

Ways of Foreign Trade Promotion in Republic of Armenia

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Keywords: Republic of Armenia, Republic of Belarus, Republic of Kazakhstan, Russian Federation, European Union, Eurasian Economic Union (EAEU), value-added tax (VAT), GSP, Commonwealth of Independent States (CIS)

Արտաքին առևտրի խթանման ուղիները Հայաստանի Հանրապետությունում

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Ամփոփում: Հաշվի առնելով Հայաստանի Հանրապետության Եվրոպական միության հետ համագործակցության և Եվրասիական տնտեսական միությանը ՀՀ անդամակցությունը առաջնային նշանակություն է ստանում տնտեսական հետևանքների համեմատական վերլուծության աղբյուրների ճիշտ գնահատումը և կիրառումը: Ընդ որում, կարևոր խնդիրներից է ոչ միայն բազմակողմ համագործակցության ընդլայնումը, այլ նաև երկկողմանի հարաբերությունների ընդլայնումը և մաքսային հարցերով փոխօգնության և փոխհամագործակցության հուշագրերի և համաձայնագրերի նախապատրաստման և կնքման միջոցով ավելի սերտ երկկողմանի հարաբերությունների զարգացումը:

Վճռորոշ բառեր՝ Հայաստանի Հանրապետություն, Բելառուսի Հանրապետություն, Ղազախստանի Հանրապետություն, Ռուսաստանի Դաշնություն, Եվրոպական միություն, Եվրասիական տնտեսական միություն, Ավելացված Արժեքի Հարկ, GSP, ԱՊՀ,

Пути стимулирования внешней торговли в Республике Армения

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Резюме: С учётом сотрудничества Республики Армения с Европейским Союзом и членства РА в Евразийском экономическом союзе, точная оценка и применение результатов сравнительного анализа экономических последствий приобретают первостепенное значение. При этом, одной из важных задач является не только расширение многостороннего сотрудничества, но и расширение двусторонних отношений и развитие близких двусторонних отношений посредством подготовки и заключения меморандумов и соглашений о взаимопомощи и сотрудничестве в таможенных вопросах.

Ключевые слова: Республика Армения, Республика Беларусь, Республика Казахстан, Российская Федерация, Европейский союз, Евразийский экономический союз, налог на добавленную стоимость, GSP, СНГ

One of the primary tasks of expanding trade relations with the outer world and increasing goods turnover is the formation of partnership with economic entities, which requires guarantees of confidence by both economic entities and customs authorities, thereby ensuring the interested parties' involvement in drafting and implementing multisectoral reforms.

The formation of a common customs area and of EAEU implies implementation of the following measures:¹

- setting and applying a Common Customs Tariff and jointly adopting and implementing other measures to regulate foreign trade with third countries;

- setting up and employing a common trade regime for third countries;
- establishing and applying a procedure for calculation and distribution of customs duties, other duties of equivalent value, taxes and payments;
- establishing and applying common rules for countries of origin. Among the important tasks of the RA Government and customs authorities is assigning the functions of institute of certifying the countries of origin to the customs authorities. Organizing the process along with the customs clearance procedures at the same government agency requires both international expert assistance and institutional and highly skilled human resources;

¹ <http://www.eurasiancommission.org/>, Eurasian Economic Commission, decision of 2016

- establishing and applying common rules for setting the customs value of goods;
- establishing and employing a common methodology for foreign and mutual trade statistics;
- harmonizing the customs regulation, including establishing and applying common norms of entering goods, customs procedures and collection of customs duties, etc...

Given the necessity for promoting the activities of industrial companies of the EAEU and Eurasian Economic Cooperation Organization (EECO) member-countries, developing and coordinating their cooperation, the Supreme Eurasian Economic Council developed the guidelines for the national industry development policy², which implies:

1. deepening industrial cooperation
2. working out comprehensive measures aimed at development of priority economic sectors
3. applying common approaches to promoting export of certain goods from the EAEU member-countries to third countries
4. developing common mechanisms for industrial companies of the EAEU member-countries to reach the third countries' markets
5. ensuring conditions for establishing joint ventures and associations – also to develop high-technology production and localization
6. forming relevant technological platforms to ensure high-level technological development of the priority sectors
7. scientific and technological cooperation
8. exchanging experience
9. creating conditions for reducing the cost of raw materials used in manufacturing final products in the EAEU member-countries, etc...

Among the opportunities Armenia's membership of EAEU could open up are the following:

EAEU membership would put an end to the collection of export duty in case any of the EAEU member-countries export their products to Armenia. For example, around 60% of Armenia's imports from Russia are liable to import duty. Among the products are oil products, gas, rough diamonds, as well as other staple goods, which will be exempted from export duty after the country is granted EAEU membership.

Besides, Armenia's membership in the EAEU will somewhat delay the collection of VAT on products imported to Armenia from the EAEU member-countries. Specifically, according to the previous law, in importing products from any country economic entities were obliged to pay customs duties, including VAT, within 10 days after importing products. According to the rules currently in effect, the VAT on products imported from the EAEU member-countries is to be paid before the 20th day of the following month from the day of import³.

That is, economic entities will be allowed to effect payments during 20 to 50 days in contrast to the previous 10-day period, which affords them opportunities of more favorable conditions.

Among the positive developments is the fact that Armenia has been granted GSP+ status, which allows the country to export its products to EU member-states. Specifically, in the case of 2/3 of 10 to 11 thousand product items no or very low customs duties will be in effect. None of the EAEU member-countries has even GSP status now. In this respect, Armenia has a relative advantage, which could promote inflow of capital and enable businessmen from EAEU member-countries to carry out their economic activities in Armenia to export the goods produced here to the European market on easy terms, provided Armenia continues enjoying GSP+ status after joining EAEU. It is forecasted that the ratio of current account deficit/GDP will have almost the same behavior. The current account will gradually improve up to 2025 and by the end of planning period will be around

3.8 percent of GDP⁴.

The functions related to border crossing can show an important administrative improvement as well. Specifically, all the customs formalities will be completed in the most simplified way, within the shortest period, which will open up new opportunities for economic entities to export and sell goods produced in Armenia to EAEU member-countries.

In case Armenia joins EAEU, it will have great potential to become a transit country for supplying goods for Russia, like Belarus. Given the fact that Russia is the largest market for Armenia in the region, as well as the current political situation in Russia, Russia can be said to have imposed restrictions on European countries and banned the import of a great number of products from Europe. The fact is, however, that Russia needs the products in question and is unable to meet the demand for

³ RA Law on Value-Added Tax, Article 6.1, 2015

⁴ Armenia Development Strategy for 2014 - 2025 p. 26, https://eeas.europa.eu/sites/eeas/files/armenia_development_strategy_for_2014-2025.pdf

² <http://www.eurasiancommission.org/>, Eurasian Economic Commission, decision of 2016

them with its domestic production. By employing the right economic instruments Armenia could import the products in question and, later, export them to the Russian market without any restrictions – as products enjoying EAEU status, without any tariff or nontariff barriers. It would certainly ensure considerable incomes and quite a large increase in turnover for Armenia.

The following problems may arise while Armenia is an EAEU member⁵

Domestic legislation needs to be brought to conformity with that of the common economic space, particularly with the EAEU legislation, which is time-consuming work requiring a thorough approach. The RA Government also approved the schedule of works to implement the program of measures (roadmap) aimed at Armenia's joining the common economic space of the Republic of Belarus, Republic of Kazakhstan, and the Russian Federation, with most of them completed and others being in progress.

Thus, one of the proposed measures is the study of customs documents and approval of their forms prescribed by the EAEU customs law, the study of the issue of application of the bilateral and multilateral agreements Armenia signed with states that are not EAEU member-countries and their influence on customs administration; analysis of the technical regulation commitments of Armenia as a WTO member-state, as well as of the commitments of Armenia under the international agreements with third countries (including within the CIS framework); if necessary, notifications of amendments to RA statutory acts by the WTO Secretariat, verification of the results of comparative analysis of commitments of the RA and Russian Federation to the WTO and of the initial data; measures to bring the RA customs control methods and order to conformity with the EAEU legislation; study of the information system, techniques and general customs procedures in the EAEU member-states; analysis of issues related to the organization of information exchange between the Customs Service of State Revenue Committee, RA Government, European Economic Commission and the member-states' customs services; analysis of the state of the customs infrastructure on the cross-border controls for goods and vehicles along the RA customs border; in the context of problems of introduction of EAEU technical regulation, training and retraining of the staffs of Armenia's certification bodies and testing laboratories, etc..

The RA foreign economic policy must be brought to conformity with the EAEU member-countries' general policy. Therefore, in the trade with third countries the customs-duty regime effective in the other EAEU member-countries will be in effect in Armenia.

The RA has no common border with the EAEU member-countries, which necessitates the development of a special customs procedure for countries that are not EAEU member-countries. Despite the opinions that it does not cause any problems, with the absence of a common border considered, the program of action provides for negotiations on means of identification.

Along with the adoption of a common legal act (basic law) regulating EAEU activities, a number of other legal acts need to be drafted and adopted to be specifically aimed at resolving the following problems:

1. maximum reduction of indirect effect norms, the provisions related to forms, norms referring to other laws or legal acts, as well as to norms reducing the burden of customs duties for parties to foreign economic relations;
2. ensuring “a green light” for export and import of high-tech products;
3. creating conditions and mechanisms for effective cooperation between customs authorities and trade partners;
4. analyzing the influence by the customs service and other supervising authorities on the uptrend in trade turnover and business activity. In question is the introduction of advanced technologies in the services and creation of conditions for economic entities to practice online customs filing and provide preliminary information. These procedures will considerably facilitate customs formalities.

Legal and institutional reforms in the customs system will necessitate reequipment and upgrading of the system. One of the most important requirements for prompter examination and accurate classification of goods, effective organization of expert examination of problematic goods and high-quality and effective services to economic entities is availability of laboratories and their proper operation by the customs authorities.

International cooperation could facilitate the simplification and harmonization of customs procedures, exchange of experience. Cooperation inevitably implies the approximation of relevant legal acts to the legislation of international organizations, unions and other partner countries,

⁵ Integration Policy of Armenia, Analytical Pieces, Yerevan 2014, <http://www.ypc.am/upload/Analytical%20Pieces2%20eng.pdf>

which are mainly aimed at facilitating customs procedures, removing barriers and ensuring transparency.

Considering the RA export pattern, one clearly sees that Armenia exports a great amount of unfinished goods. It is common knowledge, for example, that Armenian exports a great amount of iron ore, copper molybdenum and other mine products, mainly to European markets. Armenia also exports a great amount of agricultural produce, especially to EAEU countries. The exports increased in 2016, which is clearly seen from the table⁶.

Armenia imports a great amount of fuel and energy resources, chemical products, and an especially great amount of machinery, equipment and means of transport.

The development of military industry is an imperative for Armenia now, and China's participation in the implementation of Armenia's military industry programs would be effective as well. Such cooperation is in the interests of not only Armenia, but also China, and the reason for the latter's interest is Armenia's membership in EAEU.

In speaking of China, one finds it impossible not to mention the initiatives involving the economic zone of the Silk Road. The creation of the economic zone of the Silk Road meets the interests of China, Armenia and Iran. Armenia could play the role of link between Europe and Asia. Armenia, with its historical experience and as the only EAEU member-country having land frontier with Iran, could implement the Silk Road project and is ready to make its border with Iran serve for establishing communication between Europe and Asia. We should also consider the fact that Russia has no sea border with Iran. Therefore, we should be able to properly assess and present to our partners our potential for establishing Europe-Asia links, show them our identical interests and our ability for teamwork, with the involvement of Russia and China in the projects, as the countries are interested in infrastructural development.

Using the EAEU potential, we, on the other hand, should not restrict ourselves to it. Rather, we should use the potential of the European Union, USA and Iran and act as a link in such projects.

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⁶ *Customs statistics, General indicators, RA foreign trade by products*