

Economy and Values Research Center

Yerevan, October 31, 2007

Press Release

In compliance with Global Competitiveness Report Armenia ranks 93rd among 131 countries

Economy and Values Research Center being a partner organization of Global Competitiveness Network (GCN) of World Economic Forum (WEF) provides the summary of the data published in the Global Competitiveness Report for 2007-2008.

GCR is a world-famous and authoritative annual journal providing the comparison, evaluation and analysis of the **economic competitiveness** of various countries and factors effecting their **economic growth**. The report first published in 1979 presents the analysis of competitiveness of economies of 131 countries today. Armenia is presented in GCR for the third time already.

GCR summarizes its analyses and classifies the countries being compared by two main indexes: **Global Competitiveness Index (GCI) and Business Competitiveness Index (BCI)**. GCI which is the main index of the report is a comprehensive index based on **110 factors or subindexes**. The 110 indexes are in their turn grouped by **12 pillars of competitiveness** (see table). It summarizes the analysis of such factors as the macroeconomic performance, institutional development, health care and education, business sophistication and innovation etc. **BCI mostly** focuses on the **microeconomic performance** of countries covering factors related to business environment and business sophistication.

The GCR analysis and comparisons are based on: a) official statistics of the countries as well as those published by international institutions and b) data from the survey among managers of trade organizations representing various branches of economy in the countries analyzed.

GCR results for 2007-2008

This year more countries are included in GCR as compared with the last year with the overall number of countries being 131 versus 125. This year GCR includes new six countries (Libya, Syria, Saudi Arabia, Oman, Uzbekistan, Puerto Rico), while Serbia and Montenegro are represented separately. This year's GCR has used elaborated methodology: the purpose of the modifications was to take due consideration of the international experience and developments in economics.

In compliance with GCI of GCR the first three most competitive countries are USA, Switzerland and Denmark. The next countries in the list of the first ten most competitive ones are Sweden, Germany, Finland, Singapore, Japan, Great Britain and the Netherlands.

As classified by GCR Armenia ranks 93rd among 131 countries with its competitiveness instead of 82nd of previous year (among 125 countries).

Among CIS countries Armenia ranks higher than Moldova, Tajikistan and Kyrgyz Republic but lower than the others due to GCI classification.

Armenia continues to be comparatively well positioned in terms of macroeconomic stability (57th) as it used to be with the low level of inflation as well as moderate public debt against GDP playing a significantly positive role in this.

Armenia ranks comparably higher in terms of labor market effectiveness as well (40th) with one of the factors positively effecting this position being the liberalization and flexibility of employer-employee relations. Armenia, however, ranks considerably lower in the labor force market in terms of its efficient use of mental capacities and talent and, in particular, reliance on professional management.

Armenia's results in GCR for 2007-2008 due to 12 pillars of competitiveness are provided in the table below.

Armenia's results by GCR 12 pillars of competitiveness

GCR 12 pillars	Armenia's position among 131
----------------	------------------------------

		countries
1	Institutions	96
2	Infrastructure	87
3	Macroeconomic Stability	57
4	Health and Primary Education	99
5	Secondary and higher education and training	95
6	Goods market efficiency	104
7	Labor market efficiency	40
8	Financial market sophistication	110
9	Technological readiness	104
10	Market size	111
11	Business Sophistication	115
12	Innovation	94

However, contrary to favorable position in terms of macroeconomic performance Armenia ranks 108 instead of 91 of last year among 127 countries by BCI thus positioning itself lower than the majority of countries in terms of its microeconomic performance, business environment effectiveness and business sophistication.

Armenia is the last but one among CIS countries by BCI classification being ahead of Kyrgyz Republic only. The main conclusion drawn from this year's as well as last year's indexes is that improvement of business environment and sophistication of business become more and more vital from the point of view of strengthening Armenia's competitiveness at the current stage of development when it has a comparatively favorable microeconomic environment.

GCR results allow us to conclude that the key challenges for both public and private sectors in terms of strengthening and stable development of Armenia's competitiveness in microeconomic sphere are as follows: a) simplicity and low level of business strategies and functions, b) inadequate development of private institutions, c) a number of business environment issues, such as weak financial market, small local market and unfair competition in this small market, administrative complications, which are connected with inefficient enforcement of laws, inadequate independence of judicial system and sponsorship, d) inadequate higher education and retraining systems, e) weak cooperation between businessmen and business supporting institutions and f) small size of external markets g) low level of innovation.

More detailed materials on Armenia in GCR may be found at the web site of Economy and Values Research Center: <http://www.ev.am/global.htm>

Armenia Competitiveness Report

Economy and Values Research Center has initiated the development of Armenia Competitiveness Report, which will provide a comprehensive picture of competitiveness of Armenian economy will identify the main challenges of the sphere and their mid-term and long-term impact on the development of the country and will outline the key levers contributing to the improvement of Armenia's competitiveness position. The Report is planned to be published in December 2007.

Economy and Values Research Center is a think tank studying competitiveness, which seeks to introduce new concepts of development through high level international contacts and a network of qualified analysts and consultants.

Economy and Values Research Center being a partner organization of Global Competitiveness Network (GCN) of World Economic Forum (WEF) participates in the reports prepared by the latter.

Address:

H. Emin 123

Yerevan, 0051

Tel: 010 21 97 40

E-mail: info@ev.am

www.ev.am