

## Selling Off the Big Ones



Privatization, de-nationalization, investments, free-market are among the most complex and misunderstood terms in virtually all the newly independent states. Like chemotherapy which introduces drastic and painful changes in the body even while trying to save it, the introduction of free-market economics brought major pain (together with some good and the promise of more). All of this came with many unexpected and often undesired side effects.

Despite the many "life and death" challenges which compounded Armenia's already troubled economic transition—earthquake, blockade and war—Armenia was among the first countries in the former Soviet republics to start the process of privatization, the first step to a free market economy. By 1992, it had successfully completed land privatization, turning over 840,000 acres of agricultural land to the farmers. Armenian and foreign experts have since said that was what saved Armenia from famine in the difficult energy-starved war years which followed.

In 1992, Armenia's law on privatization and de-nationalization of state-owned enterprises encouraged the involvement of the entire population of Armenia in the process. The government issued and distributed 3.2 million vouchers to the population, one voucher per person, with a face value of \$20 (in 1992) for the first phase of privatization which lasted until 1995.

However, things did not go as planned. Coming out of a state-controlled economy was not easy. Economic stagnation and low living standards forced 90 percent of the population to sell their vouchers. The government's calculations and estimates were substantially off target. For example, in 1996, cash payments for privatization represented only one percent of the total investment. The receipts for the state budget from privatization were 221 million Dram (US \$534,000) instead of the planned 3.5 billion Dram (US \$8.4 million).

Despite these shortcomings, Armenia has almost com-

pletely privatized land and small enterprises. By April 1998, 1,381 enterprises and 6,278 small businesses (out of 7,000) had been privatized. State property has been purchased for a total of 99.5bn Dram, with more than 61bn Dram worth paid with privatization vouchers and 38.3bn Dram in cash. Today only about 87,000 vouchers remain in circulation.

So, when at the beginning of this year, four of the 16 medium and large enterprises earmarked by the government for privatization in 1998 at international tender were on their way to being transferred, the population began to look at the whole process with more than a bit of skepticism and lots of emotion. ArmenTel was sold to the Greeks, the Cognac Factory to the French. Armenia Hotel and Mars enterprise appear to be heading towards takeovers by Diaspora Armenians (see page 34).

The de-nationalization of these major enterprises—however emotional they may be, for example the selling of the Armenian brandy factory caused controversy and debate especially among political opportunists—is necessary if Armenia's economy is to compete on the global market. Without major investments, privatization will be a failure. Buying a factory is one thing, turning it into a functioning and profitable workplace is another.

Investors look for several important things in a country: political security, a free trade environment and incentives, some commitments and guarantees by the government; and finally, a sense that at the end of the day they are making money. The aggressive engagement of the Armenian government in investment projects is hopeful. However, everyone, EVERYONE, still talks (on and off the record) about the lack of a sufficiently "business friendly" environment, the lack of a logical tax policy, and most importantly, the unrealistic expectations of a cash-strapped government.

There is clearly a long way to go. Yet, the current pace and energy are hopeful signs for Armenia.

## First the Green, Then the Gold



Two of the areas in which the Soviet Union excelled—sports and the arts—are in a shambles all over the former empire. Armenia is no exception. The arts institute is not the prestigious academy it once was, nor are artists free to paint and give their paintings to each other and to friends as

they have done in the past. Yerevan homes are often like mini art galleries, as much a documentary of a person's life and friendships, as of the differing art styles of the last decades. Still, for those for whom art is life, painting and sculpting go on even without sponsors.



# V I E W

But what do athletes do? Without equipment and trainers, where do wrestlers practice and weightlifters train? Moreover, without funding and organization, how do they participate in the international competitions which are both training ground and stage?

No one who watched the Olympics of 1992 and 1996 can forget the thrill and pride at seeing the tricolor fly high. Of course, in Yerevan in 1992, there was no electricity, and so no one even remembers if an Armenian won in that first Olympics after independence. But everyone remembers that Armen Nazarian came away with the Gold in Atlanta in 1996.

If Armenians expect the same thrills in Sydney in the year 2000, they'd better think again. Or, they'd better begin thinking now. Even those who get their exercise by watching television know that winning athletes have to be in serious training now if they expect to see any shiny metals two years hence. What is perhaps not so well known is that the international competitions which determine a country's standing coming into the Olympic games are also taking place now.

The financial and organizational limitations of Armenia's Olympics Committee (see page 48) can mean disaster for the year 2000. Gymnasiums and training centers are boarded up.

Playing fields have turned into grazing fields. Armenia's winning athletes are leaving for other countries where conditions are not so tough that the pure act of living requires major physical prowess. In Eastern European and Middle Eastern countries, these athletes are compensated far better than the Republic of Armenia can afford, and offered quick citizenship. Seven of Armenia's top athletes are already gone. Will they come back? Maybe.

The financial and organizational capacities of the Armenian Diaspora can save the situation. Not only is there a large community in Sydney, Australia, the site of the next games, but there is also a store of organizing and fundraising experience leftover from Atlanta. Those Armenian Americans who were instrumental in supporting Armenia's athletes (abled and disabled) two years ago, are prepared to do so again given the right guidance and inspiration. The Armenians of Sydney were among the first to respond to the needs of the independent republic. They will come through again.

Someone on each continent had better pick up the telephone soon and coordinate this great resource called the Diaspora. Otherwise, in 2000, there will not be any gold. No red, blue or orange either.

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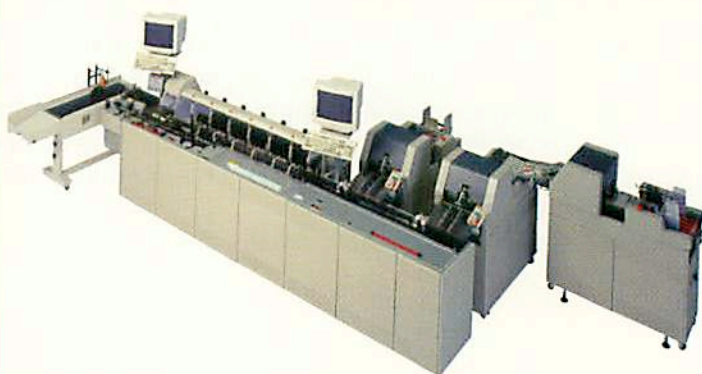


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