

PREFACE

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The publication of **the first National Competitiveness Report of Armenia** comes in an important phase for the Armenian economy, when the Government of Armenia has launched the process of economic policy reprioritization and the implementation of *next generation reforms*. The report presents a comprehensive profile of the Armenian economy under the framework of competitiveness – assessing both the current competitiveness state of the country and the possible improvement options in the context of the global economy.

Armenia has achieved significant progress in terms of improved macroeconomic fundamentals and business environment conditions. However, the country is still lagging behind its peers in the vital spheres of infrastructure conditions, education system, efficiency of financial systems, technological readiness, business sophistication level and innovations. Of note, the sophistication of these spheres is a prerequisite for the development of a knowledge based and innovative economy, set as the prime target by the Government of Armenia.

The report highlights various issues of Armenian economic strategy, such as the definition of Armenia's value proposition to the world, the deployment of key levers of breakthrough, and the establishment of priority areas and sectors of economy. Along with the adoption of a long-term development strategy, it is necessary to undertake actions for a quick improvement of the country's competitiveness state which will serve to bolster the level of motivation and trust towards the long-term strategic developments.

I hope that the National Competitiveness Report of Armenia will make its unique contribution to the vital processes of the *next generation reforms* of Armenia and the advancement of the concept of competitiveness in the country. I believe that the Report will facilitate the dialogue on strategic development issues of the country among all the stakeholders, aiming to develop a common vision of the country's development and to consolidate efforts towards increasing the prosperity of our country.

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Professor Michael E. Porter Harvard University

Competitiveness has become a central preoccupation of both advanced and developing countries in an increasingly open and integrated world economy. This first *National Competitiveness Report of Armenia* is a strong sign that Armenia is getting serious about competitiveness and about developing a true strategy for economic development. The ultimate beneficiaries will be the citizens of Armenia, through the opportunities that a vibrant economy will open for present and future generations.

Armenia has gone through a turbulent phase after gaining independence from the Soviet Union in 1991. During the last few years the country has begun to achieve attractive rates of economic growth. But, as the *National Competitiveness Report of Armenia* highlights, the macroeconomic factors, remittances, and foreign aid that have driven this growth are neither sustainable nor sufficient to secure future economic growth. Armenia needs to define its position in the regional and global economy, and develop a strategy for improving its microeconomic fundamentals. Doing so will require an objective analysis of Armenia's actual conditions.

The *National Competitiveness Report of Armenia* makes an important contribution to moving the competitiveness debate to a higher and more fact-based level. The Report will provide a useful input to the new National Competitiveness Council of Armenia, a promising new institution within Armenia that has the potential to bring together all the constituencies around a common competitiveness agenda.

I am proud that Yerevan State University, where the main author of this Report teaches a curriculum on competitiveness and economic development that I originated at Harvard, is a part of a global network of more than 75 universities which are involved in that program. My aspiration is that the universities that comprise this network will do more than just teach, but will become important contributors to competitiveness research and practice in their respective countries. The *National Competitiveness Report of Armenia* represents the type of collaboration between research centers, universities, government, and the private sector that will be necessary if Armenia's economy is to truly flourish.