for appointing insolvency administrators, reducing the processing time for bankruptcy proceedings, and regulating asset sales by auction.

According to the World Bank's 2016 Doing Business Index, resolving insolvency takes 1.9 years on average and costs 11 percent of the debtor's estate, with the most likely outcome being that the company will be broken up and sold. The average recovery rate is 36.9 cents on the dollar. Globally, Armenia stands at 71 in the ranking of 189 economies on the ease of resolving insolvency in Doing Business 2016 (<http://www.doingbusiness.org/rankings>; <http://www.doingbusiness.org/data/exploreeconomies/armenia/#resolving-insolvency>).

Investment Disputes

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. A new law on Commercial Arbitration was enacted in 2007, however, which provides investors with a wider range of options for resolving their commercial disputes. The U.S.-Armenia BIT provides that in the event of a dispute between an American investor and the Republic of Armenia, the investor may take the case to international arbitration. As an international treaty, the BIT supersedes Armenian law, a point which Armenia's constitution acknowledges and which holds in actual practice. While there have been a few investment disputes involving U.S. and other foreign investors, there is no evidence of a pattern of discrimination against foreign investors in these cases.

International Arbitration

Commercial disputes may be brought before an Armenian or any other competent court, as provided by law or in accordance to party agreement. Commercial disputes are heard in courts of general jurisdiction. The specialized administrative courts adjudicate cases brought against state entities. Final judgments may be appealed to the Court of Appeal and Court of Cassation, the highest judicial authority in Armenia.

The Law on Arbitration Courts and Arbitration Procedures provides rules governing the settlement of disputes by arbitration. Armenia is a member state to the International Center for Settlement of Investment Disputes (ICSID Convention) and convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). The stipulations of the New York convention have been incorporated into Article 6 of the Armenian Constitution which requires domestic courts to recognize foreign arbitral awards.

Armenia has had plans to develop an alternative dispute resolution (ADR) mechanism that will include mediation and arbitration. ADR is expected to be used not only in commercial matters, including those involving mobile property and secured transactions, but also in cases involving family and labor disputes. While ADR options are available for those who seek alternatives to litigation, they currently are not widely used.

ICSID Convention and New York Convention

Armenia is a state member of the ICSID convention and a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Under Article 6 of the Armenian Constitution, international treaties are a constituent part of the legal system of the Republic of Armenia. When an international treaty is ratified, if it stipulates norms other than those present in the domestic laws, the guidelines of the treaty shall prevail.

Duration of Dispute Resolution – Local Courts

Due to the nature and complexity of commercial and contractual issues and the caseload of the civil courts, many matters involving investment/commercial disputes take months or years to work their way through the civil courts. In addition, because of the inherent inefficiencies and institutional corruption of the courts, matters are often delayed and outcomes are not predictable. Further, as one American investor recently experienced, some domestic litigants are willing to use illicit means to delay and undermine court proceedings, by manufacturing evidence or using law enforcement to bring charges such as tax evasion against the investors. While these charges sometimes are dismissed, some American investors caught in this web have simply cut their losses and abandoned their property. Others, however, have had success litigating their matters through the Armenian courts. Thus, even though the Armenian Constitution provides investors the tools to enforce awards and their property rights, there is little predictability in what a court may do.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Armenia has been a member of WTO since 5 February 2003. The GOA does not maintain any measures that are inconsistent with the WTO Trade Related Investment Measures (TRIMS) requirements.

Investment Incentives

Armenia currently offers incentives for exporters (no export duty, VAT refund on goods and services exported) and foreign investors (income tax holidays, the ability to carry forward losses indefinitely, and temporary import regimes for raw material imports without VAT and customs duties). The Government of Armenia amended the VAT law in 2005 to allow companies to delay VAT payments for one to two years on certain imported goods used in production and manufacturing. After the 2008 global financial crisis, the government made further amendments to the same law, and VAT payments for capital investment-related imports may be deferred for up to three years. In 2015, the Armenian Government exempted from customs duties investment-related import of equipment and raw materials from non-Eurasian Economic Union member countries. VAT payment deferral and exemption of customs duties are implemented based on Government's decision made on a case-by-case basis. Also, 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.

Research and Development

Foreign firms are able to participate in government financed research and development programs, but the opportunities for real participation are tenuous given concerns about transparency in local tenders.

Performance Requirements

The GOA has imposed performance requirements for investors as part of privatization agreements, especially for the privatization of large state-owned enterprises like mines or the telecommunications network. There are no performance requirements for investment in terms of mandating local employment. The processes for obtaining visas, residence or work permits, etc., are quite simple. There are no government imposed conditions on permission to invest, including tariff and non-tariff barriers.

Data Storage

Armenia does not follow any policy which would force foreign investors to use domestic content in goods and technology. There are no requirements for foreign IT providers to turn over source code or provide keys for encryption. There are also no requirements to store data within the country.

6. Protection of Property Rights

Real Property

Armenian law protects secured interests in property, both personal and real. Armenian legislation provides a basic framework for secured lending, collateral and pledges, and provides a mechanism to support modern lending practices and title registration. In the World Bank's Doing Business 2016 report Armenia ranked 14th among 189 economies on the ease of registering property. Lack of clear title to land in Armenia is not an issue.

Intellectual Property Rights

Armenia has a strong intellectual property rights (IPR) framework. Domestic legislation, including the 2006 Law on Copyright and Related Rights, provides for the protection of IPR on literary, scientific and artistic works (including computer programs and databases), patents and other rights of invention, industrial design, know-how, trade secrets, trademarks, and service marks. The Intellectual Property Agency (IPA) in the Armenian Ministry of Economy is responsible for granting patents and for overseeing other IPR related matters. Armenia requires no state registration for copyright. The collective management organization ARMAUTHOR manages authors' economic rights. Trademarks and patents require state registration by the IPA. There is no special trade secret law in Armenia, but protection of trade secrets is partially covered by patent registration. Formal registration is easy and transparent, the database of IPR registrations is public, and applications to register intellectual property are published online for two months for comments by third parties.

Armenia's legislation is in compliance with the Trade Related Aspects of Intellectual Properties (TRIPS) Agreement. In 2005, Armenia created an IPR Enforcement Unit in the Organized Crime Department of the Armenian Police, which does not, however, have *ex-officio* rights and acts only based on complaints from right holders.

Despite the existence of relevant legislation and executive government structures, the concept of IPR remains unrecognized by a large part of the local population. The onus for IPR complaints remains with the offended party. The police assert that the majority of cases are settled through out-of-court proceedings. While the GOA has made some progress on IPR issues, strengthening enforcement mechanisms remains necessary.

A new Law on Copyright is currently being drafted. It includes provisions from new international agreements and provides additional detail on many of the provisions in the current law. Copyright contract rights are better defined and examples of contracts between the user and the right-holder are included. Phonogram producers' rights are harmonized with copyright holders' rights and are extended to 70 years. The new legislation also includes specific provisions from the Beijing Treaty, regulating the rights of disabled artists and orphan works. The IPA has also proposed changes to the Civil Code and Criminal Code to improve IPR protections by specifying in more detail what information the court should take into consideration when determining compensation, fair remuneration, and calculating damages.

The Armenian customs authorities track and report statistics related to the seizure of counterfeit goods. The relevant information can be found at: <http://www.customs.am/Content.aspx?itn=csVLCustomsHousesReg> and the descriptions of

smuggling cases can be found in Armenian at:
<http://www.customs.am/Content.aspx?itn=csVLDepFightAgainstSmug>

Armenia is not listed in USTR's Special 301 Report or the Notorious Markets Report. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Contact at Mission:

Raphael Sambou,
Economic Officer
+374-10-49-44-02
sambour@state.gov

The American Chamber of Commerce in Armenia can be contacted at info@amcham.am. A list of local lawyers can be found at U.S. Embassy Yerevan's web-page at: <http://armenia.usembassy.gov/legal.html>

7. Transparency of the Regulatory System

The Armenian regulatory system is still not implemented in a sufficiently transparent manner. A small cadre of businesses dominates particular sectors and suppresses full competition. The inconsistent application of tax, customs (especially with respect to valuation and classification), and regulatory rules (especially in the area of trade) undermines fair competition and adds uncertainty for less politically-connected businesses, particularly small- and medium-sized businesses and new market entrants. Armenia's legislation and mandate of its competition authority are not compatible with international standards. Furthermore, the legislation does not clearly define violations of fair competition, dominant role, or prevention of competition violations. The efforts of the State Commission for the Protection of Economic Competition (SCPEC) have not been effective in ensuring a level playing field. Banking supervision is relatively well developed and largely consistent with the Basel Core Principles. In early 2006, the CBA became the primary regulator for all segments of the financial sector, including banking, securities, insurance and pensions.

Safety and health requirements, most of them holdovers from the Soviet period, generally do not impede investment activities. Bureaucratic procedures can nevertheless be burdensome, and discretionary decisions by individual officials still provide opportunities for petty corruption. Despite persistent problems with corrupt officials, both local and foreign businesses assert that a sound knowledge of tax and customs law and regulations enables business owners to deflect the majority of unlawful bribe requests. No unified or standard procedure exists for soliciting a wide range of public comments on proposed draft legislation. There is no unified online platform for publishing the draft legislation and the time period devoted to public comments is often not sufficient for proper feedback. The results of consultations are not reported by the government as well.

8. Efficient Capital Markets and Portfolio Investment

The banking system in Armenia is sound and well-regulated, but Armenia's financial sector is not highly developed. IMF estimates suggest that banking sector assets account for about 90 percent of total financial sector assets. Financial intermediation is poor. Because Armenian banks charge service and other fees, the actual interest rate paid by the customer may be higher than the nominal interest rate quoted by the banks. Nearly all banks require collateral located in Armenia, and large collateral requirements often prevent potential borrowers from entering the market. This remains the main barrier for SMEs and start-up companies.

The GOA has a welcoming attitude towards foreign portfolio investments and there is a system and legal framework for investments in place. However, Armenia's securities market is not well developed and has only minimal trading activity through the NASDAQ-OMS exchange. Liquidity for the transfer of large sums can be difficult due to the small size of Armenia's financial market and overall economy. The GOA is hoping that as a result of the 2014 pension reform, which brought two international asset managers (Amundi and C-Quadrat) to Armenia, the capital market will play a more prominent role in the financial sector of the country. Armenia respects IMF Article VIII by refraining from restrictions on payments and transfers for current international transactions. Credit is allocated on market terms and foreign investors are able to access credit locally.

Money and Banking System, Hostile Takeovers

The banking sector is healthy; non-performing loans are less than 10 percent which is within acceptable international standards. The top three Armenian banks by assets are Ameriabank - 515.8bln AMD (USD 1.08billion), Ardshinbank – 401.7bln AMD (USD 0.77 billion) and VTB Bank Armenia – 315.8bln AMD (USD 0.66 billion). The Central Bank of Armenia has initiated consolidation in the banking system; by 2017, minimum capital requirements for the banks will increase from the current 5bln AMD to 30bln AMD. This is intended to allow the banks to issue bigger loans at lower interest rates and will further strengthen the Armenian banking system. There are no restrictions for foreigners to open bank accounts.

9. Competition from State-Owned Enterprises

Most of Armenia's state owned enterprises (SOEs) were privatized in the 1990s and early 2000s; yet SOEs are still active in geodesy/cartography and the energy sector. SOEs in Armenia operate as state-owned closed joint stock companies that are managed by the Department of State Property of the Armenian Government and state non-commercial organizations (schools, universities, forest enterprises). There are no laws or rules that ensure a primary or leading role for SOEs in any specific industry. Armenia is a party to the WTO's Government Procurement Agreement (GPA) and SOEs are covered under that agreement. SOEs in Armenia are subjected to the same tax regime as their private competitors, and private enterprises in Armenia can compete with SOEs under the same terms and conditions. A public list of state-owned closed joint stock companies can be found [here](#).

OECD Guidelines on Corporate Governance of SOEs

Armenian state owned enterprises adhere to the OECD Guidelines on Corporate Governance for SOEs. The enterprises owned by the state are providing public services, like geodesy or nuclear power generation, and hence do not impact the competitive environment in the country.

Sovereign Wealth Funds

Armenia does not have a sovereign wealth fund.

10. Responsible Business Conduct

There is not a widespread understanding of responsible business conduct (RBC) in Armenia, but several larger companies with foreign ownership or management are introducing the concept. It is rare to see examples of Armenian companies that contribute to their local community through charity, employee service days, or other similar programs, but those RBC programs which do exist are viewed favorably. There are no NGOs that actively promote or monitor responsible business conduct. The Armenian Government has publicly announced its decision to join the Extractive Industries Transparency Initiative and is working to promote formation of the multi-stakeholder group and develop an EITI application, which it expects to

submit to EITI by the end of 2016. Armenia does not adhere to the OECD Guidelines for Multi-National Enterprises (MNEs) or the UN Guiding Principles for Business and Human Rights, which address generally accepted CSR principles.

Domestic laws related to labor, employment rights, consumer protection, and environmental protection are not always enforced effectively. These laws and regulations cannot be waived to attract foreign investments.

11. Political Violence

Political rallies in the aftermath of the 2008 presidential elections turned violent, as clashes between government security forces and opposition demonstrators resulted in dozens of casualties and 10 fatalities. Since then, political demonstrations have occurred mostly without incidents of violence, with a few exceptions of skirmishes between demonstrators and the police, and a major incident of use of a water cannon and violence by the police against peaceful demonstrators and reporters during a round-the-clock demonstration against electricity hikes in June 2015. In the fall of 2014 and early 2015, increased violence against civic and political activists resulted in detentions and injuries. None of these incidents caused any damage to projects or installations nor did they impede the functioning of businesses in the country. The GOA has been known to use tax audits, money laundering investigations, and other official mechanisms to retaliate against business people who support the political opposition, including members of parliament. At the same time, the GOA has used economic and administrative resources to reward political loyalists, provide them with political protection, and keep them above the law. This, in turn, has led to monopolies in many areas and a strong interconnection between the political and business spheres.

A cease-fire with Azerbaijan has been in effect since 1994 for the conflict surrounding the disputed region of Nagorno-Karabakh. However, intermittent gunfire along the cease-fire line and along the border with Azerbaijan continues, often resulting in injuries and/or deaths. The tensions escalated noticeably in the summer of 2014 and the beginning of 2015. There have been no threats to commercial enterprises from skirmishes in the border areas. It is unlikely that civil disturbances, should they occur, would be directed against U.S. businesses or the U.S. community. The Government of Azerbaijan has also suspended the importation and operations of U.S. companies in Azerbaijan if the companies' products or services are provided in Nagorno-Karabakh. Because of the existing state of hostilities, consular services are not available to U.S. citizens in Nagorno-Karabakh.

12. Corruption

Corruption remains a significant obstacle to U.S. investment in Armenia. The government introduced a number of reforms over the last few years, including the simplification of licensing procedures, civil service reform, a new criminal procedure code, and the introduction of a new national anti-corruption strategy, as well as laws and regulations. Nevertheless, corruption remains a problem in critical areas such as the judiciary, tax and customs operations, health, education, military and law enforcement. The Special Investigative Service is responsible for investigating corruption and the prosecutor general is responsible for prosecuting it. Both large scale and petty corruption are widespread.

Priorities set by the national 2015 – 2018 Anti-Corruption Strategy, approved on September 25, 2015, included improvement of legislation and infrastructure to combat money laundering, an increase of transparency in the public sector, and enhancement of accountability. The government chose education, healthcare, state revenues, and law enforcement (specifically police services to citizens) as pilot sectors for the implementation of the strategy.

To aid in implementing the Strategy, an Anti-Corruption Council (ACC) was established in July 2015; the ACC, designed to be inclusive with seats reserved for CSO, opposition party representatives and GOA officials, has convened quarterly, as scheduled, and has implemented an open, competitive selection process for NGO membership. One of the most notable actions taken by the Council thus far is the announcement by the Government of Armenia to join the Extractive Industries Transparency Initiative (EITI), a coalition of governments, mining companies, and civil society working to increase the transparency of business activities within the mining sector and ensure favorable competitive conditions. EITI also assists in strengthening accountability and good governance, as well as promoting greater economic and political stability. The ACC has begun consultations with communities, civil society, and businesses to establish the EITI multi-stakeholder group, which is expected to be formalized in March 2016.

Previously in July 2012, the President approved a strategy and action plan for Justice Sector Reforms for 2012-2016, which addresses most of the problems in the judiciary, prosecutors' office, and civil, criminal, and administrative legislation.

Also in 2012, pursuant to the law on Public Service adopted in 2011, an Ethics Commission for High-Ranking Officials was established. The Commission collects and monitors the asset declarations of high-level officials. However, currently there are no criminal penalties for noncompliance or filing of false declarations, nor are there provisions to further investigate declarations that reflect large unexplained gifts and income and assets that are out of line with officials' salaries. The Commission is currently working with the Ministry of Justice on developing legislation which provides for administrative penalties for those who file false declarations or fail to comply with the filing rules and deadlines. There is no estimate as to when the new legislation will be approved by the Parliament.

Under the current law on high level officials' declarations, adult family members living with the official are required to file a declaration. This loophole allows officials to register and/or transfer their property to a minor child or a relative who does not reside in the same household in order to avoid reporting requirements. Furthermore, according to current laws, income, gifts or assets from undisclosed sources are not considered evidence of corruption, nor do they represent sufficient grounds for launching an investigation. Furthermore, the current draft Tax Code includes anticorruption measures/components.

The Law on Civil Service, in force since 2002, as well as the Laws on Municipal Service (2005) and on Local Self-government (2002), prohibits participation of civil and municipal servants, as well as local government elected officials (mayors and councilors) in commercial activities. However, powerful officials at the national, district, or local levels often acquire direct, partial, or indirect control over private firms. Such control is exercised through a hidden partner or through majority ownership of fully private parent companies. This 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. Because of the strong interconnectedness of political and economic spheres, Armenia is unable to differentiate between the two and introduce legislation to encourage strict ethical codes of conduct and the prevention of bribery in the business field.

According to the SME Policy Index report (OECD/EU/EBRD/ETF study), the Armenian legislation allows for tenders to be divided into lots; this happens in 50-70% of the cases. There is a law regulating late payments to contractors, imposing penalties for late tenders. The information on public tenders is openly available, centralized at the national level and free of charge. Though Armenia has made some progress against improving its procurement practice, the percentage of tenders awarded after negotiated procedure without

publications is still very high (48%) and should be furtherer reduced. Armenia has yet to establish an impartial and independent review body which is detached from the body responsible for public procurement policy use of non-competitive simplified procurement.

Armenia is a member of the Council of Europe Group of States against Corruption (GRECO). GRECO's February 2016 report notes that corruption remains an important problem for the Armenian society, although the fight against corruption has been on the political agenda for years. GRECO specifically recommends that the rules on the acceptance of gifts by parliamentarians, judges, and prosecutors, as well as on submitting regular asset declarations, on their control and enforcement be further developed and made more effective. Adopting a code of conduct for members of parliament, preventing circumvention of the restrictions on business activities by parliamentarians, are among other recommendations. By the end of April 2017, the Armenian authorities are to report back on measures taken to implement the 18 recommendations included in this report.

The 2001 law on NGOs covers all aspects of the relationship between the GOA and non-governmental organizations. No specific law on NGOs dealing with anti-corruption investigation exists. The government, in close coordination with civil society, has proposed new legislation on Public Organizations that would give NGOs the right to engage in economic activities, allowing these organizations mechanisms for independent sustainability. The law is still under discussion at this time; recently a public hearing was organized by the National Assembly Standing Committee on Protection of Human Rights and Public Affairs to further solicit citizen input.

Western companies seeking to invest in Armenia are typically large enough that they do not, to our knowledge, need to get involved in corruption or bribe officials to facilitate their business. They follow the rule of law and are transparent in their dealings and demand the same of the government. However, according to the Transparency International (TI) 2014 Corruption Perception Index (CPI) report, Armenia with a score of 37 out of 100 ranked 94th among 175 countries. Global Corruption Barometer 2013, a worldwide public opinion survey, identified the Armenian judiciary as the most corrupt, followed by public officials and civil servants, and police. The same survey showed that 16 percent of the responders had paid bribes to the registry and permit services, 18 percent to the judiciary, and 9 percent to the tax revenue services.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Armenia is a member of the UN Anticorruption Convention. While not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Armenia is, however, a member of the OECD Anti-Corruption Network for Eastern Europe and Central Asia, and has signed the Istanbul Action Plan. Armenia was included in the third round monitoring mission in 2014 and the report that came out in 2015 highlighted the absence of a truly independent body responsible for anti-corruption policy implementation with the power to prosecute. The report also analyzed recent developments and provided new recommendations in three areas: anticorruption policy and institutions, criminalization, and prevention of corruption. Armenia has also joined the global Open Government Partnership initiative and will conclude its second Action Plan by 2016.

Resources to Report Corruption

For investigating corruption:

Karen Karapetyan

Justice Colonel, Chief of the Investigation Department of Corruption and Organized and Official Crimes

Special Investigative Service of Armenia
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For prosecuting corruption:

Artur Sepoyan
Acting Head of Anti-corruption Department
Prosecutor General's Office
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For financial and asset declarations of high level officials:

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Chairperson
Ethics Commission
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Watchdog organization:

Varuzhan Hochtanyan
Executive Director
Transparency International (Armenia)
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13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Armenia has shared a bilateral investment treaty (BIT) with the United States since 1996, which sets forth conditions for investors of each party to be no less favorable than for national investors (national treatment) or for investors from any third state (most favored nation), as well as providing the option of international arbitration in the case of investment disputes. Armenia has BITs in force with 36 countries: the U.S., Argentina, Austria, Belarus, Belgium, Bulgaria, Canada, China, Cyprus, Egypt, Finland, France, Georgia, Germany, Greece, India, Iran, Italy, Israel, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, The Netherlands, Luxembourg, Romania, Russia, Spain, Sweden, Switzerland, Syria, Ukraine, the United Kingdom, Uruguay, and Vietnam. According to the U.N. Conference on Trade and Development (UNCTAD), Armenia has also signed BITs with Iraq, Kazakhstan, Qatar, Tajikistan, Turkmenistan, and United Arab Emirates, but these agreements have not yet entered into force. Armenia is a signatory of the CIS Multilateral Convention on the Protection of Investor Rights.

Armenia became a member of the Russia-led Eurasian Economic Union in January 2015, together with Russia, Belarus and Kazakhstan which previously formed the Eurasian Customs Union.

There is no free trade agreement between the U.S and Armenia; however, the U.S. includes Armenia in its Generalized System of Preferences program. Also, in May 2015, Armenia signed a Trade and Investment Framework Agreement (TIFA) with the United States. The TIFA establishes a United States-Armenia Council on Trade and Investment to discuss bilateral trade and investment and related issues and examine ways to strengthen the trade and investment relationship between the two countries.

Tax Treaty: Armenia does not issue foreign tax credits and does not recognize the existing 1973 double taxation treaty signed by the Union of Soviet Socialist Republics (USSR) and the United States. The United States considers Armenia a party to this treaty by virtue of state succession to treaties, and Armenia’s declaration of its commitment to fulfill the international treaty obligations of the former U.S.S.R. as expressed in the Alma Ata Declaration of 1991. The GOA has expressed interest in negotiating a new double taxation treaty with the United States, but there is no strong evidence at this time of a U.S. company being subject to double-taxation.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

In June 2011, Armenia adopted a Law on Free Economic Zones (FEZ), and developed several key regulations at the end of 2011 to attract foreign investments into FEZs: exemptions from VAT (value added tax), corporate income/profit tax, customs duties, export tax and property tax. The “Alliance” FEZ was opened in August 2013, and currently has six businesses taking advantage of its facilities. The focus of “Alliance” FEZ is on high-tech industries which include information and communication technologies, electronics, pharmaceuticals and biotechnology, architecture and engineering, industrial design and alternative energy. In 2014 the government expanded operations in the Alliance FEZ to include industrial production as long as there is no similar production already occurring in Armenia. In 2015, another “Meridian” FEZ, focused on jewelry production, watch-making, and diamond-cutting opened in Yerevan, with four businesses operating in it. The investment programs for these companies must still be approved by government.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	\$10,560	2014	\$11,640	www.worldbank.org/en/country

Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2015	\$175.7	2014	\$1	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)	n/a	no data	2014	\$2	http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2015	36.4%	2014	56.7%	UNCTAD statistics

*National Statistical Service of the Republic of Armenia www.armstat.am
Central Bank of the Republic of Armenia www.cba.am
Ministry of Economy of the Republic of Armenia
http://www.mineconomy.am/uploads/01_hayeren.pdf
UNCTAD <http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	4,084	100%	Total Outward	215	100%
Russia	1,615	40%	Latvia	56	26%
Cyprus	302	7%	Bulgaria	36	17%
France	276	7%	n/a	n/a	n/a
Argentina	225	6%	n/a	n/a	n/a
United States	218	5%	n/a	n/a	n/a

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey, 2014

Table 4: Sources of Portfolio Investment

Data not available.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Civil law system

International organization participation:

ADB, BSEC, CD, CE, CIS, CSTO, EAEC (observer), EAPC, EBRD, FAO, GCTU, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, MIGA, NAM (observer), OAS (observer), OIF, OPCW, OSCE, PFP, UN, UNCTAD, UNESCO, UNIDO, UNIFIL, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Armenia does not currently have exchange controls governing exchange rate

Treaty and non-treaty withholding tax rates

<https://www.cba.am/EN/SitePages/Default.aspx>

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD](#) [PKF International](#))

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