
VAHAGN KHACHATRYAN: POLITICAL TOOL NEEDED TO SOLVE PROBLEMS IN ARMENIAN ECONOMY

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News.Az reprints from Vestnik Kavkaza an interview with expert on economic issues Vahagn Khachatryan.

The 2017 draft budget is being discussed in the Armenian parliament. The government promises to reduce the budget deficit, eradicate administrative barriers for the GDP and investment growth. An expert on economic issues Vahagn Khachatryan answered Vestnik Kavkaza's questions about about the draft budget and the economic situation.

What advantages do you see in the proposed project in comparison with the budget of 2016?

The budget for 2017 is inferior to the budget of the current year in all respects. In the first place, in the forecasts of macroeconomic indicators. Armenia's national debt is approaching six billion, and the country is forced to make new debts to pay it. We found ourselves in a vicious circle, and behave like a bad debtor, which constantly takes loans, being unable to repay old debts. And considering the situation of revenues to the budget, there is an acute issue - where do we get the money? The draft budget includes the most important principle - to be able to stay afloat.

How do you assess the economic situation in Armenia?

The country is in a deep crisis. This is evidenced by the level of tax collection: by the end of the year the shortfall of taxes from the target will be about 70 billion drams (\$ 1 - 478 drams). The most concern is the monthly reduction of retail sales by 4.5%.

Meanwhile, according to the draft state budget, tax revenues in 2017 are planned at the level of 1 trillion 135 billion drams or 21% of GDP. Are there resources for it?

I do not believe in such a possibility. Previously, transfers from abroad were the engine of the Armenian economy, the largest part of which was from Russia. A significant decline in transfer volumes has complicated the already difficult situation. Import-export could be another source of the money supply. But there is a recession as well. At the end of 2015, imports fell by 14.1%, while the volume of exports of goods and services in real terms decreased by 4.9%, the trend will continue in the next year. In this regard, investments are very important, but they fell sharply. The new tax legislation, instead of mechanisms to attract investments, including tax cuts, on the contrary, creates new obstacles to potential investors. Our officials have forgotten the simple

economic rule - capital gains are attracted by low taxes.

The budgeted economic growth is 3.2%. How this figure corresponds to reality?

I see no objective reasons for insuring such indicator. I have already mentioned some of the external factors related to the economic situation in Russia. Another external factor is the price of copper in the world, but there are no positive developments as well. The most important internal factors which can play a decisive role in economic growth is the fight against corruption, monopolies and creating a competitive environment in business. But I also do not see any progress here.

The new government has begun work to eliminate the so-called offices for the implementation of programs in a number of areas in which a lot of money ends up. Steps are being taken to ensure a more efficient operation of the customs and tax services. Will these steps lead to tangible changes in the country?

If we do not succeed in the fight against corruption and "shadow" economy, it would be a disaster. I have no expectations from the new government in the fight against corruption. As for monopolies, some responsible persons in power make statements that monopolies are inevitable for such a small country as Armenia. Which means that the authorities are not trying to create a competitive environment. There is no concept of a small or medium economy, there is a concept of an economic model or management model, by which the country is guided. The main criterion in this model is the competition.

What way out of the situation do you see?

No need for any additional measures in the economic sphere. We need to ensure free competition in business, stop interference of security forces, create conditions for real action of laws. The challenges we faced are not economic, but political. The solution to urgent economic problems requires a political tool. There will be no changes in the country, since the existing power system can exist only in conditions of corruption, monopolies, lack of competition in both the political and economic spheres.

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