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Project Armenia: The awakening of a new democracy

by Anoosh Chakelian / 21 Feb 2013

Anoosh Chakelian examines the struggles of an emerging player in the Caucasian circle as it takes its first steps into western markets



Getty Images

“When Russia sneezes, Armenia catches cold”. This was an Armenian proverb often used to refer to the dominance of first the Russian empire and then the USSR over the small Caucasian republic during the previous two centuries, and how Russian incompetence and warring would damage its hapless neighbour.

Ironically, today, it is the opposite. It is the success, rather than the hazardous sternutations, of Armenia’s neighbours that is one of the reasons its business relations with Britain, and the west in general, are hampered. Namely Azerbaijan and Turkey, as today, Armenia is firmly pro-Russian.

Armenia is landlocked, has a population of three million, and lacks any significant variety of natural resources, but there is a pressing feeling among the Armenian community and politicians both east and west, that these traits are not its only obstacles to trade and commerce.

The country’s fractious relationship with its neighbours is bad for business. This is due to a bloody tangle of geopolitical history, characterised on one side by Ottoman Turkey’s genocide of the Armenians during World War I, and bitter wrangling with Azerbaijan over the Nagorno-Karabakh territory on the other.

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Both Turkey and Azerbaijan undoubtedly have more to offer the west materially, in terms of diplomatic and financial interest – respectively, a secular Islamic haven in the Middle East and a festival of oil and natural gas.

Jonathan Aves has been the British ambassador to Armenia since January last year, a job he shares, unusually, with his wife, Katherine Leach. The couple alternate four months of work with four months off looking after their children. This arrangement, and the fact the previous ambassador married his Armenian press secretary, has reportedly led to locals labelling their workplace “the love embassy.”

Aves admits that uncertain political relations can be a hindrance to Armenia: “It’s still dealing with the legacy of 70 years of Soviet rule, as well as the legacy and consequences of the Nagorno-Karabakh conflict and difficult relations with Turkey, so its two longest external borders are closed. And then, if you want to pile on the pain, while Armenia has pretty good relations with Iran, sanctions to some extent do constrain it.”

But he is keen to emphasise that despite this difficult geographical jigsaw it finds itself in, the republic has still developed its economy at an impressive rate. He points out that preliminary figures show Armenian GDP in 2012 rose by over seven per cent, recovering rapidly from the global economic crisis, remarking upon the country’s “economic dynamism”.

“Even within the constraints posed by the problems it faces externally, there is a lot of potential here, and that potential could be increased. Clearly, if its external border opened up with Turkey, that would give a massive boost to Armenia’s economy, but this shouldn’t prevent, and I don’t think is necessarily preventing, companies from coming here and looking at opportunities.”

Indeed, despite Armenia’s rather wretched positioning in the Caucasus, there seems to be a mood of optimism about its business relations with Britain. Today, if you walk the streets of its strange capital – Orthodox Christian opulence meets Soviet uniformity – you will find Marks & Spencer, Debenhams, Next and HSBC, among many others, displaying a bond between the two nations.

A handy M&S on the high street may be the noble legacy of such ancient friendship as sparked by King Levon II of Cilician Armenia fighting alongside Richard the Lionheart in the 12th century during the Third Crusade.

For Armenia and Britain have a rich history of friendly relations, from this 1191 siege, to Churchill famously using the word “Holocaust” when referring to the Ottoman massacres of Armenians, to the present day. Prince Charles hosted an Anglo-Armenian charity event at Buckingham Palace in 2011, with 250 guests including royal family members, business leaders and the Armenian prime minister. The next major fundraising event for the project, called ‘Yerevan My Love’, will take place in the Armenian capital in May this year. As the patron of the charity, Prince Charles is expected to attend, the first time he would visit Armenia.

If even the Prince of Wales is taking an interest in this often overlooked member of the Caucasus, relations must be positive – but is there anything tangible to be gained from such pleasantries? Dr Hratch Tchilingirian, of the Associate Faculty at Oxford University’s Oriental Institute, who organises these events, infers that Armenia’s status as a Christian country interests the British royal, as well as its architectural heritage. He gives me his own view of the relationship between the two countries:

“Yes, relations are friendly. Obviously, Britain has much greater

“The prime minister has said he does not believe that statutory legislation is necessary to achieve the principles outlined by Leveson.”

Business minister Viscount Younger of Leckie

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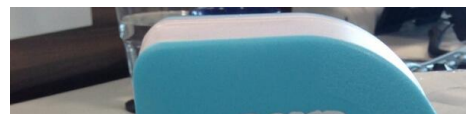


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foreign policy interests in Azerbaijan and Turkey than in Armenia. UK bilateral trade in goods with Azerbaijan in 2012 in January to August have increased by 70 per cent compared with 2011. Trade with Armenia is about \$100m annually and only a handful of British companies operate in Armenia. It is very obvious where British priorities would be.

“What are the main drivers of British-Armenian foreign policy? It’s difficult to say. I don’t see any concrete development of the relationship.

“There is goodwill to grow and develop this positive relationship, but both sides don’t know how, or in what areas, that would be.”

So is this goodwill purely symbolic, and therefore unlikely to open Armenia up to the “concrete” area of economic growth via foreign investment and exportation of its business?

Aves is quick to defend the Anglo-Armenian bond: “I wouldn’t underestimate the goodwill. It’s great to have friends in this world. I have had to deal with countries where, when you try to talk to them about political co-operation with the UN, or whether you’re just talking about common values like human rights and democracy, you don’t get a very good hearing. But with our Armenian friends you do get a very good hearing, on a basic level of common understanding and shared values.”

He suggests that this is a good platform upon which to build a bilateral relationship between the two states, albeit explaining that commercial relations “are not at a very developed stage”, and lists some areas where he sees real opportunity for Armenia and Britain, including the spreading of British outlets and brands in Armenia, pharmaceuticals and construction materials.

There is also the British-based mining company, Lydian International, which has a large gold-mining project planned in Armenia; Aves and others are keen to explore the potential of Armenia’s gold reserves when forging Anglo-Armenian relations.

At the beginning of this year, Armenia abolished visa requirements for EU citizens, which has therefore made it easier, and a more attractive prospect, for British businesses to visit the country in search of opportunities.

Bedo Eghiyanyan, an Armenian businessman who lives in London, owns a pharmaceutical manufacturing company in Yerevan called PharmaTech, which he started in 1995, and he describes how it has become easier to do business in Armenia over the past 15 years, partly due to its government.

“Now it’s pretty well organised, in very much the western way of doing business – the legal strength does protect you. Before, there were no company laws or regulations and banking was non-existent until HSBC went there. Now it’s a very strong banking country.

“The government helps a lot, the laws are such that money transfers are quite easy and there are no restrictions at all. Taxations are very low. Slowly, organically, it’s opened up in the past 15, 16 years, I suppose since it’s left Soviet Union. But I think major improvement started since 2000.”

Eghiyanyan refers to Armenia’s advances in IT, and of course, gold mining, as attractive prospects to Britain, as well as pharmaceuticals. But it’s not all positive.

“The main obstacle is transportation,” he explains. “The government needs to make exportation easy. We have grown as much as we can with such a small population, but we need help to export.”

Again, it comes down to the frustration of closed borders. He explains gloomily that the cost of transporting from England to

Poti, a port in Georgia (which he describes as Armenia's "main
bloodline") is the same as then transporting from Poti to
Yerevan, which he says is only about 250 miles from the port.

Aves explains that he is focusing mainly on Armenia internally, to
break down the existent layers of bureaucracy in order to make it
more attractive to foreign investors.

While within its borders, Armenia seems to be on track for
growth, global relations will make it a challenge to reach its
potential, because of its place on the Caucasian chessboard of
socio-political turmoil. Its unfortunate positioning is a sad irony
for a country that remains top of the world at chess.

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