

To the President of the Republic of Armenia

Mr. S. Sargsyan

Dear Mr. President,

I am forced to apply to you because historically it is adopted in our country that only presidential institution makes decisions, and all other institutions of the state management system, by virtue of their professional incompetence, provincialism and low level of public thinking are atrophied.

Only this way we can explain the fact that the state system of governance, with a structure in various institutional formation of financial and economic management of the country (Standing Committee on Economy and Finance of the RA National Assembly, Ministries of Finance and Economy, Central Bank with the banking system, the Treasury, various financial economic and antimonopoly formations) on one hand and on the other hand – various international advisers-the International Monetary Fund, structural units of the World Bank and others, not less important structure of foreign accredited economic missions in Armenia – could not keep the majority of the population of the country from the dilemma: “Is it possible to survive in the native homeland or not?”

Let's agree that vague and illogical explanations of the managers at different levels sound absolutely unconvincing, unprofessional and incompetent – that the situation in the currency market is the result of:

- The Global financial and economic crisis;
- Immensely increased demand for goods and products by the public before the New Year;
- The critical situation of the national currency of the Russian Federation;
- Schemes of the speculators seeking short-term gain;
- Baseless panic among the population;
- And other reasons.

The above-mentioned reasons are derived from the following main problems:

- the real segment of the economy – industry is not established in the country;
- monopolized services and wholesale trade are blooming;
- there is no sound financial and economic management.

No one dared to take the responsibility to say that we were facing the the situation in the financial and economic sector for at least the last 6 years.

We hoped that from year to year the volume of private foreign investment will stimulate the retail and service sector, and this will be the base of a sustainable economy. This approach is possible only in transit countries such as Monaco or the Benelux, but not in half blocked Armenia.

In fairness it should be noted that representatives of the highest echelons of the economic sector called for the expansion of small and medium-sized businesses.

If in small business there is some certainty, at least in the field of removal of the tax burden (which is necessary, but it is extremely inadequate, because there is no infrastructure for small businesses, local levies are not eliminated by the bureaucratic class), in the case of medium-sized businesses it is in general confusion.

Usually by medium-sized businesses, we understand those undertakings which in its financial and economic indicators meet certain standards. In global economic practice, the medium-sized businesses successfully developed in those countries in which large businesses developed (Japan, South Korea, Germany, USA, Sweden, and others.). Where large enterprises and industrial conglomerates operate, part of the process is shifted from them to the "shoulders" of medium-sized businesses, to ease their basic tasks. Where the medium-sized business is formed it forms the middle class, which is the main component of the state.

Armenia has no developed industrial sphere (not counting some food industry objects), and thus there will not be branched medium-sized businesses in the economy segment. Instead, there will develop the service sector and the system monopolized retail facilities which, in accordance with regulatory requirements, will apply to the field of medium-sized businesses.

Moreover, analyzing the above average "life expectancy" of small business, it can be argued that this fragment of the economy does not compete monopolized wholesale and retail trade.

The banking system plays a special role in the economic development. It is a powerhouse of the economic activity of the country, but not here. Our banking system led by the National Bank, mainly plays the role of the usurer and no more. In addition to lending on the basis of high interest rates in order to cover losses arising from the planned

"return", the domestic banking system does almost nothing for the targeted strengthening of the economy of the country.

In developed countries, the banking system is involved in the development of promising sectors of the economy, it is a direct contributor to finance long-term economic development. With its set of multi-tools it regulates the financial and economic stability of the country. Due to the banking system the economy of Japan, South Korea, Germany, China and many countries in Western Europe and Asia which were destroyed during the Second World War, revived.

Our banking system is more a "bystander" rather than a regulator.

Taking into consideration the above mentioned, it would be reasonable to create an independent expert commission in the highest level of the governance to study the negative experience of the management of the economy of the country, due to which our country is in such a poor state and seek for ways to take our country out of the crisis and lead to development.

Sincerely,

Levon Nersisyan

Director of A.D. Sakharov Armenian Human Rights Centre