

THE GLOBAL COMPETITIVENESS REPORT 2005-2006

Manuk Hergnyan
Economy & Values Research Center

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WORLD ECONOMIC FORUM

WEF is a non-profit independent international organization, the activities of which are aimed at the development of entrepreneurship, facilitation of economic progress, and social development.

WEF provides a forum for cooperation between leaders of political, scientific and business circles aimed at improving the state of the world.

WEF Headquarters is located in Geneva, Switzerland.

The annual summit organized by WEF in Davos is one of the world's most representative summits for global political, business and public leaders.

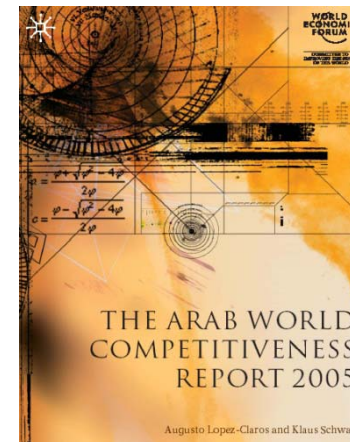
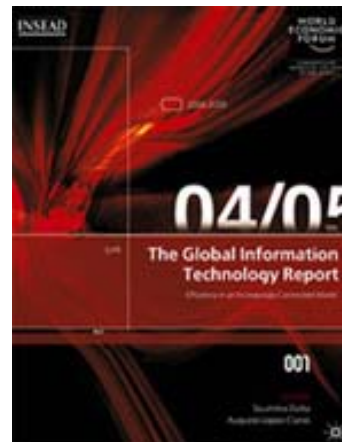
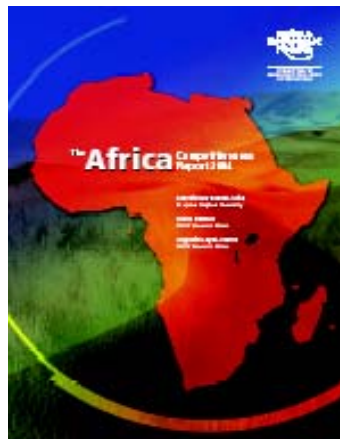
WEF has a number of other programs and initiatives, e.g.

- “Regional summits”
- “WEF in Russia”

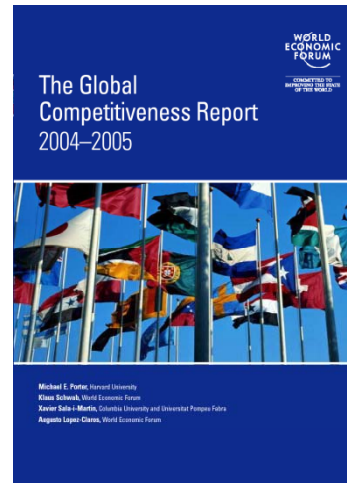
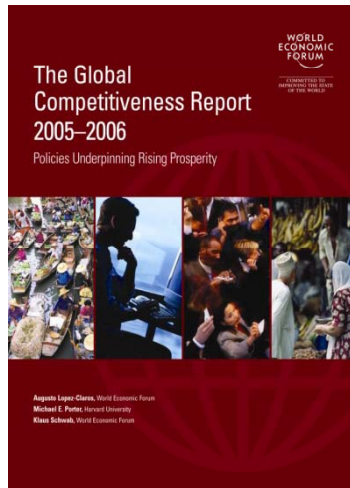
GLOBAL COMPETITIVENESS PROGRAMME

Through its reports and activities the Global Competitiveness Programme of the World Economic Forum identifies impediments to growth and thereby helps stimulate the development of relevant strategies to achieve sustained economic progress.

- Flagship product: “**Global Competitiveness Report**”.
- Preparation and publication of “**Global Information Technology Report**” and **regional and special topic reports**.



THE GLOBAL COMPETITIVENESS REPORT

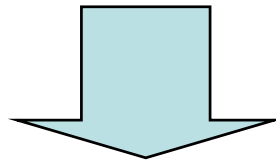


Launched in 1979 covering **16 countries**.

- The Report has since expanded its coverage, in 2004 to **104 countries**. In 2005, this will increase to **117 countries**.
- 2004 marked the **25th Anniversary** of measuring competitiveness.

THE GLOBAL COMPETITIVENESS REPORT

- ▶ The **most comprehensive data set** on competitiveness.
- ▶ Assesses the **comparative strengths and weaknesses** of a large number of economies and factors affecting competitiveness and economic growth.
- Provides with an exceptional **opportunity to make in depth analysis** of the specifics of each economy involved.
- **Multidimensional** analysis of economies.
- Produced in **collaboration with leading academics** worldwide and a global network of **partner (research) institutes**.



Partner Institute of WEF in Armenia is the Economy & Values Research Center. Armenia has been involved in the GCR for the first time.

THE GLOBAL COMPETITIVENESS REPORT

Executive Opinion Survey

- Use of “**hard data**” (publicly available information) and **survey data** (from the Executive Opinion Survey)
- The **Executive Opinion Survey** records the **perspectives of business leaders** around the world; Survey data is indispensable, particularly for variables where no reliable hard data sources exist

Respondents compare their own operating environments with global standards on a wide range of dimensions

THE GLOBAL COMPETITIVENESS REPORT

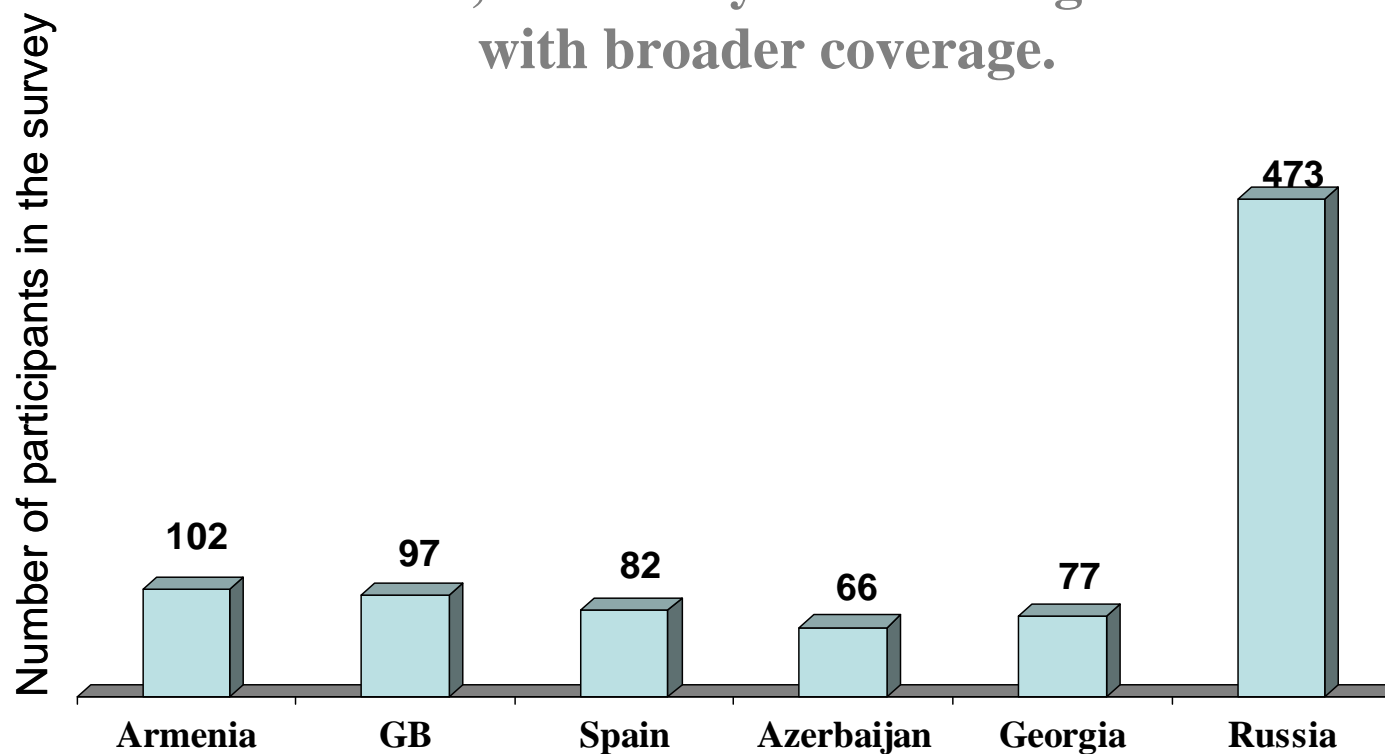
Executive Opinion Survey

- The sample of respondents is carefully selected by the Partner Institute of the WEF in a given country to reflect the **structure of a country's business environment** (i.e. the composition of the sample (in percentage terms)). It is also preferable that the respondent company has international experience.
- The questionnaire is structured around the **main issues affecting the state of an economy's current business environment**.
- **In 2005, the record response rate was over 10,993 responses.**

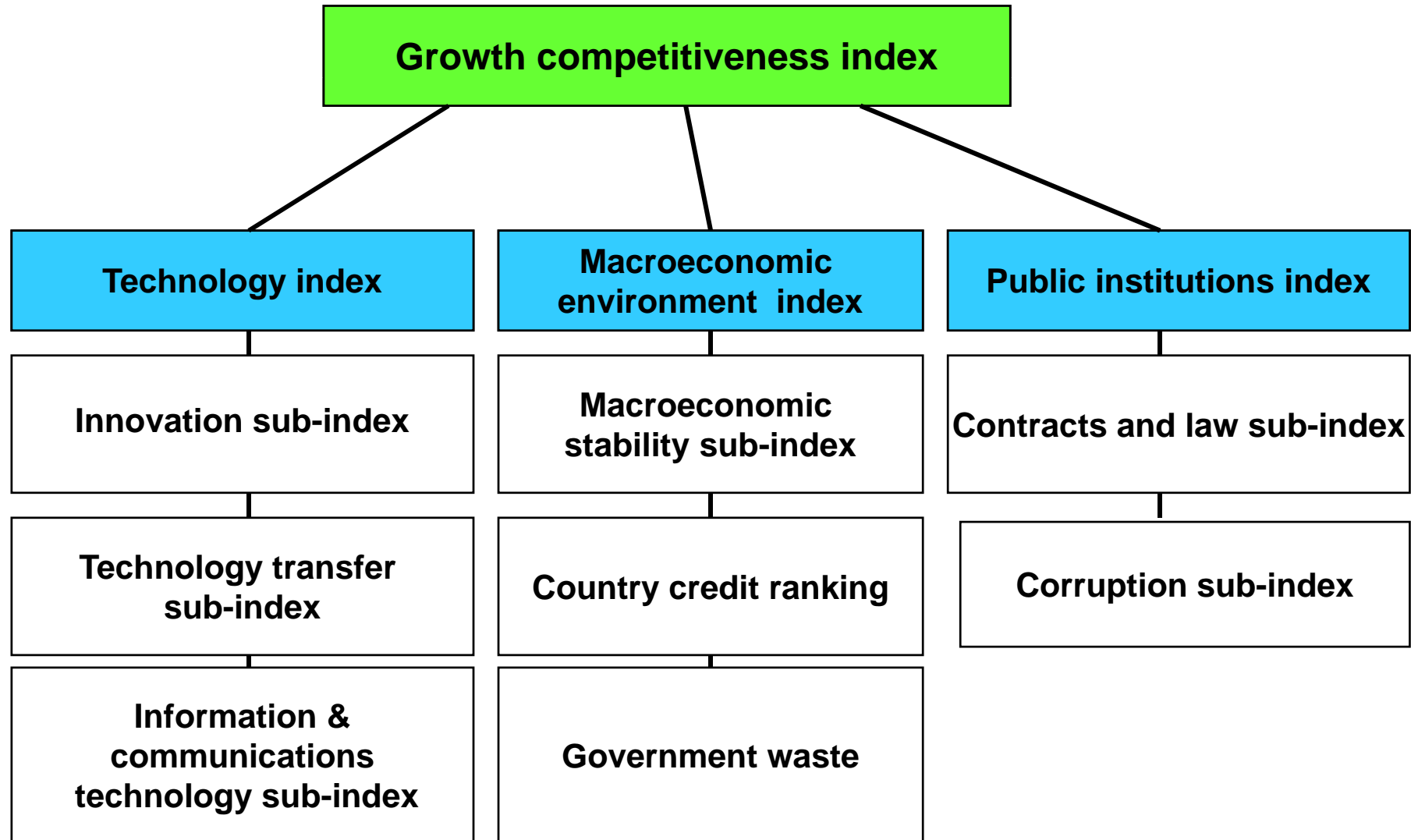
THE GLOBAL COMPETITIVENESS REPORT

Executive Opinion Survey

In Armenia, the survey was well organized and with broader coverage.



THE GROWTH COMPETITIVENESS INDEX



THE GROWTH COMPETITIVENESS INDEX

Top 15 rankings in terms of GCI

Country	GCI 2005 Rank	GCI 2005 Score	GCI 2004 Rank
Finland	1	5.94	1
United States	2	5.81	2
Sweden	3	5.65	3
Denmark	4	5.65	5
Taiwan	5	5.58	4
Singapore	6	5.48	7
Iceland	7	5.48	10
Switzerland	8	5.46	8
Norway	9	5.40	6
Australia	10	5.21	14
Netherlands	11	5.21	12
Japan	12	5.18	9
United Kingdom	13	5.11	11
Canada	14	5.10	15
Germany	15	5.10	13

THE GROWTH COMPETITIVENESS INDEX

Lowest 15 rankings in terms of GCI

Country	GCI 2005 Rank	GCI 2005 Score	GCI 2004 Rank
Ecuador	103	3.01	90
Tajikistan	104	3.01	--
Malawi	105	3.00	87
Ethiopia	106	3.00	101
Madagascar	107	2.95	96
East Timor	108	2.93	--
Zimbabwe	109	2.89	99
Bangladesh	110	2.86	102
Cameroon	111	2.84	--
Cambodia	112	2.82	--
Paraguay	113	2.80	100
Benin	114	2.74	--
Guyana	115	2.73	--
Kyrgyz Republic	116	2.62	--
Chad	117	2.37	104

THE GROWTH COMPETITIVENESS INDEX

CIS Countries

Country	GCI 2005 Rank	GCI 2005 Score	GCI 2004 Rank
Kazakhstan	61	3.77	--
Azerbaijan	69	3.64	--
Russian Federation	75	3.53	70
Armenia	79	3.44	--
Moldova	82	3.37	--
Ukraine	84	3.30	86
Georgia	86	3.25	94
Tajikistan	104	3.01	--
Kyrgyz Republic	116	2.62	--

THE GROWTH COMPETITIVENESS INDEX

Technology index

Country	Rank	Score
United States	1	6.19
Finland	2	6.02
Taiwan	3	5.85
Sweden	4	5.78
Denmark	5	5.30
Switzerland	6	5.29
Korea, Rep	7	5.26
Japan	8	5.24
Iceland	9	5.16
Singapore	10	4.93
Netherlands	11	4.88
Israel	12	4.87
Norway	13	4.87
Australia	14	4.82
Canada	15	4.79
Germany	16	4.78
United Kingdom	17	4.66
Estonia	18	4.62

THE GROWTH COMPETITIVENESS INDEX

Technology index

CIS Countries	Rank	Score
Russian Federation	73	3.01
Kazakhstan	77	2.99
Georgia	84	2.84
Ukraine	85	2.82
Azerbaijan	87	2.79
Moldova	89	2.76
Armenia	94	2.69
Tajikistan	104	2.52
Kyrgyz Republic	113	2.34

THE GROWTH COMPETITIVENESS INDEX

Technology index

	Technology index		Innovation sub-index		ICT sub-index		Technology transfer sub-index	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
CIS Countries								
Russian Federation	73	3,01	29	3,41	62	2,43	70	3,92
Kazakhstan	77	2,99	41	2,79	74	2,24	72	3,81
Georgia	84	2,84	60	2,38	87	2,03	64	4,05
Ukraine	85	2,82	33	3,19	79	2,17	62	4,08
Azerbaijan	87	2,79	81	2,05	78	2,21	90	2,91
Moldova	89	2,76	74	2,19	72	2,27	78	3,59
Armenia	94	2,69	71	2,21	97	1,88	76	3,66
Tajikistan	104	2,52	89	1,85	92	1,91	81	3,56
Kyrgyz Republic	113	2,34	63	2,36	90	1,91	79	3,57

THE GROWTH COMPETITIVENESS INDEX

Public institutions index

Country	Rank	Score
New Zealand	1	6,35
Denmark	2	6,35
Iceland	3	6,33
Singapore	4	6,25
Finland	5	6,19
Norway	6	6,13
Luxembourg	7	6,08
Germany	8	6,04
Switzerland	9	6,02
Australia	10	6,01
Austria	11	6,00
United Kingdom	12	5,98
Ireland	13	5,93
Japan	14	5,84
Portugal	15	5,83
Netherlands	16	5,83
Sweden	17	5,82
United States	18	5,77

THE GROWTH COMPETITIVENESS INDEX

Public institutions index

CIS Countries	Rank	Score
Moldova	63	4,20
Armenia	66	4,11
Azerbaijan	67	4,09
Kazakhstan	76	3,89
Georgia	87	3,65
Ukraine	90	3,56
Russian Federation	91	3,55
Tajikistan	101	3,33
Kyrgyz Republic	115	2,89

THE GROWTH COMPETITIVENESS INDEX

Public institutions index

CIS Countries	Public institutions index		Contracts and law sub-index		Corruption sub-index	
	Rank	Score	Rank	Score	Rank	Score
Moldova	63	4,20	93	3,12	47	5,28
Armenia	66	4,11	72	3,51	61	4,70
Azerbaijan	67	4,09	61	3,75	72	4,44
Kazakhstan	76	3,89	71	3,56	81	4,23
Georgia	87	3,65	84	3,25	87	4,04
Ukraine	90	3,56	105	2,87	79	4,26
Russian Federation	91	3,55	109	2,78	76	4,33
Tajikistan	101	3,33	76	3,46	110	3,20
Kyrgyz Republic	115	2,89	112	2,71	112	3,07

THE GROWTH COMPETITIVENESS INDEX

Macroeconomic environment index

Country	Rank	Score
Singapore	1	5,82
Norway	2	5,76
Denmark	3	5,64
Finland	4	5,52
United Arab Emirates	5	5,43
Qatar	6	5,40
Ireland	7	5,38
Hong Kong	8	5,34
Luxembourg	9	5,30
Netherlands	10	5,26
Iceland	11	5,24
Sweden	12	5,24
Switzerland	13	5,23
Australia	14	5,21
Chile	15	5,20
Canada	16	5,16
United States	23	5,07

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Macroeconomic environment index

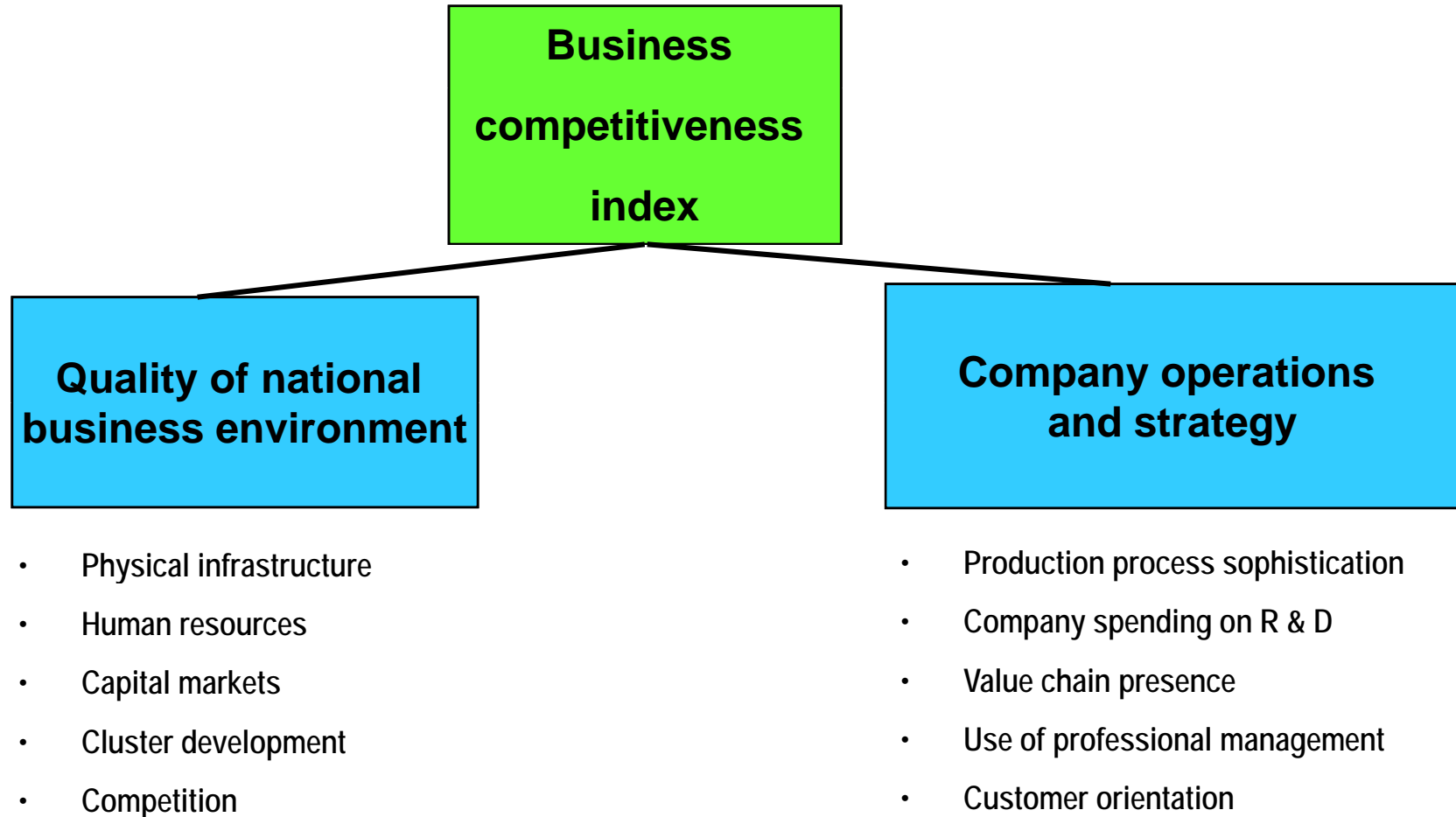
CIS Countries	Rank	Score
Kazakhstan	41	4,42
Russian Federation	58	4,02
Azerbaijan	56	4,05
Armenia	77	3,53
Ukraine	78	3,52
Georgia	90	3,25
Tajikistan	95	3,17
Moldova	96	3,14
Kyrgyz Republic	115	2,62

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Macroeconomic environment

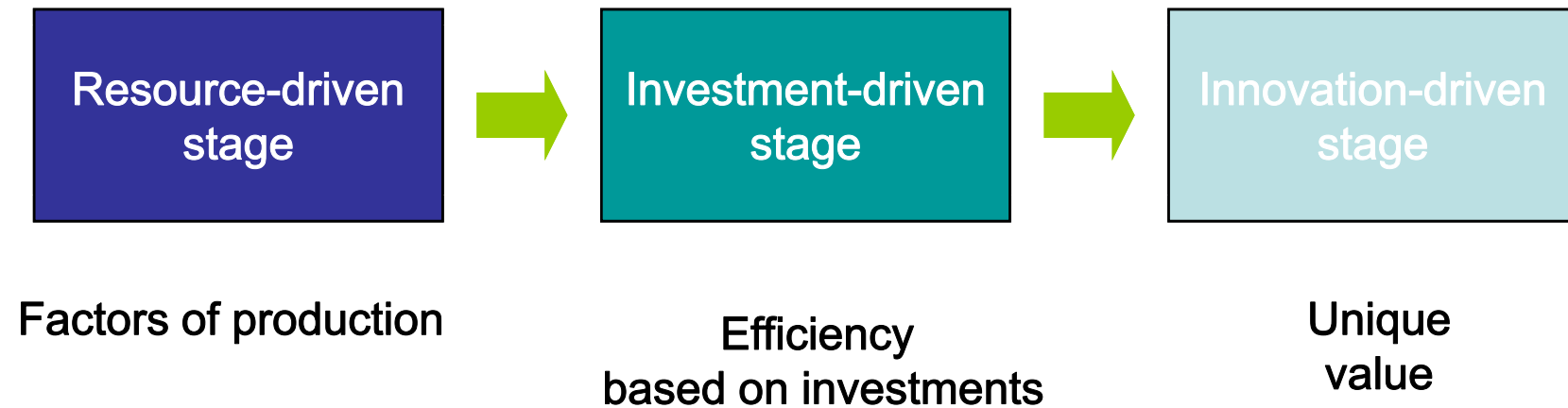
	Macroeconomic environment index		Macroeconomic stability sub-index		Government waste sub-index		Country credit ranking	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
CIS Countries								
Kazakhstan	41	4,42	24	5,06	39	3,60	57	3,95
Azerbaijan	56	4,05	18	5,13	57	3,19	78	2,74
Russian Federation	58	4,02	42	4,65	93	2,59	54	4,19
Armenia	77	3,53	55	4,52	63	3,12	98	1,97
Ukraine	78	3,52	69	4,31	96	2,54	76	2,92
Georgia	90	3,25	74	4,23	69	2,96	111	1,58
Tajikistan	95	3,17	72	4,28	71	2,91	116	1,19
Moldova	96	3,14	75	4,22	80	2,75	115	1,39
Kyrgyz Republic	115	2,62	114	3,25	107	2,30	109	1,67

THE BUSINESS COMPETITIVENESS INDEX



THE BUSINESS COMPETITIVENESS INDEX

Stages of competitive development



THE BUSINESS COMPETITIVENESS INDEX

Top 15 rankings in terms of BCI

Country	BCI Ranking								2004 GDP per Capita (PPP adjusted)
	2005	2004	2003	2002	2001	2000	1999	1998	
United States	1	1	2	1	2	2	1	1	39 498
Finland	2	2	1	2	1	1	2	2	29 305
Germany	3	3	5	4	4	3	6	4	28 889
Denmark	4	7	4	8	8	6	7	8	33 089
Singapore	5	10	8	9	9	9	12	10	26 799
United Kingdom	6	6	6	3	7	8	10	5	28 968
Switzerland	7	5	7	5	5	5	5	9	31 690
Japan	8	8	13	11	10	14	14	18	29 906
Netherlands	9	9	9	7	3	4	3	3	29 253
Austria	10	16	17	12	11	13	11	16	31 406
France	11	12	10	15	13	15	9	11	27 913
Sweden	12	4	3	6	6	7	4	7	28 205
Canada	13	15	12	10	12	11	8	6	32 921
Taiwan	14	17	16	16	21	21	19	20	25 614
Australia	15	13	11	14	14	10	13	15	29 682

THE BUSINESS COMPETITIVENESS INDEX

	BCI Rank	Quality of national business environment	Company operations and strategy
Country	2005	2005	2005
United States	1	2	1
Finland	2	1	9
Germany	3	4	2
Denmark	4	3	4
Singapore	5	5	14
United Kingdom	6	6	6
Switzerland	7	7	5
Japan	8	10	3
Netherlands	9	8	8
Austria	10	9	11
France	11	11	10
Sweden	12	14	7
Canada	13	13	18
Taiwan	14	15	13
Australia	15	12	23

THE BUSINESS COMPETITIVENESS INDEX

	BCI Rank	Quality of national business environment	Company operations and strategy
Country	2005	2005	2005
Kazakhstan	62	72	60
Russian Federation	74	75	72
Ukraine	75	77	70
Azerbaijan	77	74	80
Armenia	88	87	90
Moldova	93	90	94
Georgia	96	94	95
Tajikistan	102	107	100
Kyrgyz Republic	108	92	111

THE BUSINESS COMPETITIVENESS INDEX

	High income countries	Middle income countries	Low income countries
	UNDERPERFORMERS		
Competitiveness (measured by BCI) would support higher per capita income	Germany	Malaysia	India
	Finland	Jordan	Ghana
	Singapore	Tunisia	Kenya
	New Zealand	South Africa	Nigeria
	United Kingdom	Thailand	Indonesia
	Taiwan	Chile	Pakistan
	Israel	Jamaica	Tanzania
		El Salvador	Vietnam
		China	Malawi
		Egypt	Sri Lanka
		Estonia	Zimbabwe
		Turkey	Azerbaijan
		Philippines	Madagascar
		Brazil	Mozambique
		Colombia	Gambia
		Morocco	Tajikistan
		Moldova	

THE BUSINESS COMPETITIVENESS INDEX

	High income countries	Middle income countries	Low income countries
	Neutral countries		
Competitiveness (measured by BCI) and per capita income are balanced	France	Panama	Bangladesh
	Denmark	Kazakhstan	Mongolia
	Netherlands	Peru	Georgia
	Japan	Costa Rica	Ethiopia
	Korea, Rep.	Namibia	Armenia
	Sweden	Ukraine	Kyrgyz Republic
	Switzerland	Romania	Cambodia
	Czech Republic	Hungary	Honduras
	Austria	Lithuania	Nicaragua
		Poland	
		Serbia and Montenegro	
		Latvia	
		Botswana	
		Guatemala	
	Mexico		

THE BUSINESS COMPETITIVENESS INDEX

	High income countries	Middle income countries	Low income countries
	OVERPERFORMERS		
Per capita income is high relative to competitiveness (measured by BCI)	Australia	Venezuela	Bolivia
	Portugal	Uruguay	Ecuador
	Belgium	Bosnia and Herzegovina	
	United States	Mauritius	
	Slovenia	Bulgaria	
	Spain	Slovak Republic	
	Hong Kong SAR	Macedonia, FYR	
	Canada	Guyana	
	Cyprus	Algeria	
	Ireland	Russian Federation	
	Iceland	Croatia	
	Greece	Albania	
	Malta	Paraguay	
	United Arab Emirates	Dominican Republic	
	Bahrain	Argentina	
	Italy	Kuwait	
Norway	Trinidad and Tobago		
Qatar			

THE GLOBAL COMPETITIVENESS INDEX

- Over the past two years, working with Professor Xavier Sala-i-Martin (Columbia University) to produce a new comprehensive index: the **Global Competitiveness Index**.
- It unifies the two indexes (BCI and GCI): to assess both the macroeconomic and microeconomic determinants of competitiveness in one index.
- Competitiveness defined as “the set of institutions, policies and factors that set the **sustainable current and medium term levels of economic prosperity**”.

THE GLOBAL COMPETITIVENESS INDEX



Firms **compete in prices**, taking advantage of cheap factors

Efficient production practices to increase productivity

Economies need to produce innovative products using sophisticated production methods

Different weights given for the pillars depending on which stage a country is in.

THE GLOBAL COMPETITIVENESS INDEX

9 pillars of competitiveness

Basic requirements sub-index (Stage 1. Resource-driven)

1. Institutions
2. Infrastructure
3. Macroeconomy
4. Health and primary education

Efficiency enhancers sub-index (Stage 2. Efficiency-driven)

5. Higher education and training
6. Market efficiency (goods, labor, financial)
7. Technological readiness

Innovation and sophistication factors sub-index (Stage 3. Innovation-driven)

8. Business sophistication
9. Innovation

THE GLOBAL COMPETITIVENESS INDEX

Weights assigned to pillars (sub-indexes)

Stage	Basic requirements	Efficiency enhancers	Innovation and sophistication factors
Resource-driven stage	50%	40%	10%
Efficiency-driven stage	40%	50%	10%
Innovation-driven stage	30%	40%	30%

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Development stages

Classification by stages is done based on GDP per capita

Stage1	Stage 2	Stage 3
<\$2,000	\$3,000-\$9,000	> \$17,000
Armenia, India, Vietnam	Chile, Poland, Turkey	USA, UAE, Singapore

Countries with the level of GDP per capita above the threshold levels are considered to be countries in transition.

Transition 1-2	Transition 2-3
\$2000-\$3000	\$9,000-\$17,000
Kazakhstan, Albania, Tunisia	Bahrain, Korea (Rep.), Taiwan

Armenia is in the 1-st stage of development.

THE GLOBAL COMPETITIVENESS INDEX

Overall Index			Three sub-indexes					
			Basic requirements		Efficiency enhancers		Innovation factors	
Country Name	Rank	Score	Rank	Score	Rank	Score	Rank	Score
United States	1	5.85	18	5.61	1	5.85	1	6.07
Finland	2	5.73	2	6.05	5	5.54	5	5.68
Denmark	3	5.73	1	6.15	3	5.60	7	5.47
Switzerland	4	5.67	6	5.91	7	5.44	4	5.73
Singapore	5	5.67	3	6.05	2	5.70	14	5.24
Germany	6	5.56	8	5.79	19	5.16	3	5.86
Sweden	7	5.55	7	5.80	9	5.40	6	5.50
Taiwan	8	5.52	19	5.60	6	5.50	8	5.44
United Kingdom	9	5.51	17	5.63	4	5.56	11	5.33
Japan	10	5.50	25	5.43	17	5.19	2	5.98
Netherlands	11	5.39	9	5.77	16	5.21	12	5.26
France	12	5.39	16	5.65	18	5.18	9	5.41
Canada	13	5.39	11	5.73	11	5.32	16	5.14
Hong Kong SAR	14	5.35	4	5.98	12	5.29	21	4.80
Austria	15	5.34	14	5.67	21	5.15	13	5.25

THE GLOBAL COMPETITIVENESS INDEX

Overall Index			Three sub-indexes					
			Basic requirements		Efficiency enhancers		Innovation factors	
Country Name	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Uganda	103	3.36	107	3.67	96	3.00	86	3.18
Kyrgyz Republic	104	3.35	106	3.69	92	3.08	109	2.75
Tanzania	105	3.35	103	3.75	105	2.90	88	3.16
Benin	106	3.33	100	3.88	111	2.73	100	2.94
Madagascar	107	3.30	102	3.75	109	2.79	95	3.07
Guyana	108	3.27	111	3.64	102	2.93	110	2.75
Gambia, The	109	3.26	110	3.64	106	2.90	108	2.78
Zimbabwe	110	3.25	113	3.43	93	3.05	87	3.17
Cambodia	111	3.20	104	3.71	114	2.71	113	2.61
Mozambique	112	3.17	112	3.61	113	2.71	106	2.86
East Timor	113	3.09	109	3.66	115	2.55	117	2.39
Malawi	114	3.08	114	3.31	108	2.80	99	2.97
Mali	115	2.94	116	3.08	112	2.72	91	3.13
Ethiopia	116	2.85	115	3.19	116	2.48	111	2.67
Chad	117	2.65	117	3.03	117	2.22	116	2.50

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Overall Index			<u>Three sub-indexes</u>					
			Basic requirements		Efficiency enhancers		Innovation factors	
Country Name	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Kazakhstan	51	4.17	51	4.66	56	3.83	58	3.59
Russian Federation	53	4.10	60	4.53	53	3.87	66	3.53
Azerbaijan	62	4.04	48	4.71	79	3.33	64	3.55
Ukraine	68	3.97	74	4.32	64	3.64	60	3.59
Armenia	81	3.75	80	4.20	82	3.29	80	3.35
Georgia	86	3.61	88	4.05	88	3.23	103	2.94
Moldova	89	3.58	93	3.98	89	3.22	96	3.05
Tajikistan	92	3.53	85	4.11	99	2.96	102	2.94
Kyrgyz Republic	104	3.35	106	3.69	92	3.08	109	2.75

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Basic requirements										
Basic requirements			1. Institutions		2. Infrastructure		3. Macroeconomy		4. Health and primary education	
Country Name	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Armenia	80	4.20	77	3.40	95	2.57	70	4.31	75	6.52
Azerbaijan	48	4.71	67	3.61	51	3.73	12	5.44	92	6.05
Georgia	88	4.05	82	3.32	83	2.76	87	4.07	91	6.06
Kazakhstan	51	4.66	64	3.65	62	3.54	26	5.10	83	6.37
Kyrgyz Republic	106	3.69	109	2.85	106	2.31	115	3.03	71	6.58
Moldova	93	3.98	94	3.12	78	2.94	80	4.21	102	5.65
Russian Federation	60	4.53	104	2.94	53	3.71	36	4.81	60	6.65
Tajikistan	85	4.11	81	3.32	99	2.45	71	4.29	81	6.39
Ukraine	74	4.32	92	3.13	58	3.63	65	4.36	90	6.16

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Efficiency enhancers

	Efficiency enhancers		5. Higher education and training		6. Market efficiency		7. Technological readiness	
Country Name	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Armenia	82	3.29	67	3.80	93	3.52	91	2.56
Azerbaijan	79	3.33	78	3.62	87	3.60	79	2.77
Georgia	88	3.23	80	3.60	83	3.69	100	2.41
Kazakhstan	56	3.83	52	4.17	52	4.20	61	3.12
Kyrgyz Republic	92	3.08	75	3.69	92	3.52	115	2.03
Moldova	89	3.22	82	3.55	89	3.56	92	2.55
Russian Federation	53	3.87	34	4.69	65	4.04	74	2.87
Tajikistan	99	2.96	97	3.06	104	3.40	101	2.41
Ukraine	64	3.64	41	4.46	73	3.87	87	2.58

THE GLOBAL COMPETITIVENESS INDEX

Innovation factors						
Innovation factors			8. Business sophistication		9. Innovation	
Country Name	Rank	Score	Rank	Score	Rank	Score
Armenia	80	3.35	81	3.69	73	3.01
Azerbaijan	64	3.55	71	3.89	53	3.21
Georgia	103	2.94	106	3.16	93	2.72
Kazakhstan	58	3.59	63	4.03	59	3.16
Kyrgyz Republic	109	2.75	100	3.28	113	2.23
Moldova	96	3.05	97	3.33	92	2.76
Russian Federation	66	3.53	77	3.78	49	3.29
Tajikistan	102	2.94	108	3.12	91	2.77
Ukraine	60	3.59	68	3.97	54	3.21

ARMENIA

Growth Competitiveness Index **79**

Technology Index **94**

Innovation sub-index 71

Information and communications technology sub-index 97

Technology transfer sub-index 70

Macroeconomic Environment Index **77**

Macroeconomic stability sub-index 55

Country credit ranking 98

Government waste 63

Public Institutions Index **66**

Corruption sub-index 61

Contracts and law sub-index 72

Business Competitiveness Index **86**

Quality of national business environment **88**

Company strategy and operations **86**

ARMENIA

Most problematic factors for businesses



ARMENIA

Notable competitive advantages

Growth competitiveness index

Macroeconomic environment

Real effective exchange rate, 2004	28
Recession expectations	29
Government debt, 2004	30
Access to credit /compared to the previous year/	32
Budget surplus/deficit, 2004	45

Public institutions

Organized crime	38
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Technology

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Notable competitive advantages

Business competitiveness index

Sophistication of company operations and strategy	86
Nature of competitive advantage	41
Capacity for innovation	47
Value chain presence	48
Quality of national business environment	
Availability of scientists and engineers	25
Cooperation in labor-employer relations	28
Quality of math and science education	36
Other indicators	
Ease of hiring foreign labor	1
Hiring and firing practices	12
Business costs of crime and violence	29
Prioritization of energy efficiency	31
Flexibility of wage determination	31
Pay and productivity	32
Agricultural policy costs	39
Private sector employment of women	45
Impact of rules on FDI	45

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Notable competitive disadvantages

Growth competitiveness index

Macroeconomic environment

Interest rate spread, 2004	104
Country credit ranking, 2004	98
Inflation, 2004	87
Government waste	63
National savings rate, 2004	63

Public institutions

Judicial independence	108
Favoritism in decisions of government officials	102
Irregular payments in tax collection	67
Irregular payments in exports and imports	66
Property rights	65
Irregular payments in public utilities	56

Armenia

Notable competitive disadvantages

Growth competitiveness index

Technology

Quality in competition in the ISP sector	109
Cellular telephones, 2003	103
Prevalence of foreign technology licensing	103
Internet access in schools	100
Technological readiness	96
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Notable competitive disadvantages

Business competitiveness index

Sophistication of company operations and strategy 86

Extent of marketing 107

Reliance on professional management 105

Prevalence of foreign technology licensing 99

Quality of national business environment

Port infrastructure quality 109

Decentralization of corporate activity 108

Intensity of local competition 107

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Notable competitive disadvantages

Other factors

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Financial market sophistication	110
Effects of privatization on competition and the environment	109
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Key Conclusions



Macroeconomy

Armenia recorded certain success in creating predictable macroeconomic environment. However, in terms of competitiveness there are serious disadvantages whose negative impact on economic growth will be visible in midterm perspective (3-5 years).

Armenia has most serious and fundamental competitive disadvantages in microeconomic realm



Microeconomy

Various key components of business environment, which are critical for value creation activities, hamper formation of competitive advantages. Armenian companies lag behind in strategy and business operations.

Key Conclusions

Breaking of some stereotypes

Corruption is the most serious challenge for businesses.

Armenia holds a leading place with her macroeconomic environment.

The major problems of economy are connected with the government/state.

Key Conclusions

- **Institutions, macroeconomic environment, basic education/healthcare and infrastructures are considered to be fundamental drivers of economy in the current stage of Armenia's development.**



Driving force -
government

- **Armenia's development in the next stage depends on the quality of higher education / vocational training, creation of efficient operation mechanisms of the 3 main markets (goods, labor and financial), as well as the availability of modern technologies**

- Efficient government
- Effective antitrust policy
- Development of financial markets
- Increasing the quality of management and decision-making in companies
- Availability of ICT



Driving force -
public/private
partnership

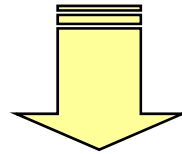
- **Becoming a competitive nation will depend on adoption of most sophisticated managerial tools and ability of companies to innovate**

- Creation of full value chain activities
- Exploitation of marketing tools / branding
- Protection of intellectual property rights
- Government's role in providing proper IT infrastructure
- Engagement of professional managers in businesses

Driving force -
private sector

Economy & Values Research Center

VISION



**Value-driven
competitive
Armenia**

Economy & Values Research Center

Organization Capabilities

Competitiveness

Strategy

Value-driven
entrepreneurship

Selected Projects

- Teaching Harvard Professor Michael Porter's course on **Microeconomics of Competitiveness** at Yerevan State University.
 - Developing Armenia-specific business **case studies** in association with **Harvard Business School**.
- *Armenia: Diaspora-Assisted Growth*
 - *The Story of the Emerging IT Cluster in Armenia*
- Research
 - Studying the role of the **Diaspora**-connected Foreign Direct **Investments**
 - **Ethical values in business**
- **Economy & Values** discussions forum
- The **Competitive Armenian Private Sector**, a USAID-funded project; E&V Center as a local subcontractor for Nathan Associates Inc.
- Teamed up with Setrakian Financial Group, a NY-based investment company, **to raise capital** for small and medium sized companies in their growth stage

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