

REGIONAL COMPETITIVENESS – SOUTH CAUCASUS

ARMENIA	AZERBAIJAN	GEORGIA
		

Gia Jandieri

New Economic School - Georgia

South Caucasus Countries

CIA FACTBOOK – General Information

	<u>Armenia</u>	<u>Azerbaijan</u>	<u>Georgia</u>
Area	29,800 sq km	86,600 sq km	69,700 sq km
Climate	highland continental, hot summers, cold winters	dry, semiarid steppe	warm and pleasant; Mediterranean-like on Black Sea coast
Natural resources	small deposits of gold, copper, molybdenum, zinc, bauxite	petroleum, natural gas, iron ore, nonferrous metals, bauxite	forests, hydropower, manganese deposits, iron ore, copper, minor coal and oil deposits; coastal climate and soils allow for important tea and citrus growth
Land use	arable land: 16.78%, permanent crops: 2.01% other: 81.21% (2005)	<i>arable land: 20.62%, permanent crops: 2.61%, other: 76.77% (2005)</i>	<i>arable land: 11.51%, permanent crops: 3.79%, other: 84.7% (2005)</i>
Population	2,971,650	8,120,247	4,646,003 (July 2007 est.)
Population growth rate	-0.129% (2007 est.)	0.688% (2007 est.)	-0.329% (2007 est.)
Birth rate	12.34 births/1,000 population (2007 est.)	17.47 births/1,000 population (2007 est.)	10.54 births/1,000 population (2007 est.)
Infant mortality rate	21.69 deaths/1,000 live births	58.31 deaths/1,000 live births	17.36 deaths/1,000 live births
Life expectancy	72.12 years	65.96 years	76.3 years
GDP (purchasing power parity)	\$16.83 billion (2007 est.)	\$72.2 billion (2007 est.)	\$19.65 billion (2007 est.)

South Caucasus Countries

CIA FACTBOOK – Economies

	<u>Armenia</u>	<u>Azerbaijan</u>	<u>Georgia</u>
GDP - real growth rate	13.7% (2007 est.)	31% (2007 est.)	12% (2007 est.)
GDP - per capita (PPP)	\$5,700 (2007 est.)	\$9,000 (2007 est.)	\$4,200 (2007 est.)
GDP - composition by sector	<i>agriculture: 17.2%, industry: 36.4%, services: 46.4% (2007 est.)</i>	<i>agriculture: 6%, industry: 64%, services: 29.9% (2007 est.)</i>	<i>agriculture: 12.3%, industry: 29.7%, services: 58% (2007 est.)</i>
Labor force - by occupation	<i>agriculture: 46.2%, industry: 15.6%, services: 38.2% (2006 est.)</i>	<i>agriculture: 41%, industry: 7%, services: 52% (2001)</i>	<i>agriculture: 55.6%, industry: 8.9%, services: 35.5% (2006 est.)</i>
Unemployment rate	7.1% (2007 est.)	8.5% official rate (2005 est.)	13.6% (2006 est.)
Population below poverty line	26.5% (2006 est.)	24% (2005 est.)	31% (2006)
Inflation rate (consumer prices)	6.6% (2007 est.)	16% (2007 est.)	11% (2007 est.)
Investment (gross fixed)	30.3% of GDP (2007 est.)	26.9% of GDP (2007 est.)	26.7% of GDP (2007 est.)
Electricity - production	5.941 billion kWh (2006)	23.8 billion kWh (2007 est.)	8.338 billion kWh (2007)
Electricity - consumption	5.454 billion kWh (2006)	27.5 billion kWh (2007 est.)	8.146 billion kWh (2007)
Reserves of foreign exchange and gold	\$1.646 billion (December 2007 est.)	\$4 billion (31 December 2007 est.)	\$1.3 billion (31 December 2007 est.)
Telephones - main lines in use	594,400 (2005)	1.189 million (2006)	544,000 (2007)
Telephones - mobile cellular	318,000 (2005)	3.324 million (2006)	2.4 million (2007)
Televisions	825,000 (1997)	170,000 (1997)	2.57 million (1997)
Internet users	172,800 (2006)	829,100 (2006)	332,000 (2006)

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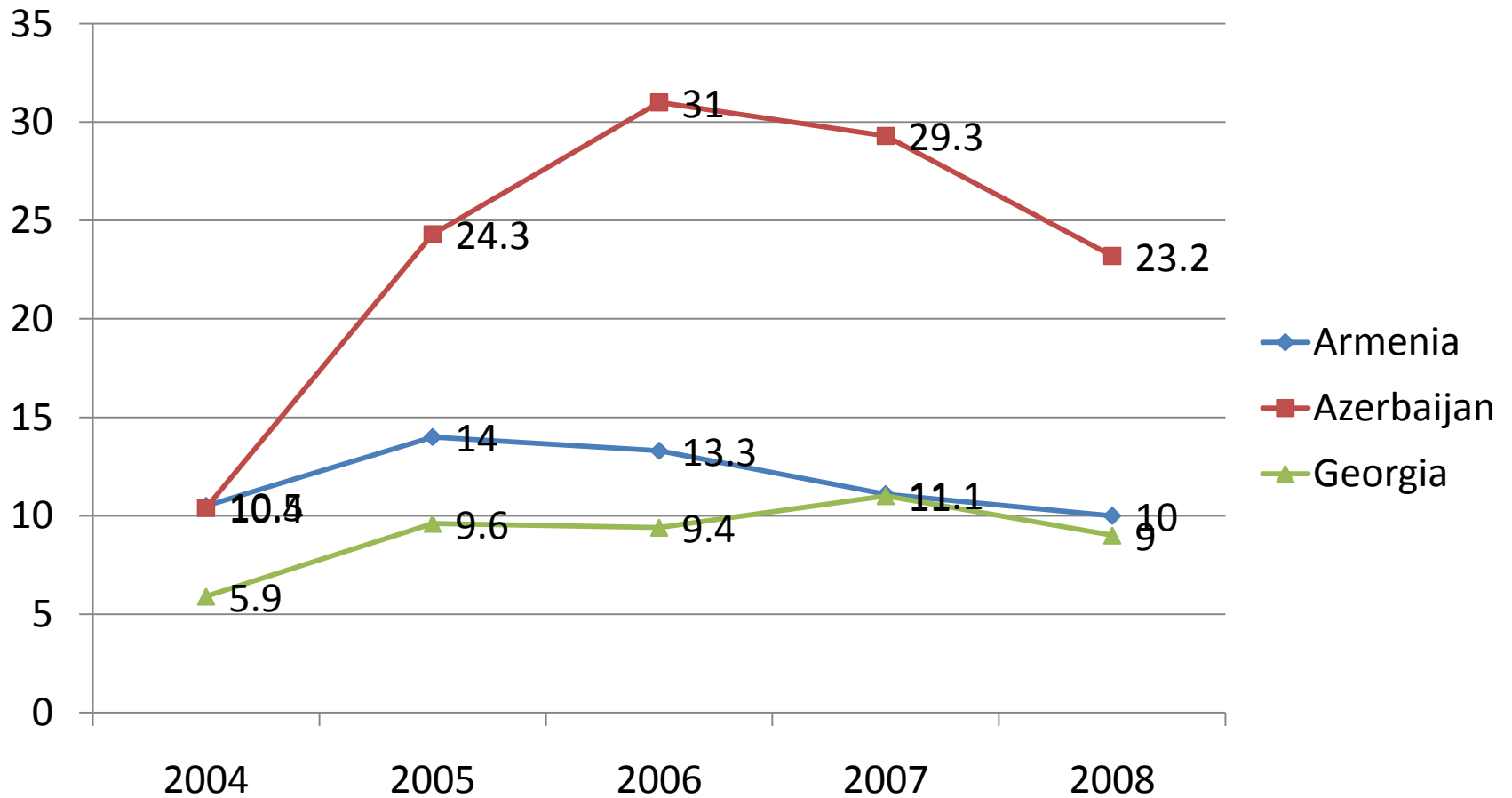
South Caucasus Nations - Some Statistics

Country	Subject Descriptor	Units	Scale	2004	2005	2006	2007	2008
Armenia	GDP Constant Prices	% p/y		10.5	14	13.3	11.1	10
Azerbaijan	GDP Constant Prices	% p/y		10.4	24.3	31	29.3	23.2
Georgia	GDP Constant Prices	% p/y		5.9	9.6	9.4	11	9
Armenia	GDP current prices	\$Int	Billion	3.573	4.9	6.387	7.802	9.148
Azerbaijan	GDP current prices	\$Int	Billion	8.682	13.245	19.817	31.066	44.418
Georgia	GDP current prices	\$Int	Billion	5.126	6.411	7.764	9.553	10.988
Armenia	GDP per capita Current Prices	\$Int	Units	1,101.17	1,476.85	1,882.01	2,247.95	2,577.38
Azerbaijan	GDP per capita Current Prices	\$Int	Units	1,040.08	1,574.22	2,336.03	3,633.04	5,153.29
Georgia	GDP per capita Current Prices	\$Int	Units	1,187.84	1,483.54	1,764.08	2,185.77	2,532.20
Armenia	GDP PPP	\$Int	Billion	12.771	15.031	17.568	20.022	22.406
Azerbaijan	GDP PPP	\$Int	Billion	31.683	40.644	54.932	72.858	91.315
Georgia	GDP PPP	\$Int	Billion	12.56	14.211	16.03	18.253	20.24
Armenia	GDP PPP per capita	\$Int	Units	3,936.18	4,529.88	5,176.79	5,768.83	6,312.44
Azerbaijan	GDP PPP per capita	\$Int	Units	3,795.74	4,830.71	6,475.56	8,520.60	10,594.28
Georgia	GDP PPP per capita	\$Int	Units	2,910.67	3,288.37	3,642.10	4,176.23	4,664.17
Armenia	Inflation, average consumer prices	2000=100		116.697	117.453	120.859	125.331	131.472
Azerbaijan	Inflation, average consumer prices	2000=101		113.85	124.871	135.327	157.742	184.558
Georgia	Inflation, average consumer prices	2000=102		122.38	132.486	144.623	156.921	169.631
Armenia	Inflation, average consumer prices	% p/y		7	0.6	2.9	3.7	4.9
Azerbaijan	Inflation, average consumer prices	% p/y		6.7	9.7	8.4	16.6	17
Georgia	Inflation, average consumer prices	% p/y		5.7	8.3	9.2	8.5	8.1
Armenia	Inflation, end of period consumer prices	2000=100		116.22	115.987	122.018	126.899	132.61
Azerbaijan	Inflation, end of period consumer prices	2000=101		119.78	126.427	140.821	168.985	194.333
Georgia	Inflation, end of period consumer prices	2000=102		125.338	133.082	144.764	158.254	169.332
Armenia	Inflation, end of period consumer prices	%		2	-0.2	5.2	4	4.5
Azerbaijan	Inflation, end of period consumer prices	%		10.4	5.5	11.4	20	15
Georgia	Inflation, end of period consumer prices	%		7.5	6.2	8.8	9.3	7
Armenia	Current account balance	\$US	Billion	-0.162	-0.193	-0.089	-0.312	-0.384
Azerbaijan	Current account balance	\$US	Billion	-2.589	0.167	3.105	9.76	17.711
Georgia	Current account balance	\$US	Billion	-0.626	-0.628	-1.068	-1.504	-1.669
Armenia	Current account balance	% of GDP		-4.5	-3.9	-1.4	-4	-4.2
Azerbaijan	Current account balance	% of GDP		-29.8	1.3	15.7	31.4	39.9
Georgia	Current account balance	% of GDP		-12.2	-9.8	-13.8	-15.7	-15.2

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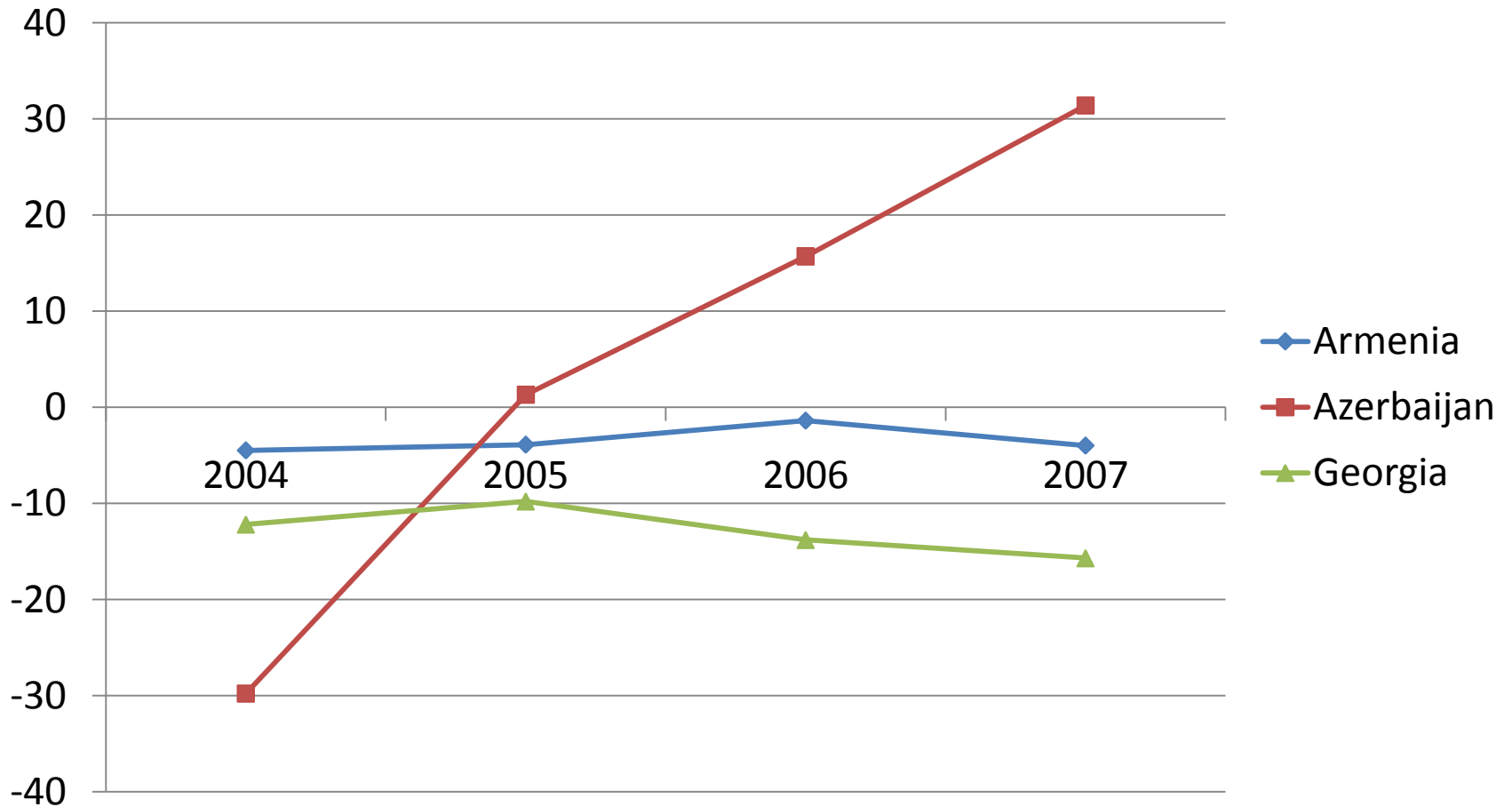
South Caucasus Nations

GDP growth rate at constant prices 2004-2008



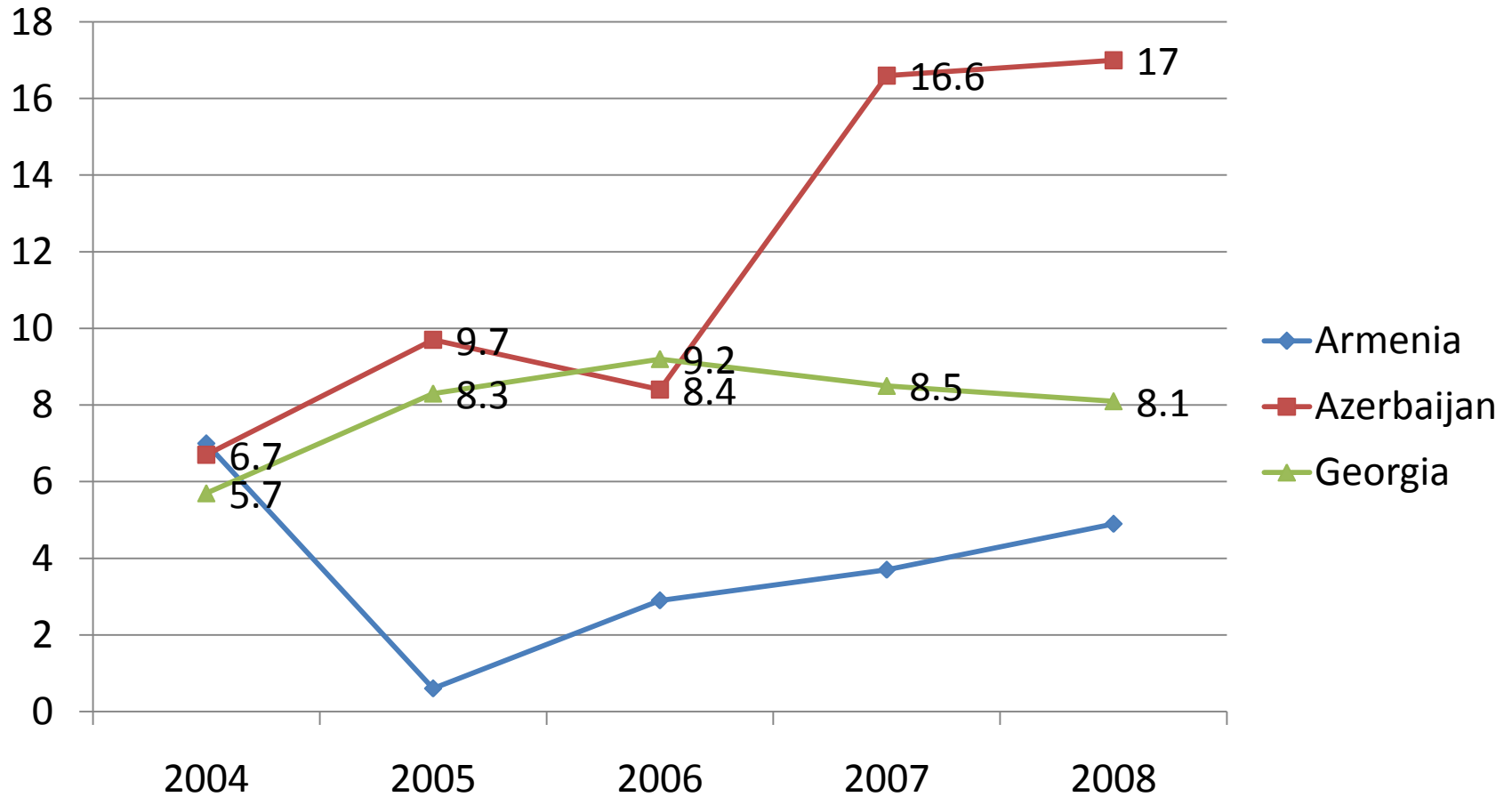
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Current account balance South Caucasus 2004-2008



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Inflation, Average Consumer Price, Annual Percent change 2004 -2008



World Bank – Easy of Doing Business in South Caucasus - 2008

	Armenia	Azerbaijan	Georgia
Ease of Doing Business	39	96	18
Starting a Business	47	64	10
Dealing with Licenses	73	159	11
Employing Workers	48	80	4
Registering Property	2	56	11
Getting Credit	36	26	48
Protecting Investors	83	107	33
Paying Taxes	143	141	102
Trading Across Borders	118	173	64
Enforcing Contracts	64	30	42
Closing a Business	42	75	105

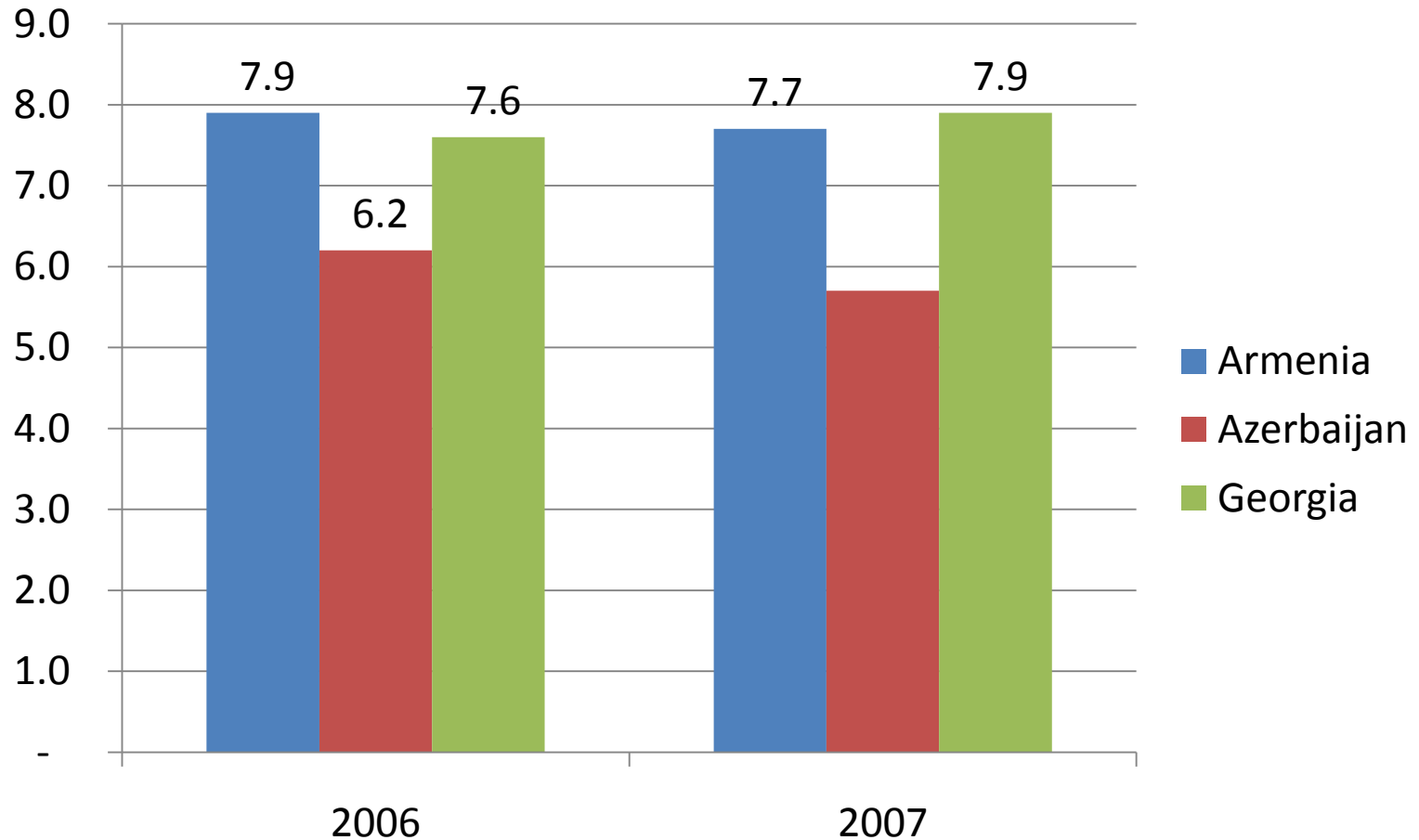
Economic Freedom of the World

Fraser Institute – Canada, Cato Institute – USA, Economic Freedom Network

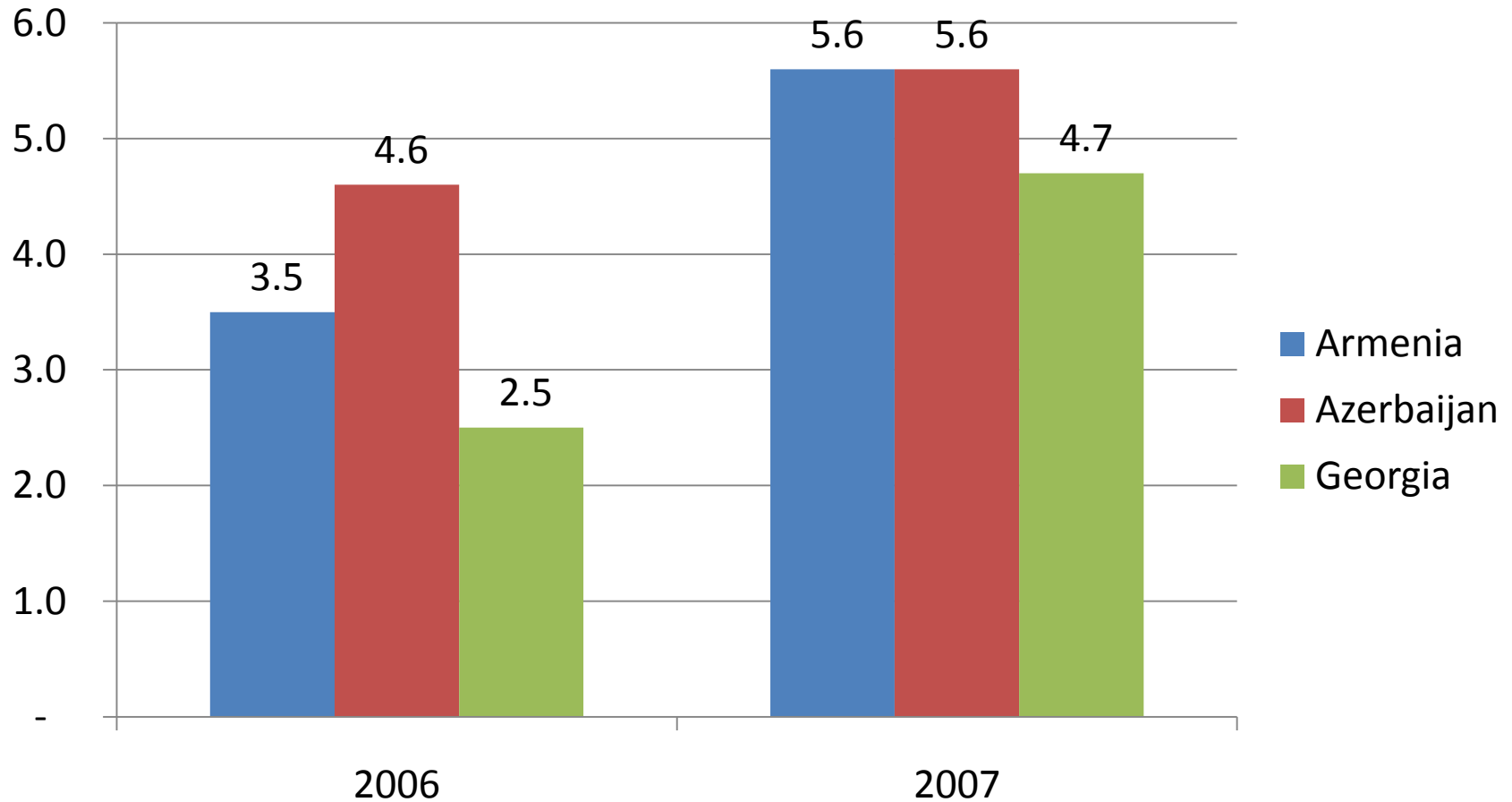
1 = worst, 10 = best

Countries&Years / Index Components	1 Size of Government	2 Legal System & Property Rights	3 Sound Money	4 Freedom to Trade Internationally	5 Regulation	SUMMARY INDEX	Rank c
Armenia							
2006 (2004)	7.9	3.5	9.1	7.2	6.1	6.8	49
2007 (2005)	7.7	5.6	9.4	6.7	6.8	7.3	32
Azerbaijan							
2006 (2004)	6.2	4.6	7.6	6.6	5.6	6.1	78
2007 (2005)	5.7	5.6	7.2	6.4	6.0	6.2	91
Georgia							
2006 (2004)	7.6	2.5	9.0	7.0	6.4	6.5	60
2007 (2005)	7.9	4.7	9.0	6.7	7.5	7.1	44

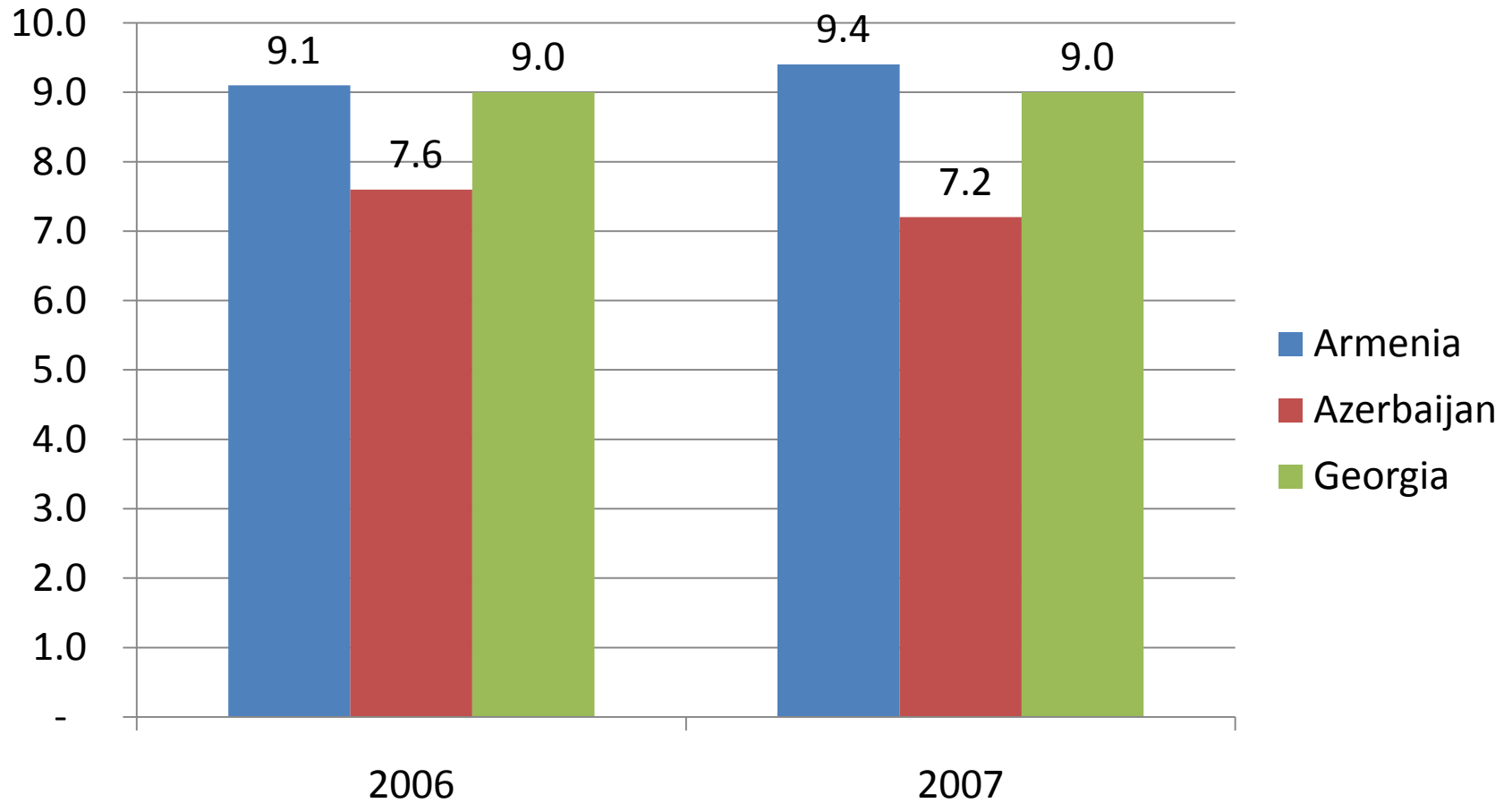
1. Size of Government (Fraser)



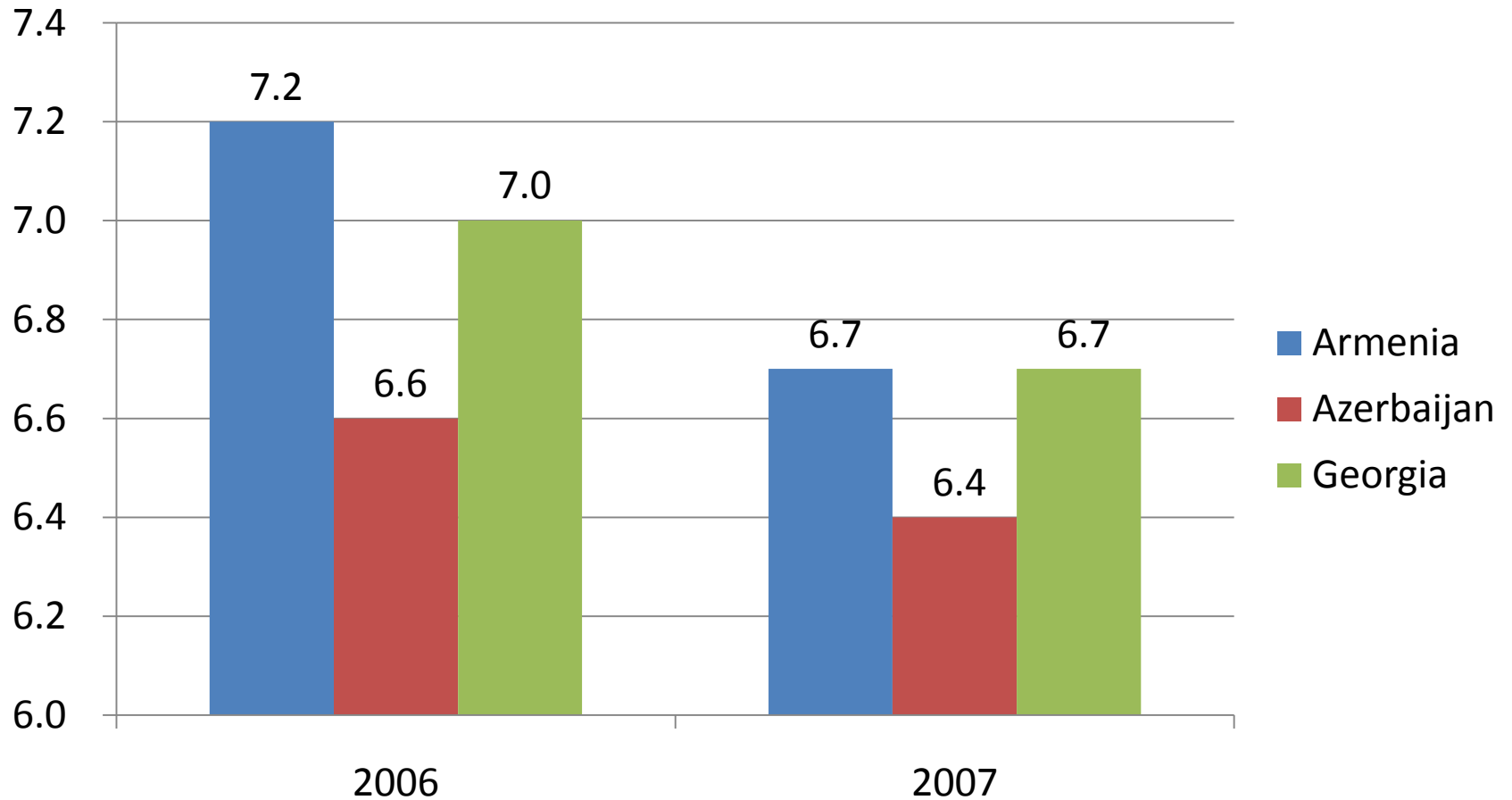
2. Legal System and Property Rights (Fraser)



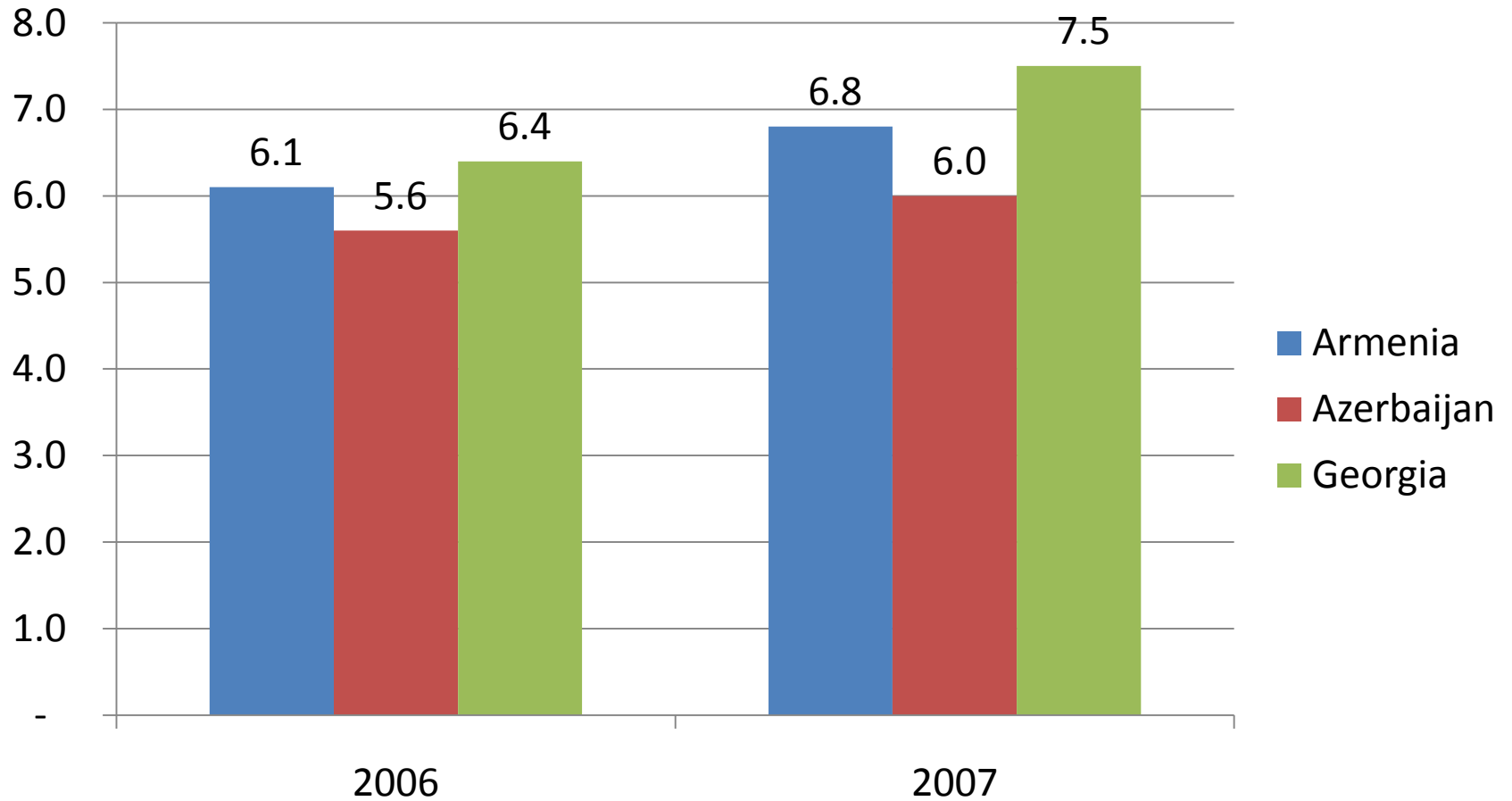
3. Sound Money (Fraser)



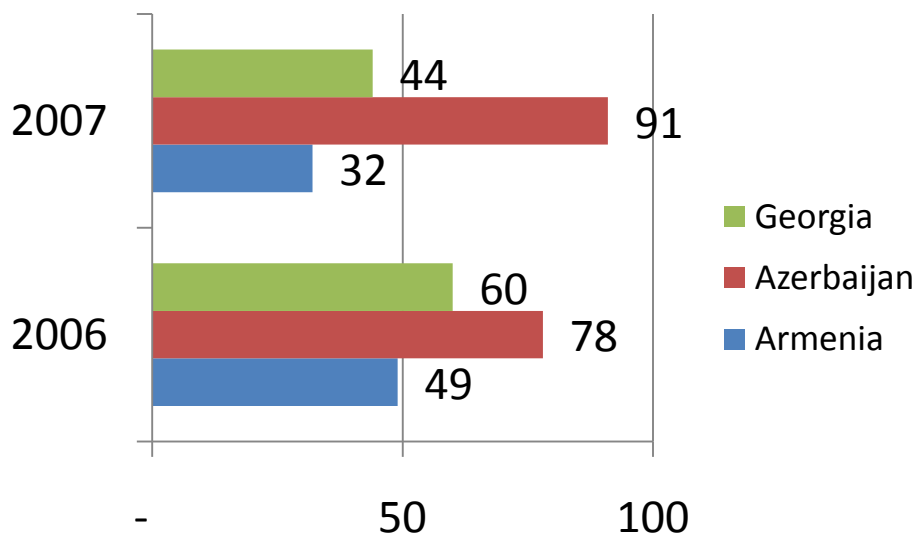
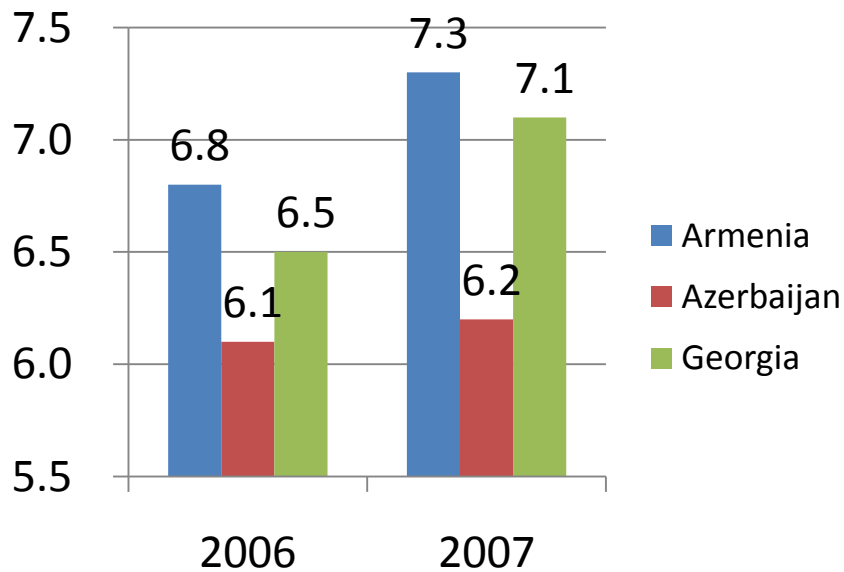
4. Freedom to Trade Internationally (Fraser)



5. Regulation (Fraser)



The Fraser Institute Summary Index and Ranks



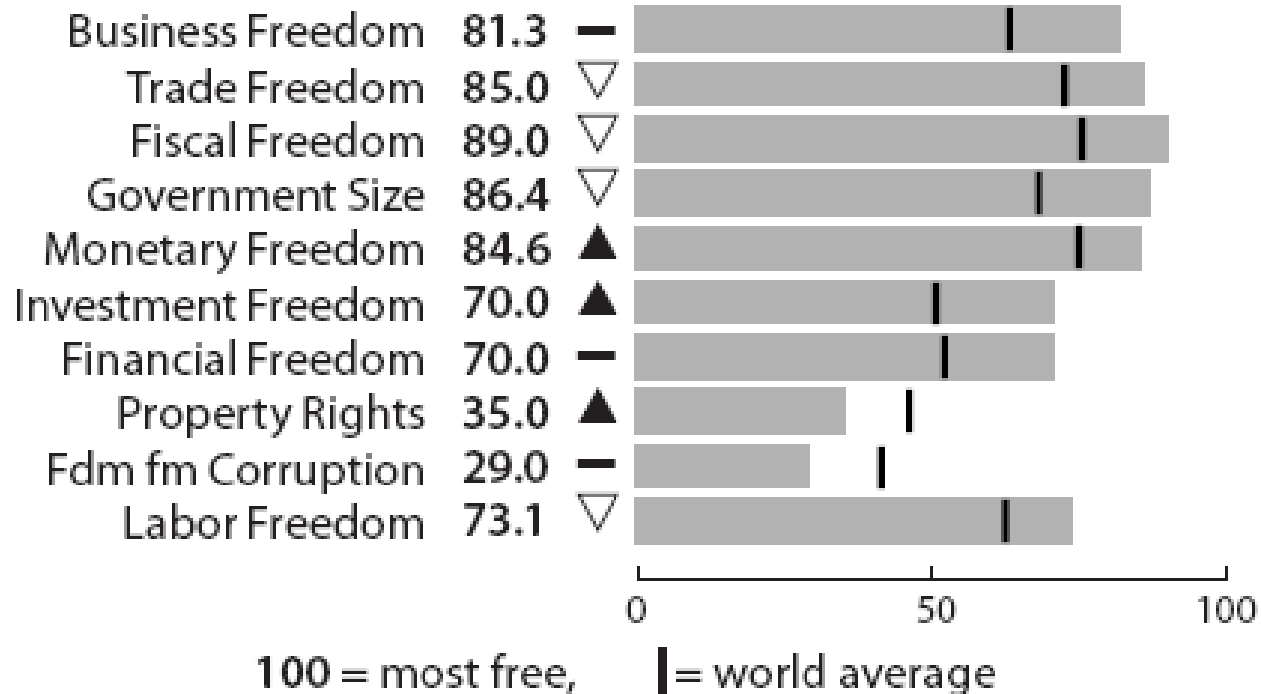
The Heritage Foundation Index of Economic Freedom 2007-2008 (three countries of South Caucasus)

<u>Countries</u>	Armenia		Azerbaijan		Georgia	
<u>Components</u>	2007	2008	2007	2008	2007	2008
Business Freedom	84.5	81.3	58.0	61.0	78.9	85.0
Trade Freedom	75.6	85.0	67.6	78.4	61.8	71.0
Fiscal Freedom	93.1	89.0	87.2	80.4	94.2	90.7
Government Size	91.6	86.4	86.6	82.9	91.3	81.3
Monetary Freedom	79.7	84.6	76.8	76.5	77.9	71.4
Investment Freedom	60.0	70.0	30.0	30.0	60.0	70.0
Financial Freedom	70.0	70.0	30.0	30.0	70.0	60.0
Property Rights	30.0	35.0	30.0	30.0	30.0	35.0
Freedom From Corruption	29.0	29.0	22.0	24.0	23.0	28.0
Labor Freedom	80.9	73.1	65.0	59.2	99.9	99.9
OVERARAL INDEX	69.4	70.3	55.4	55.3	68.7	69.2
RANK	32	28	107	107	35	32

AVERAGE INDEX	2007	2008
EUROPE	67.5	66.8
ASIA	59.1	58.7
WORLD	60.6	60.3

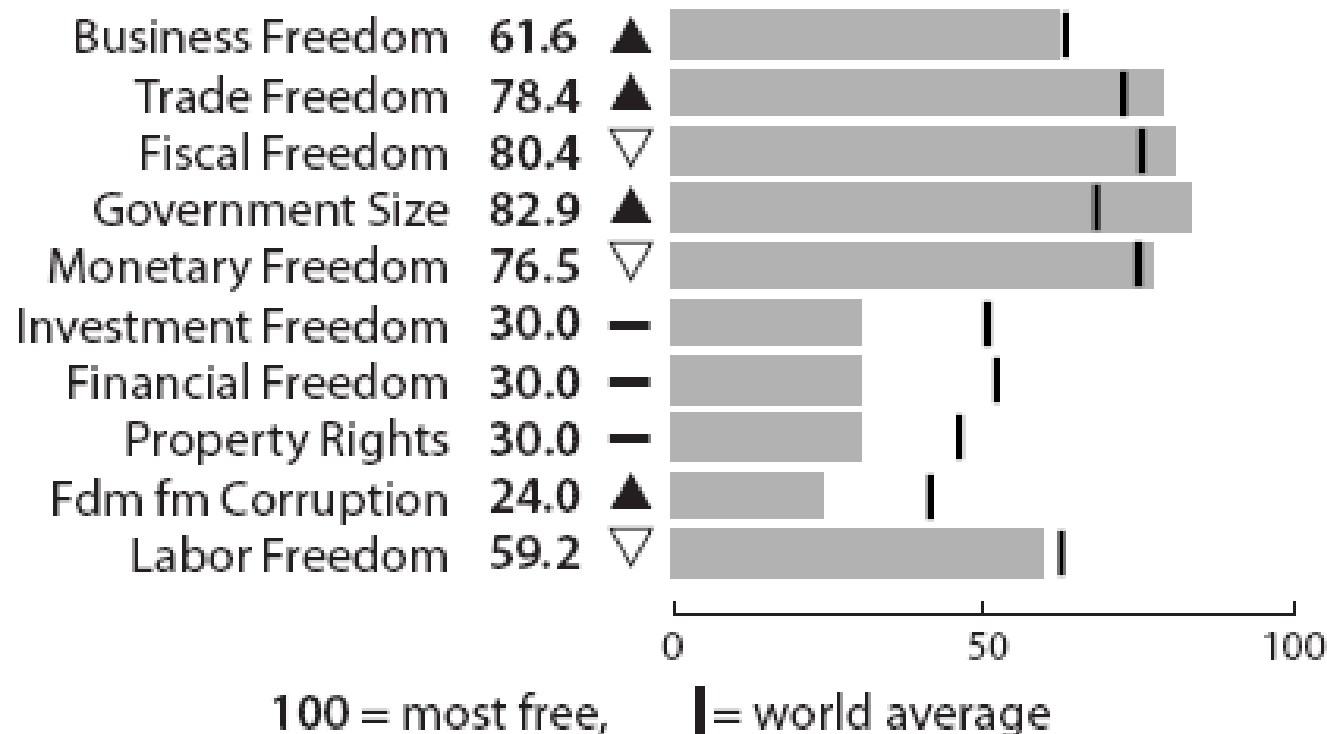
Heritage Foundation: *Armenia Rank - 28*

ARMENIA'S TEN ECONOMIC FREEDOMS



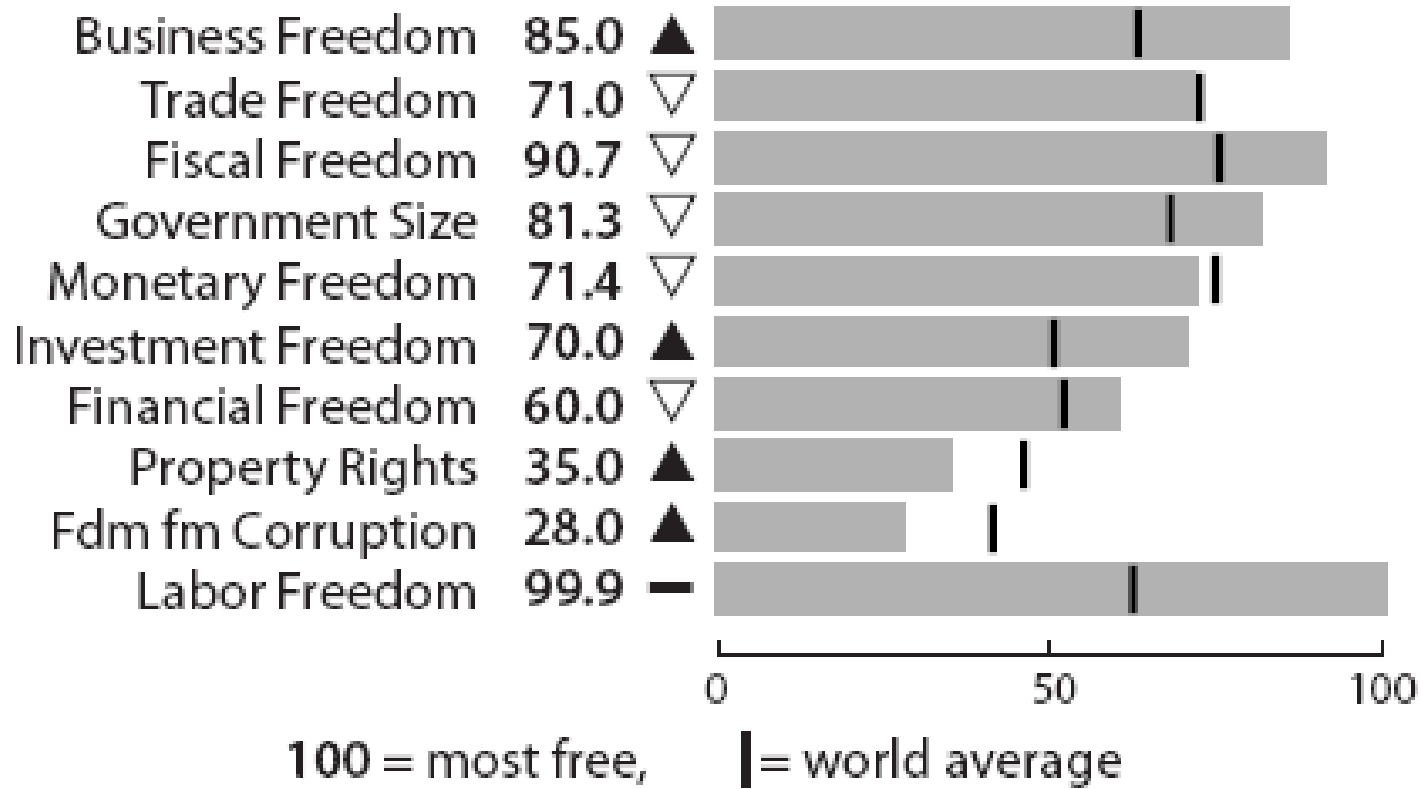
Heritage Foundation: *Azerbaijan: 107*

AZERBAIJAN'S TEN ECONOMIC FREEDOMS

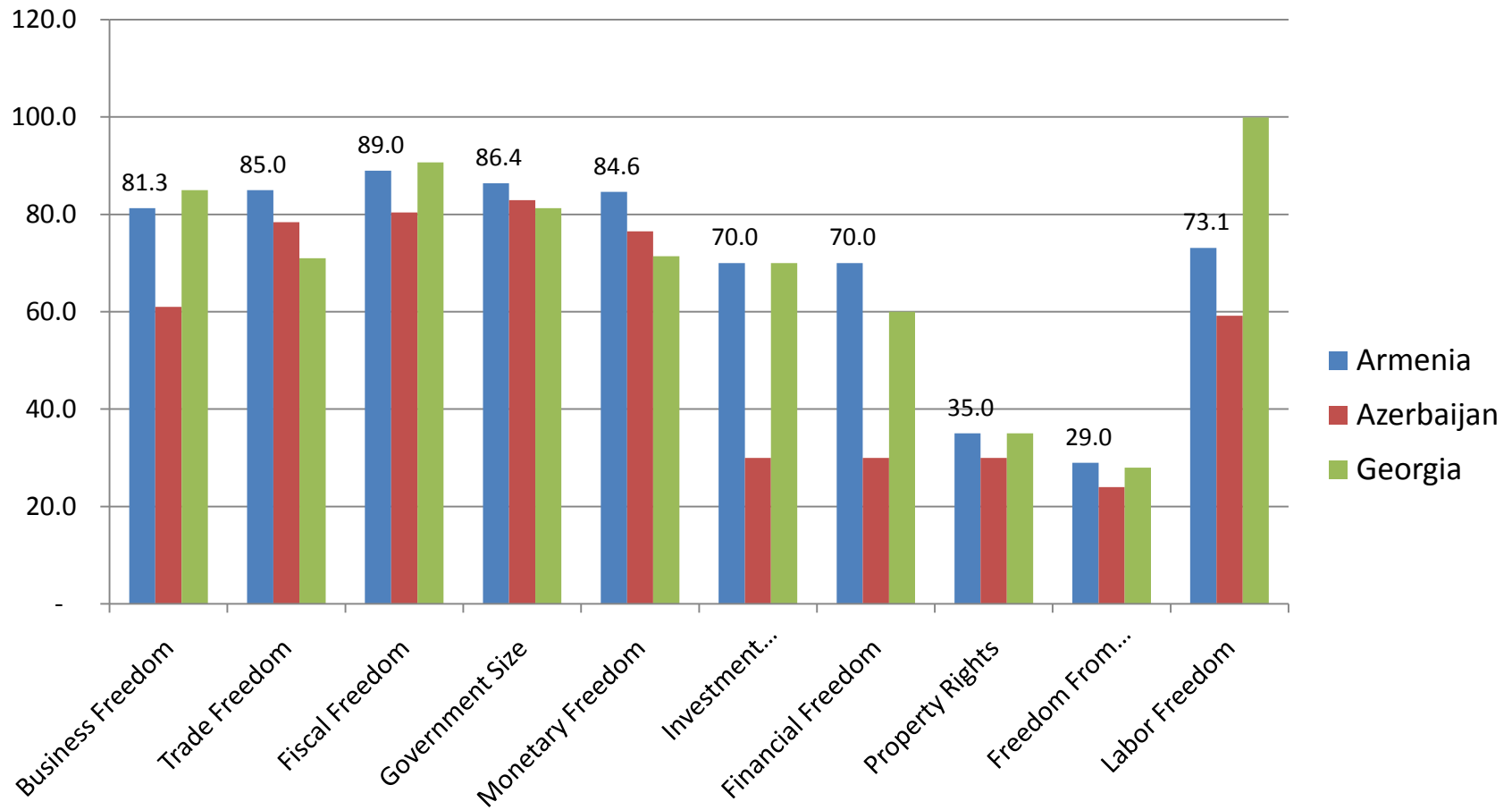


Heritage Foundation: *Georgia: 32*

GEORGIA'S TEN ECONOMIC FREEDOMS



Graphic illustration Heritage - 2008



The Freedom House

1=best 10=worst

	Armenia		Azerbaijan		Georgia	
NIT Ratings	2005	2006	2005	2006	2005	2006
National Governance	5	5	6	6	5.5	5.5
Electoral Process	5.75	5.75	6.25	6.5	4.75	4.75
Civil Society	3.5	3.5	4.75	5	3.5	3.5
Independent Media	5.5	5.5	6	6	4.25	4.25
Local Governance	5.5	5.5	6	6	6	5.75
Judicial Framework and Independence	5.25	5	5.75	5.75	5	4.75
Corruption	5.75	5.75	6.25	6.25	5.75	5.5
Democracy Rating	5.18	5.14	5.86	5.93	4.96	4.86

Global Competitiveness Index

2007-2008

Components of the Index	Armenia		Azerbaijan		Georgia	
	rank	score	rank	score	rank	score
Global Competitiveness Index	93	3.76	66	4.07	90	3.83
Subindex A: Basic requirements	91	4.05	65	4.41	87	4.07
1st pillar: Institutions	96	3.4	83	3.64	86	3.62
2nd pillar: Infrastructure	87	2.85	60	3.58	83	2.92
3rd pillar: Macroeconomic stability	57	4.98	23	5.69	93	4.49
4th pillar: Health and primary education	99	4.96	103	4.73	82	5.26
Subindex B: Efficiency enhancers	101	3.36	84	3.65	90	3.55
5th pillar: Higher education and training	95	3.35	89	3.51	86	3.59
6th pillar: Goods market efficiency	104	3.71	95	3.82	83	3.95
7th pillar: Labor market efficiency	40	4.54	46	4.48	28	4.75
8th pillar: Financial market sophistication	110	3.59	91	3.88	84	3.98
9th pillar: Technological readiness	104	2.55	83	2.92	103	2.56
10th pillar: Market size	111	2.42	71	3.29	108	2.49
Subindex C: Innovation and sophistication factors	103	3.06	68	3.6	119	2.9
11th pillar: Business sophistication	115	3.26	80	3.84	123	3.14
12th pillar: Innovation	94	2.87	54	3.36	110	2.65

UN Human Development Index

HDI value	Life expectancy at birth	Adult literacy rate	Combined primary, secondary and tertiary gross enrolment ratio	GDP per capita
	(years)	(% ages 15 and older)	(%)	(PPP US\$)
83. Armenia (0.775)	80. Armenia (71.7) 111. Azerbaijan	12. Armenia (99.4)	96. Armenia (70.8)	103. Armenia (4,945)
98. Azerbaijan (0.746)	(67.1)	15. Azerbaijan (98.8)	112. Azerbaijan (67.1)	102. Azerbaijan (5,016)
96. Georgia (0.754)	95. Georgia (70.7)	1. Georgia (100.0)	72. Georgia (76.3)	119. Georgia (3,365)

Conflicts

1. Georgia – Abkhazia, Tskhinvali region 1991-1993
300,000 refugees
2. Azerbaijan – Armenia: Karabakh – 1989-1993
500,000 refugees
3. Frozen character – no movement towards resolution
4. Limited common market in the region
5. Transportation problems
6. Permanent tension and danger of new violence
7. Russia – Georgia tensions, 18 month blockade:
trade, transport, postal services, visa... 2006-2008

Regional Competition-Cooperation

Who is your neighbor?

COUNTRY	NEIGHBORS			
Estonia	Sweden	Finland		
Lithuania	Sweden	Denmark		
Latvia	Sweden	Estonia	Lithuania	
Poland	Germany	Denmark	Sweden	
Czech Republic	Germany	Austria		
Slovakia	Austria	Hungary	Poland	
Slovenia	Austria	Italy		
Serbia	Romania	Hungary	Bulgaria	
Bulgaria	Romania	Turkey	Greece	
Georgia	Turkey	Russia	Azerbaijan	Armenia

Reforms in Georgia

- Tax Code 2004:
 - 7 taxes instead of 22
 - Decreased tax rates
- Downsized government
- Reformed Police
- Deregulation – 144 licenses instead of 930
- Abolition of antitrust
- Privatization
- Liberalization of natural resource management
- Financial sector act

Challenges

- Property rights
- Other rights and freedoms
- Tax rules
- Monetary reform
- Institutional reformation of the constitution
- Government accountability
- Further privatization
- Conflicts