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**STATE OF PLAY
ARMENIA–POLAND**

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In partnership with
Orbeli Center



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Introduction

Dear All!

We present “State of Play” – a new series of publications on Poland's economic cooperation with countries outside the EU. Each publication will present the current state of economic relations with the selected country and assess the potential for their advancement, identifying specific industries, as well as possible institutional barriers.

The need to develop cooperation with other countries does not require extensive justifications. The war in Ukraine strongly affects not only security issues, but also the economy. The presence of a sanctioned Russia in global value chains will be limited even after the end of military operations. Countries that have so far had strong economic ties with it will have to redefine the directions of economic cooperation, whereas it is in the interest of countries such as Poland to participate in this process. By establishing valuable bilateral economic relations, we will not only ensure a more stable supply

chain or give an additional boost to mutual investment, but also facilitate the transfer of ideas. It is the innovative idea that will be the strongest driver of development in the coming decades, benefiting the areas most abundant in it. International trade, as the greatest economists in history have shown, benefits both parties, regardless of their initial state of wealth. If in 1989. Poland was not given the chance to trade with Western Europe, it would still be a very poor country, and it is one of the 25 countries in the world with the largest and fastest-growing GDP.

The “State of Play” publications will be a two-part series. The first part will present Poland's perspective, while the second part will present the perspective of the partner country through cooperation with friendly foreign think-tanks (This time we cooperated with the Orbeli Center of Armenia, whose experts prepared the second part of this publication). We hope that it will be a valuable compendium of knowledge for Polish companies, as well as political decision-makers.



PROSPECTS FOR COOPERATION BETWEEN POLAND AND ARMENIA

Author: Szymon Witkowski

1. Synthesis

Trade relations and mutual cooperation between Poland and Armenia are not significant. Nevertheless, there is a large and still untapped potential in this regard. Poland is one of Europe's largest economies, and it will need to seek new trading partners for further development. Certainly, the purchase of the Armenia Securities Exchange (AMX) by the Polish Stock Exchange (GPW) will go a long way toward intensifying business relations, and this will be conducive to building a good foundation for investment

in Armenia. Strengthening trade relations will help the Armenian economy to develop and at the same time may prove to be an excellent investment opportunity for Polish companies. Importantly, Armenia is a country rich in resources of raw materials, mainly metal ores, which can be used in Polish industry. Historical, cultural and landscape values can also be valuable for popularizing the Armenian tourist offer in Poland.

2. The economies of Armenia and Poland

1) Political, economic and historical conditions of Armenia and Poland

Armenia is a relatively small, 29,800 square kilometers landlocked country with a population of less than 3 million. The capital and largest city is Yerevan. The country is bordered to the north by Georgia, to the south by Iran and the Azeri exclave, the Nakhichevan Autonomous Republic, to the east by Azerbaijan, and to the west by Turkey.

Armenia has an extremely rich history, there were powerful ancient states in this area. A souvenir of those times are numerous monuments that can delight foreign guests. Tourism can also be fostered by the location of this country, which lies in the northeastern part of the Armenian Highlands. About 90% of its area is above 1,000 meters above sea level, and the mountainous landscapes and warm climate are an incentive to visit Armenia.

Armenia, like Poland, was in the Soviet Union's sphere of influence. At that time, the coun-

try's economy was centrally planned, with all of its consequences for private ownership and entrepreneurial development. Armenia gained independence due to the collapse of the USSR in 1991. Currently, the political system of this country is a parliamentary democracy, while the economy is based on free market mechanisms. Armenia has been a member of the Commonwealth of Independent States since 1991 and the Eurasian Economic Union since 2015. It is also a partner country of the European Union since 2017.

Armenia's economic development is negatively affected by conflicts with surrounding countries. Back in the days of the USSR, there was a tensions have built up between Armenia and Azerbaijan over Nagorno-Karabakh, while in 1992 this Azerbaijani-dependent but Armenian-backed region declared independence. As a result of the situation in NagornoKarabakh, relations between Armenia and Azerbaijan remain tense to this day and have a serious impact on the countries' economic

relations, which are severely limited. Turkey is also limiting its economic contacts with Armenia, which, in addition to the Nagorno-Karabakh dispute, is largely due to a number of historical conflicts, including the Armenian genocide in the Ottoman Empire in 1915-1917.

Poland is a country located in central Europe, bordering Germany, the Czech Republic, Slovakia, Ukraine, Belarus, Lithuania and Russia (Kaliningrad Oblast – a Russian exclave). To the north, the country has access to the Baltic Sea. Like Armenia, Poland was influenced by the Soviet Union for years, although it was never part of it. It gained independence from the USSR in 1989 and has since strengthened its ties with the West. It became a member of the North Atlantic Treaty Organization (NATO) on March 12, 1999, and a member of the European Union on May 1, 2004. It is also a member of major international organizations, both political and economic (e.g. the UN, the Council of Europe, the OECD). Despite numerous historical disputes and wars with its neighbors, Poland has embarked on a path of economic development since freeing itself from the influence of the USSR and, unlike Armenia, has not had to contend directly with any armed conflict. Today, after more than 30 years of operating under free market conditions and nearly 19 years of presence in the EU, Poland is one of the largest and most competitive economies in Europe.

2) Armenia's economy

Armenia's gross domestic product in 2021, according to the World Bank, was \$13.86

billion¹, with a per capita GDP of \$4,996.5². The country is therefore the world's 129th economy.

Armenia's current economic situation is influenced by historical circumstances. During the period of the Armenian Soviet Socialist Republic, the country was one of the richest regions of the Soviet Union. At that time, the country had a highly developed industry that supplied products to other Soviet republics in exchange for raw materials and energy.

In the latter half of the 1980s, the country began to face a number of problems. The first was the growing tension with Azerbaijan over Nagorno-Karabakh, which resulted in conflict in the early 1990s. It resulted in an economic blockade of the country by Azerbaijan and Turkey. The feud with Azerbaijan still has obvious consequences. In recent weeks, among other things, the blockade of the corridor connecting Nagorno-Karabakh to Armenia by Azeri "environmental activists" has taken place³.

Another event that had a negative impact on Armenia's economic development was the tragic 1988 earthquake, which led to the destruction of the cities of Giumri Spitak and Vanadzor (modern names), among others, and the closure of the important Mecamor nuclear power plant. The total material losses of this tragedy were estimated at \$16.2 billion US dollars⁴, which was a huge blow to the economy of this small country.

Currently, Armenia has strong economic ties with Russia, its largest trading and political partner. As much as one-third of foreign

¹ <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=AM> (accessed January 22, 2023).

² <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=AM> (accessed January 22, 2023).

³ <https://www.rp.pl/polityka/art37771841-armenia-azerbejdzan-blokady-i-oskarzenia-z-wojna-w-tle> (accessed January 22, 2023).

⁴ [https://pl.wikipedia.org/wiki/Trzęsienie_ziemi_w_Armenii_\(1988\)](https://pl.wikipedia.org/wiki/Trzęsienie_ziemi_w_Armenii_(1988)) (accessed January 22, 2023).

direct investment comes from this country. In addition, it is also a popular destination for Armenian labor migration, resulting in nearly two-thirds of transfers from emigrants coming from Russia⁵. It is important to point out that given the current geopolitical situation, the effects of sanctions burdening Russia may indirectly affect, for example, Armenian labor migrants and Russian companies investing in Armenia. At the moment, however, the Russian invasion of Ukraine seems to be having a stimulating effect on Armenia's economy due to migration from both Ukrainians and Russians. In 2022, the economic activity rate increased by 14.2%, and the number of foreigners visiting Armenia reached 1.67 million, compared to 870,000 the previous year. In addition, the export registered an increase of up to 77.7% in 2022. In addition, individuals received remittances of more than \$5.19 billion through commercial banks, an increase of 2.5 times⁶ compared to the previous year. Of course, the sudden boost to the Armenian economy is temporary, as it stems from Russia's armed conflict with Ukraine, but the effects of the economic recovery are likely to be witnessed in the years to come as well. This is because many migrants will reside permanently in the region undertaking economic activities (working, establishing businesses, etc.).

The very positive figures concern the growth of Armenian goods exports in 2022, when their value reached \$605.7 million in October, double that of 2021⁷. Armenia's main export commodities are metal ores (31%), precious stones and metals and pearls (11%), beve-

rages, alcohol and vinegar (9.8%), tobacco and tobacco products (8.4%) and iron and steel (6.8%)⁸.

In 2022 Armenia was visited by more than 1.65 million tourists⁹, which is noticeably more than the previous year. Given the high temperatures, numerous monuments of ancient civilizations, picturesque mountainous landscapes and the fact that it is the world's first Christian country, tourism seems to have a very high potential in Armenia. Certainly, the promotion of the country in European countries, including Poland, could result in increased revenues for the entire HoReCa industry.

Armenia's unemployment figures are also optimistic, at 11.6% in the third quarter of 2022, while as recently as 2020 it was hovering around 18%¹⁰.

Armenia is a country where industry is largely based on abundant deposits of metal ores, especially copper and molybdenum, zinc, lead, iron. Thus, the dominant industries are mining and processing of these metals.

Armenia's energy sector is largely based on gas-fueled power plants powered by imported crude. In 2022, Armenia's energy production reached 8.908 billion kW/h, a 16% increase over the previous year. According to data from the first half of 2022, the volume of electricity exports to Iran amounted to 580.9 million kW/h registering a year-on-year increase of 18.2%. During the same period, electricity exports to Georgia totaled 222.7 million kW/h¹¹.

⁵ <https://kuke.com.pl/rynki-swiatowe/gospodarka-armenii> (accessed January 22, 2023).

⁶ <https://www.armstat.am/en/?nid=82&id=2547> ; <https://www.cba.am/en/SitePages/statexternalsector.aspx> (accessed January 22, 2023).

⁷ <https://tradingeconomics.com/armenia/exports> (accessed January 22, 2023).

⁸ <https://tradingeconomics.com/armenia/exports-by-category> (accessed January 22, 2023).

⁹ <https://www.armstat.am/en/?nid=82&id=2547> (accessed January 2, 202).

¹⁰ <https://tradingeconomics.com/armenia/unemployment-rate> (accessed January 22, 2023).

¹¹ https://www.armstat.am/file/article/sv_12_22a_121.pdf ; <https://www.petekamutner.am/Content.aspx?itn=csCIExportStatistics> (dostęp na dzień 22.01.2023 r.).

Agriculture is also important to the Armenian economy. Agricultural land accounts for about 42% of the country's area. The dominant crops are vines, figs, almonds, nuts, olives and fruit trees, as well as vegetables and cereals¹².

3) Poland's economy

Poland's estimated nominal GDP according to the International Monetary Fund for 2022 is \$716 billion, while in 2021 it was \$679 billion¹³. Poland's GDP is growing steadily, and the above figures show that the country is the 23rd largest economy in the world and the 6th largest in the European Union¹⁴. The high standard of living of Polish citizens is illustrated by GDP *per capita*, which is more than \$42,000¹⁵. The absorptive capacity and strength of the Polish labor market is evidenced by EUROSTAT data, according to which Poland has one of the lowest unemployment rates in the entire EU. In October 2022, it was only 3%, while only the Czech Republic could boast a lower rate¹⁶.

Polish exports in 2020 are estimated at \$261 billion and are relatively well-diversified¹⁷. Trading Economics data shows that exports are growing steadily, which is particularly noticeable in 2022, when they reached more than 30 billion euros in November (the latest data)¹⁸. A large share of the export,

however, is accounted for by machinery and computer equipment, cars and car parts, metals, agricultural and food products and chemicals. Poland's largest trading partners are Germany (28%). The United Kingdom (5.8%), the Czech Republic (5.79%) and France (5.63%) are also significant buyers of Polish goods. Other importers of Polish products have an export share of no more than 5%. Armenia, in turn, has a share of less than 0.5% in Polish exports.

In 2020, the value of imports was \$269 billion¹⁹. In November 2022, according to the latest data, the value of imports was 35.5 billion euros²⁰. The balance of trade in goods for Poland is therefore negative.

Poland's economy is highly diversified and includes a wide range of industries and services. Certainly, the automotive industry, the production of computers and household appliances, furniture, chemicals, and agricultural and food products, including confectionery, play a significant role. The production of metals and metal products and coal mining also play a large role in Poland²¹.

4) Business Contacts

Trade relations between our countries are not significant. In 2021, Armenia's trade turnover with Poland amounted to only 0.8% of

¹² <https://encyklopedia.pwn.pl/haslo/Armenia-Gospodarka;4573665.html> (accessed January 22, 2023).

¹³ <https://tradingeconomics.com/poland/indicators> (dostęp na dzień 22.01.2023 r.).

¹⁴ [https://en.wikipedia.org/wiki/List_of_countries_by_GDP_\(nominal\)](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)) (dostęp na dzień 22.01.2023 r.).

¹⁵ [https://en.wikipedia.org/wiki/List_of_countries_by_GDP_\(PPP\)_per_capita](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(PPP)_per_capita) (dostęp na dzień 22.01.2023 r.).

¹⁶ <https://ec.europa.eu/eurostat/documents/2995521/15497496/3-01122022-AP-EN.pdf/eaa1272-82e4-2456-ed30-e6f29f801bd8> (dostęp na dzień 22.01.2023 r.).

¹⁷ <https://oec.world/en/profile/country/pol> (dostęp na dzień 22.01.2023 r.).

¹⁸ <https://tradingeconomics.com/poland/exports> (dane na dzień 22.01.2023 r.).

¹⁹ <https://oec.world/en/profile/country/pol?yearlyTradeFlowSelector=flow1> (dostęp na dzień 22.01.2023 r.).

²⁰ <https://tradingeconomics.com/poland/imports> (dostęp na dzień 22.01.2023 r.).

²¹ <https://zpe.gov.pl/a/gospodarka-polski-podsumowanie/DJBu33w2F> (dostęp na dzień 22.01.2023 r.).

the total. The overall value of the turnover was \$65.7 billion, with Armenia's balance in this trade being negative (the advantage of imports from Poland over exports). With that said, a positive trend is certainly the 26.1% increase in trade between our countries in 2021 (although nominally it is only \$13.54 million). In 2021, the value of goods exported from Armenia to Poland amounted to \$60.9 million, while imports amounted to \$24.9 million. Significantly, the percentage increase in the value of imports with Poland was as high as 53.7% in 2021, which means that although the nominal amounts are not high, there is a clear intensification of contacts and trade²².

Poland, according to 2020 data, mainly buys metals – aluminum foil (65.4% of imports) and iron alloys (12.9%), food and textiles²³. In turn, exports to Armenia from Poland are mainly chemical products (mainly medicines and pigments), equipment (mainly computers) and food (mainly meats, baked goods and chocolate)²⁴.

Certainly one of the most significant events for the development of mutual trade relations was the purchase of the Armenia Securities Exchange (AMX) by the Polish Stock Exchange (GPW), which took place

in December 2022. The GPW bought 65.03% of AMX shares for 826 million 297 thousand Armenian drams, or about PLN 9.6 million. As Marek Dietl, CEO of the GPW, points out, there are about 40 Armenian companies that could in the near future debut not only on the Yerevan Stock Exchange, but have dual listings on the Warsaw Stock Exchange. In addition, Armenia has a highly developed and modern banking system. The Armenian stock exchange itself has solutions that do not exist in Warsaw. These include the ability for policyholders to check their pension account instantly, or to hold a general meeting online with the generation of electronic minutes ready for submission to the registry court²⁵.

It should be pointed out that relations between Poland and Armenia are not based solely on trade. Our countries also cooperate in the fields of culture, art and science. The Polish embassy in Yerevan sponsors numerous festivals promoting Polish cinema, among others, and students from both countries can participate in mutual academic exchanges under the ERASMUS+ program, among others. Such activities help build a good environment for mutual business relations.

²² <https://www.gov.pl/web/armenia/armenia> (dostęp na dzień 22.03.2023 r.).

²³ <https://oec.world/en/profile/country/pol?latestTrendsFlowSelectorNonSubnat=flowI&latestTrendsFlowSelectorNonSubnatLatestTrends=flowI&yearlyTradeFlowSelector=flowI> (dostęp na dzień 22.01.2023 r.).

²⁴ <https://oec.world/en/profile/country/pol?latestTrendsFlowSelectorNonSubnat=flowI&latestTrendsFlowSelectorNonSubnatLatestTrends=flowI&yearlyTradeFlowSelector=flowI> (dostęp na dzień 22.01.2023 r.).

²⁵ https://www.gpw.pl/aktualnosc?cmn_id=112734&title=Wideokomentarz+GPW%3A+GPW+kupuje+Armeńską+Giełdę+Papierów+Wartościowych (dostęp na dzień 22.01.2023 r.).



3. Relations between Armenia and Poland

Poland and Armenia's mutual relations are not extensive. We share many historical similarities, similar challenges of building a free market economy after independence from the USSR. In addition, Poland was one of the first countries to recognize Armenia's independence, and our countries have had mutual diplomatic relations since November 1992.

Important for mutual relations between our countries is the Agreement between the Government of the Republic of Poland and the Government of the Republic of Armenia on economic cooperation, drawn up in Yerevan on March 12, 2010²⁶. It presupposes the commitment of the two countries to

deepen bilateral trade relations, and this goal is to be realized, among other things, through the functioning of the Polish-Armenian Intergovernmental Commission for Economic Cooperation. Another important agreement is the Convention between the Government of the Republic of Poland and the Government of the Republic of Armenia for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and Property, signed in Warsaw on July 14, 1999²⁷. The convention envisages a number of mechanisms relating to the taxation of both natural and legal persons, which can facilitate the operation of both Polish entities in Armenia and Armenian entities in Poland.

²⁶ (M. P. z 2010 r., nr 56, poz. 761).

²⁷ (Dz. U. z 2005 r., nr 66, poz. 576).

4. Prospects for further cooperation

Economic relations between Poland and Armenia are hardly intensive. However, there are certainly prospects for enhancing them. A significant step in this regard was the purchase of the Armenia Securities Exchange (AMX) by the Warsaw Stock Exchange (WSE). The investment will certainly involve a two-way exchange of knowledge and technology, and this will help establish relationships and contacts between Polish and Armenian companies. It will also allow for building trust and recognizing opportunities for cooperation in various areas. From the business point of view, this kind of friendly environment is a very important factor in the process of making the decision to cooperate.

It is also extremely important that in the short term many Armenian companies listed on the AMX will have the possibility of dual li-

sting – not only in Armenia, but also on the Warsaw Stock Exchange. This will allow them to raise growth capital not only from large, but also small investors. Poland's GPW has come a long way from a small, local entity to a major financial center in Central Europe. It is certainly in a position to offer Armenian companies the chance to raise capital. For Polish investors, in turn, it is an opportunity to access an attractive, fast-growing market.

An important role can also be played by the export of Polish electrical machinery and equipment, which is now a highly sought-after export commodity in many other countries as well (Poland has a high export share in these very products). Polish equipment can support the development of both the mining industry and metal processing, as well as Armenian agriculture.

Polish investors can also play an important role in supporting the development of Armenia's energy transition and in the IT industry. This opportunity was recognized by Robert Tomanek, Undersecretary of State at the Ministry of Labor and Technology Development, after a conversation with Armenia's Ambassador to Poland, Samvel Mkrtchian²⁸. Indeed, IT development is crucial to any modern economy, and the transformation of an economy based primarily on imported gas in the longer term is inevitable for Armenia. Poland, on the other hand, has both the experience of the energy transition that is required in the European Union, as well as a highly developed IT sector and is able to provide advanced hardware and support the development of services.

Armenia is also a country rich in raw materials, mainly metal ores. In an era of shaky supply chains, building new trade routes with stable and reliable partners is crucial. Already today, metals and metal products are the main commodity imported to Poland from Armenia. Nevertheless, looking at the

overall volume of purchased goods, still Armenian products could certainly be used on a larger scale in Polish industry.

Another seemingly underappreciated field for the Armenian economy is tourism. The country is being visited by a growing number of tourists, but the number of these visitors is not large compared to what attractions Armenia can offer visitors. After all, the country is home to numerous historical sites, both dating back to the oldest empires and those associated with the Christian religion. In addition, the country has an attractive location in terms of climate and mountainous landscapes. This is certainly a capital on which it is worth building the development of tourism, all the more so as the neighboring country of Georgia is currently and more frequently chosen tourist destination by Poles. For the development of this industry, however, it is necessary to build awareness of Armenia's safety as a visitor-friendly country, which is not helped by media information about the country's conflicts with neighboring countries.

²⁸ <https://www.gov.pl/web/rozwoj-technologie/jestesmy-otwarci-na-wspolprace-gospodarcza-z-armenia> (accessed January 22, 2023).

5. Summary

Economic relations between Poland and Armenia are not particularly developed. Nevertheless, both countries play an important role in their region. Poland, on the other hand, is one of the largest European economies, and will have to seek new trade partners for further development. There is still untapped potential in mutual trade relations

with Armenia, which could be activated, among other things, by the purchase of an Armenian stock exchange by a Polish counterpart. This step will certainly lead to an intensification of mutual business relations, which will foster a good atmosphere for investment.



ECONOMIC COOPERATION BETWEEN ARMENIA AND POLAND MAY BE EXPANDED

Authors: Meri Boyajyan
Gevorg Arakelyan

Economic cooperation between Armenia and Poland started a long time ago. From year to year, both countries have taken measures¹ to extend the relationship. However, the development potential of bilateral relations has not been fully realized. Moreover, in the background of the current geopolitical developments and realignments, there is an intensification of mutual interests between the two sides, especially from the point of view of the business community and investments. Even though there are weak

trade and economic ties between RA and Poland, the countries have the potential to further develop cooperation in the fields of agriculture, information technology and tourism in the coming years.

On the following pages we have summarized the dynamics of Armenian–Polish trade, economic, and investment relations, the rate of tourism and the level of migration, emphasizing the development prospects of the economies of both countries.

¹ One of the most crucial steps is the creation of the Armenian–Polish intergovernmental commission for economic cooperation "based on the agreement on economic cooperation between the government of the Republic of Armenia and the government of the Republic of Poland". The first session of the committee took place on 13 July 2010 in Yerevan and the last on 19 and 20 February 2018 in Warsaw. There are currently nine international agreements between the Republic of Armenia and the Republic of Poland, as well as several other international non-binding documents.

1. Poland–Armenia foreign trade turnover. Development prospects

Despite the small volume of trade turnover between Poland and Armenia, Poland is one of the important European partners of Armenia. Based on the trade turnover report of the Statistical Committee of Armenia in 2021, Poland is the 7th on the list of EU countries in foreign trade. Currently, the trade turnover between Poland and Armenia remains relatively low, however, as **noted** by Polish Deputy Foreign Minister Marcin Przydacz, Poland observes Armenia as a profitable platform to enter the Eurasian Economic Union (EAEU) market. At the same time, Poland is ready to become such a platform for Armenia in the context of entering the European Union (EU) market.

Foreign Minister of Armenia Ararat Mirzoyan **underlined** that 30 years of cooperation between the two countries can be the basis for the continuous development and strengthening of interstate relations, including from the point of view of raising the volume

of mutual trade and economic relations with Poland to a new level.

At the beginning of the establishment of trade and economic relations between Poland and Armenia, the trade turnover between the countries was small, in particular, in 2003–2004, the share of Poland in the volume of foreign trade turnover in Armenia was 0.2%, while in 2021 it reached 0.7%.

From 2011–2016, the trade turnover between Armenia and Poland showed a certain growth trend, except for 2014, when the volume of imports from Poland to Armenia declined sharply, amounting to 7 million and 260.8 thousand US dollars, which decreased almost 6 times compared to the previous year. In the last decade, the volume of imports recorded a maximum level in 2017, and exports in 2021, which can be the basis for the deepening of trade and economic relations between the two countries for the

current and following years. In 2019–2020, a decline in trade turnover was recorded because of the Covid-19 pandemic and its negative consequences. The trade turnover

exceeded the index of the pre-covid period in 2021, so it was possible to eliminate the negative effects of the pandemic.



Referring to the current developments of the economic relations between Poland and Armenia, we note, that according to the Statistic Committee of the Republic of Armenia, the foreign trade turnover between the two countries amounted to 63.8 million US dollars in 2022 January–September,

which increased by 30.7% compared to the same period last year. It should be noted that during the considered period the share of Poland in the trade turnover of RA was 0.7% compared to 0.9% in the same period last year.

2. What products does Armenia export to Poland?

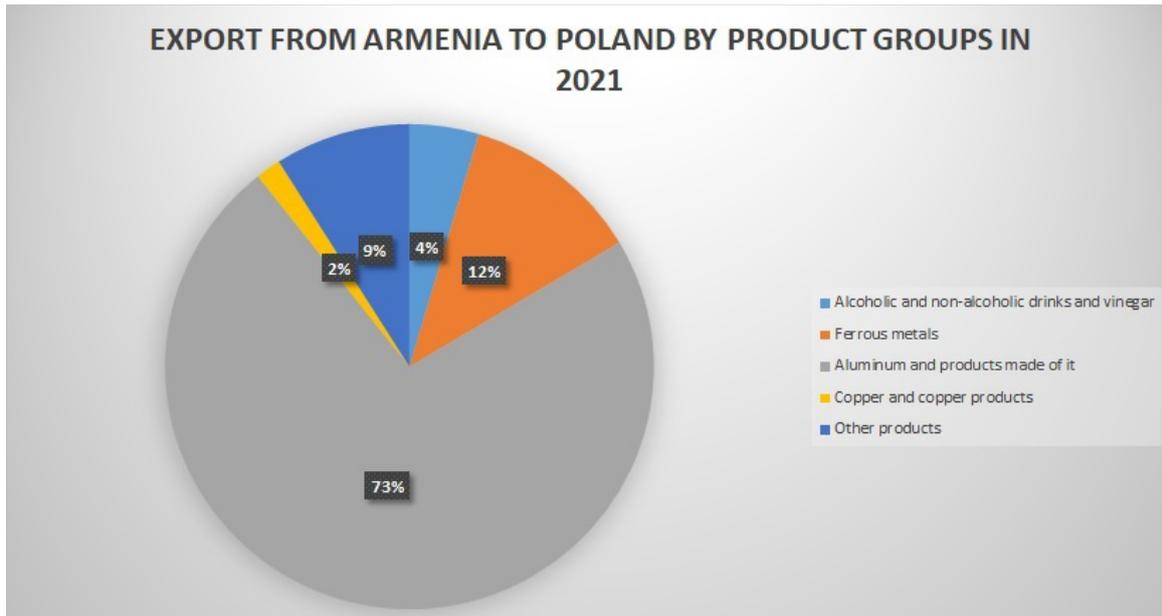
Armenia's **export** volume to Poland in January–September 2022 was 16.5 million US dollars, an increase of 2.6% over the same period last year.

Over the past 10 years, the highest export rate was registered in 2021, amounting to 20 million 342 thousand US dollars, compared to the previous year, the increase was 69.3%.

The main product groups exported from Armenia to Poland are the products from the processing of vegetables, berries, nuts and plant parts, alcoholic and non-alcoholic drinks

and vinegar, aluminum and products made of it and other various goods.

In 2021, aluminum and ferrous metal products accounted for a significant share of export volumes, amounting to 14 million and 902.3 thousand USD and 2,425 million USD, respectively. Alcoholic and non-alcoholic beverages make up 4% of Armenia's export volumes to Poland, and it is considered that Armenia has enough potential to expand its export. It is known that wine and spirits are of high quality and relatively affordable price in the Armenian market, which may be a prerequisite to entry into the Polish market.



3. What products does Armenia import from Poland?

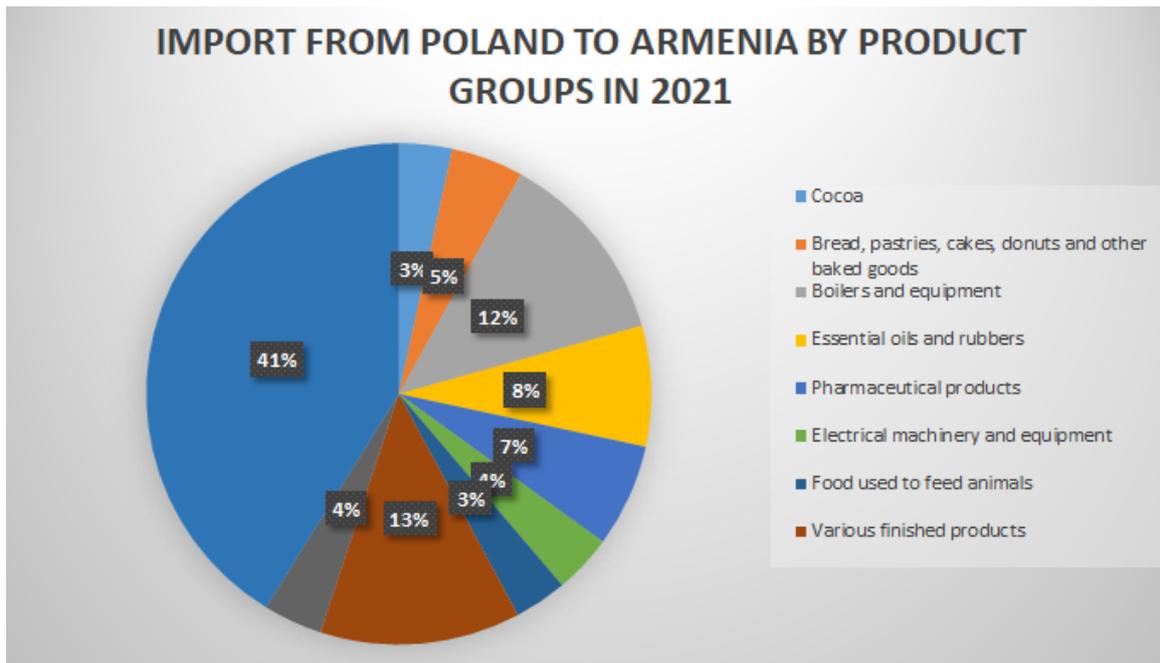
In the first 9 months of the last year, the volume of **imports** from Poland to Armenia increased by 44.6%, amounting to 47.3 million USD. It is noteworthy that the volume of imports is 2.9 times higher than the volume of export.

During the reporting period, Armenia's trade turnover with EU countries amounted to about 1 billion 580 million USD, the share of

which in the entire volume of trade turnover is 17%. The main partners are Germany, Italy, Bulgaria, the Netherlands and Belgium.

The leading product groups imported from Poland to Armenia are products made from wheat, flour, starch and milk, confectionery from flour, a remnant of the food industry, ready fodder, pharmaceutical products, essential oil, means of pulp and baths, etc.





Boilers and equipment products have a relatively large share in the import volumes, the customs value of which was 5 million and 153.2 thousand USD in 2021, which increased by 12.8% compared to the previous year.

4. A new basis of financial cooperation

In the context of economic relations between Poland and Armenia, to improve the business environment, the Warsaw Stock Exchange signed an agreement on the acquisition of 65.03% of the shares of the Armenian Stock Exchange (AMX) on June 28, 2022, which is also important in the context of creating new possibilities for capital exchange between Armenia and Poland. The Central Bank of Armenia maintained a 25.02% stake, the remaining 9.95% are the own shares of the Armenian Stock Exchange. The value of the transaction was around 873 million AMD.

The Warsaw Stock Exchange is one of the leading Central and Eastern European finan-

cial institutions. The Warsaw Stock Exchange Group (GPW Group) organizes trading for equities, bonds, derivatives, fund stocks and other instruments on its platforms. This is a public company, whose shares have been listed since 2010, with a capitalization of approximately 320 million EUR.

Armenia Stock Exchange ("Armenia Securities Exchange" - AMX) is the only regulated securities regulator in Armenia. The exchange settlement for customers is performed by the Central Depository of Armenia, whose 100% shareholder is the Stock Exchange of Armenia.

At the end of May 2022, the Main Market listed 376 domestic companies' market capitalization was 585.8 billion PLN (128.0 billion EUR), while the total market capitalization of 421 domestic and foreign companies listed on the Main Market was 1,165.2 billion PLN (254.6 billion EUR)².

The development plan prepared by the Warsaw Stock Exchange includes measures for the development of capital market infrastructure, including the development of the trading

system, the expansion of the stock market and central deposit services, and the introduction of the latest technological solutions.

Despite the relatively high level of development of the banking system in Armenia, the development of the investment market plays an important role in the further continuous development of the economy, which can be facilitated by the experience of the Warsaw Stock Exchange.

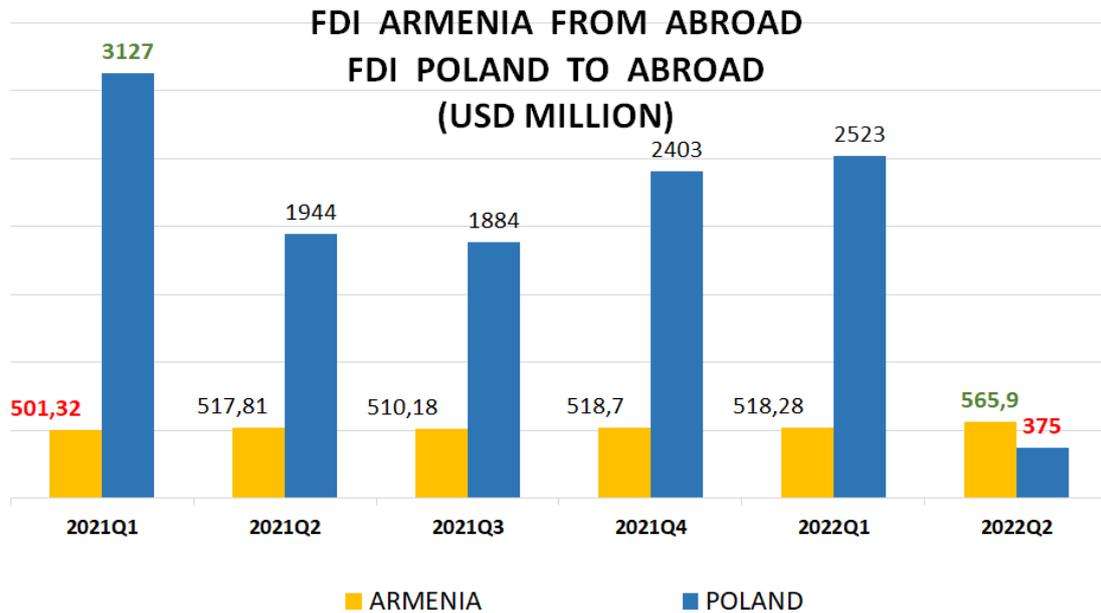
² The Board of the Central Bank of Armenia emphasizes the entry of the Warsaw Stock Exchange as an institutional investor into the financial market of Armenia, which will give renewed impetus to the development of the Armenian capital market and will give momentum to the integration of the Armenian and Polish capital markets, provide new opportunities for Armenian companies and investors.

5. Which aspects of economics can be developed?

Armenia and Poland have enjoyed a profitable economic and cultural relationship for decades. To understand the country's economic vision, we need to research what kind of investment policy they are adopting.

Based on this graph, we can understand that in 2022, Poland invested in other economies instead of trying to attract investment. Based on [Ceicdata.com](https://ceicdata.com) 2004–2022, Poland had a Foreign Portfolio investment of 4.8 billion USD in June 2022 and about 2.2 billion USD of direct foreign investment in August 2022. This statistic shows the way governments treat portfolio investments and based on it we assume that despite the government attracting investment from the population, the government makes investments abroad and receives benefits by sending the capital to industrialized countries. The primary investment of Poland in Armenia is "Lubawa-Armenia". "Lubawa-Armenia" produce furniture and fixtures for summer houses.

According to the statistics provided by the Statistics Committee of the Republic of Armenia, every quartal Armenia attracted a minimum of 501.32 million USD in direct investment. The major investors are Russia, Germany, France, however Armenia and Poland are friendly countries whose least direct investment was in 2014. But as we mentioned above, the Armenian and Polish governments are running a business, "Lubawa-Armenia". Armenia is a good place for foreign investors to save their own money, and most themes are investing in agriculture because approximately 32% of the Armenian GDP is agricultural goods. The Polish government could look at Armenia as a good place to produce agricultural products for European agricultural markets.



Based on statistics from [Armstat.am](https://armstat.am), Armenia attracted 1 billion and 84 million USD in foreign direct investments, those went for subsidizing businesses, making a more favorable environment for businesses and start-ups, agricultural, and medical sector improvement.

The second good place for the cooperation is the IT/ICT sector. Programming is developing rapidly in Armenia. Companies from all over the world are trying to open IT companies which will serve their programs or websites or even take outsourcing orders from foreign companies. Therefore, the Armenian government has created a comfortable legal and economic environment to attract new investments and improve the standard of living in Armenia³.

Armenia could develop new technologies and become a more desirable destination

for contract research and development efforts. Armenia is in a good position to continue providing such services, including software testing and prototyping, to customers abroad. Specific sub-sectors acknowledged as having a potential include artificial intelligence, pure research (and eventually engineering), semiconductor design and electronic design automation, and data science.

Poland has a more progressive IT/ICT while even though only 8% of Poland's GDP is made in the IT/ITC sector. Poland specified in cloud services, big data and cyber security.

Cooperation between two governments can be a profitable and modern step to create software or a company that will serve government structures or profitable investment in an up-and-coming field.

³ Income tax is calculated at the rate of 10% in accordance with the RA Law "On State Support of the Information Technology Sector".

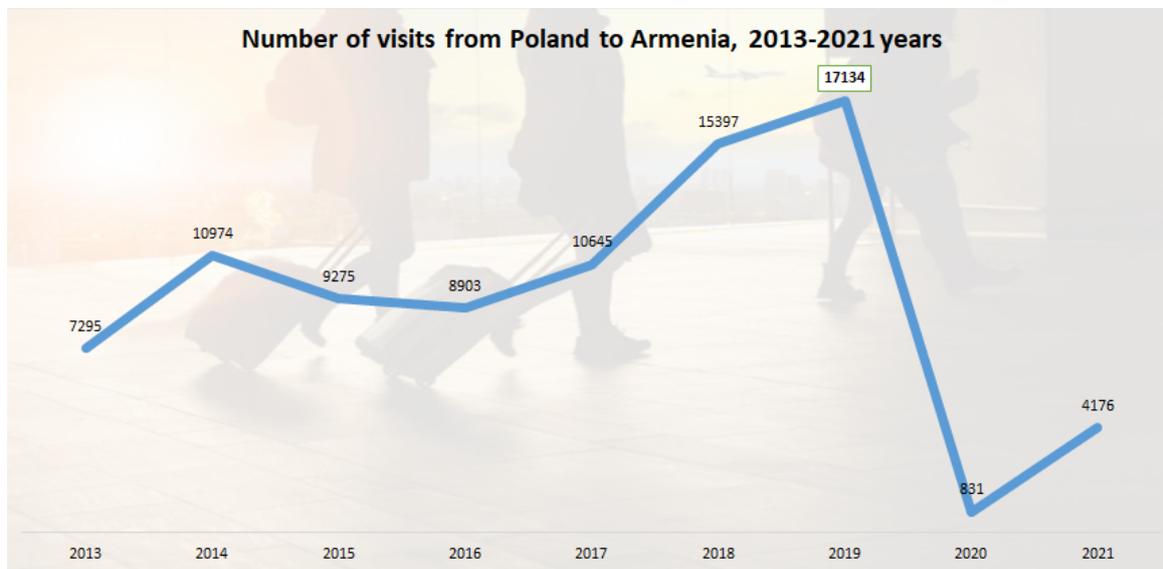
6. Tourism in the framework of mutual interests

Armenia is a desirable destination for tourists because of its beautiful nature and countryside, rich history and culture as well as developing tourism infrastructure. The main types of tourism include historical and cultural, religious, wellness and resort, sports, eco and agrotourism, gastronomy, and adventure tourism. Currently, there are also low-cost tickets available from Armenia to Europe, which also creates opportunities for the development of tourism in bilateral directions.

In recent years the number of tourists increased, except for the Covid-19 pandemic,

when all countries of the world closed their borders, preventing the inflow of tourists into their countries.

An upward trend in the dynamics of tourist visits between Poland and Armenia has been noted since 2019. In 2020, there will be a sharp decline in arrivals due to the emergence of the pandemic virus COVID-19 and the closing of borders. It should be noted that the number of tourists from Poland to Armenia was 4176 in 2021, while tourism has increased five times over the previous year, it represents only 0.5% of the total tourism volume.



The number of visitors from Poland to Armenia in January–September 2021 was 5489, which is more than 79% in the same period in 2020.

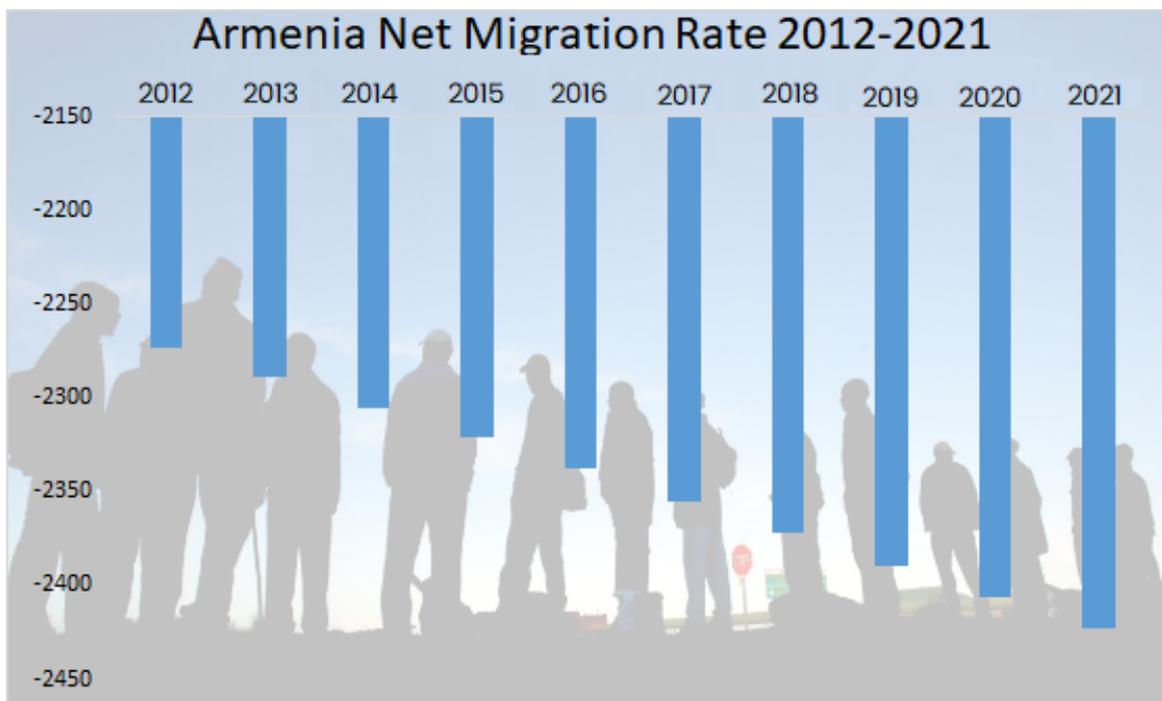
Armenia does not appear as a popular tourism destination for Polish tourists. However, some facilities have been already imple-

mented. When citizens of the Republic of Poland travel to the Republic of Armenia they can hold all types of passports and stay in Armenia for 180 days without any visa, but the passport must be valid for the visit duration. Yet, visiting the country without having to obtain a [visa](#) is not a sufficient condition to attract more visitors from Poland.

7. Migration flows of the countries and how they connected

Because of the genocide of 1915, Armenians are scattered all over the world and the diaspora has about 10 million people who consider themselves Armenians. Furthermore, the Republic of Armenia has one of

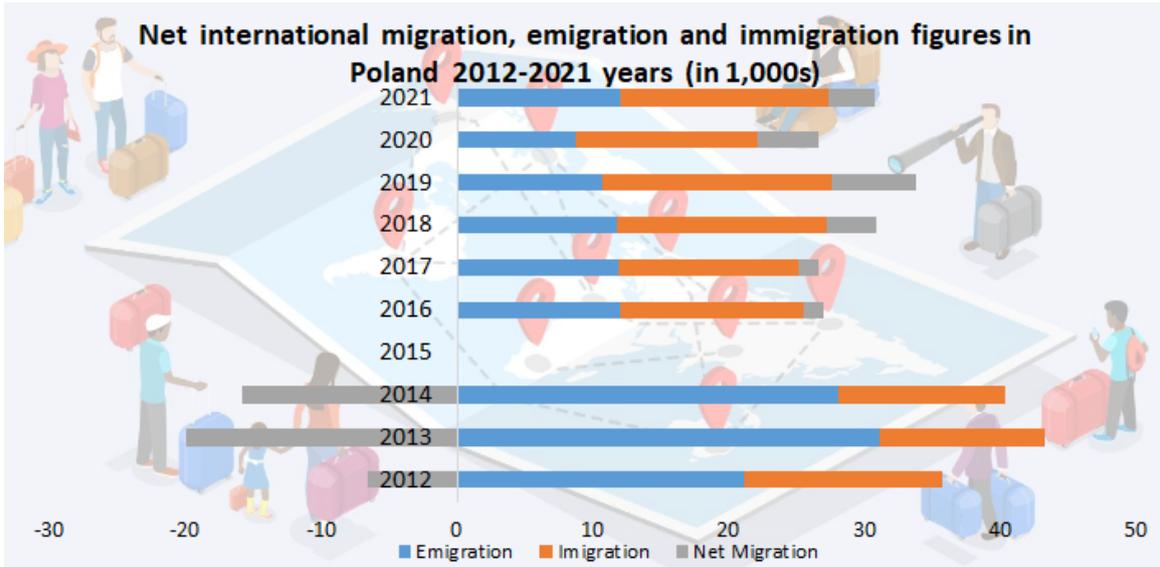
the highest rates of emigration in the world, with about 30 percent of the population living outside the country. The most popular countries for emigration are Russia, USA, France, and Ukraine.



In 2020, 6900 immigrants obtained a residence permit longer than 12 months in Poland, compared with 2019, this indicator decreased by 26.9%. It comprises 60% of labor migrants, 15.2% of family members, 0.1% who came for education reasons and 24.7% of other migrants. Before the Russian and Ukrainian war, most immigrants came from Ukraine, Russia, Belarus and India.

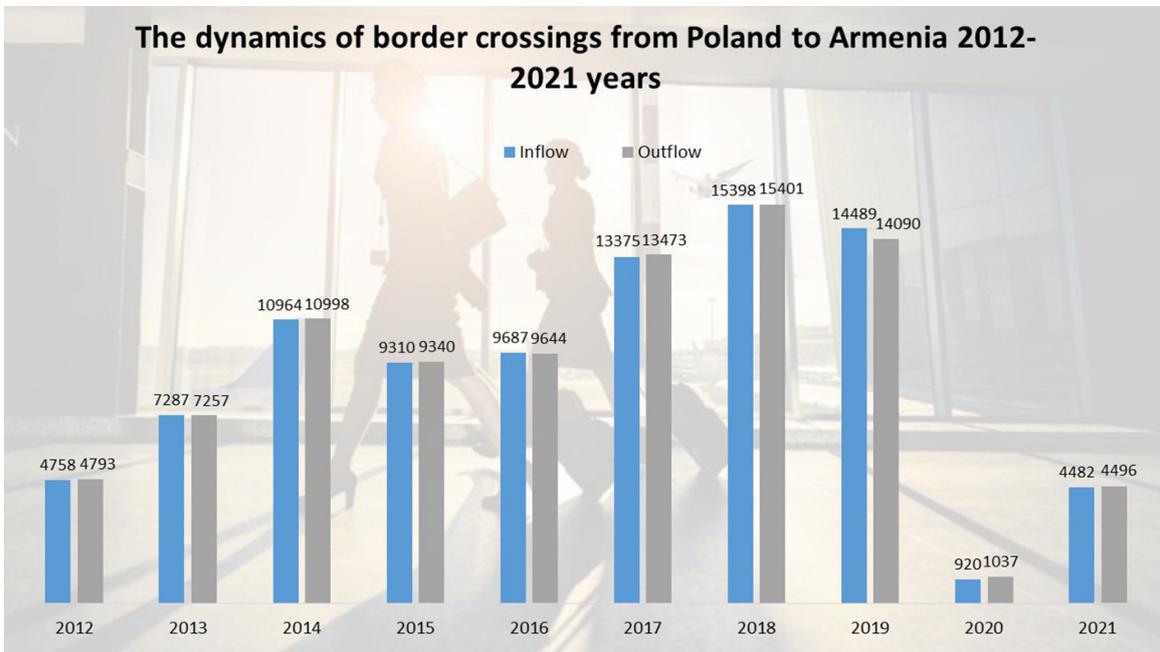
Poland is preferable for foreigners because, in comparison with other EU countries,

Poland has its currency, and the country is not as expensive. The key factor that immigrants can be aware of in their job is low guaranteeing posted workers' remuneration rights covering all components under labor law, not only a minimum wage. Based on [Diaspora.gov.am](https://diaspora.gov.am), Armenian emigrants in Poland are about 40 000 and between 2000 to 2019, more than 2100 citizens of Armenia acquired Polish citizenship.



Even though in December 2020, Poland started the program “Poland Business Harbor”, which allows immigrants to work without a working permit. The exemption was also given to health professionals and private domestic staff of diplomats and consular officials. This makes it easier for doctors

who graduated from non-EU country universities to find a job in a new, better place. But there is also one exemption, that doctors could work in Poland only for 5 years, must confirm their Poland language knowledge and obtain a promise of employment from the future employer.



As for the number of border crossings between Poland and Armenia, it should be noted that it reached its peak in 2018 over the last decade, and then, because of the

pandemic, it went down to its lowest level in 2020. In 2021, Polish arrivals to Armenia totaled 4 thousand and 482, up about 4.9-fold from last year.

8. Bilateral economic cooperation. Results and expectations

In summary, we must note that trade and economic relations between Armenia and Poland are weak, but in general they have an upward trend from year to year, and in the context of current geopolitical developments, countries have been successful in reducing economic losses through meetings and discussions of officials from time to time.

Armenia imported more goods and services from Poland than it exported, and Armenia as a small open economy, has a negative trade balance in its economic history. The two countries have the potential and political willingness to deepen and expand their trade and economic relations. Over the last few years, tourist inflows from Poland have increased, but Armenia

is still an unpopular tourist destination for Polish tourists.

In terms of developing economic relations between both countries, the important cooperation of the Warsaw Stock Exchange and the Armenia Stock Exchange may be the basis for the flow of capital from Poland to Armenia, as well as the development of the Armenia Stock Exchange.

Cooperation between Poland and Armenia is possible in several fields, including the IT/ICT sector, agriculture, and tourism, which can be supported by cheap and quality workforce available in Armenia, favorable weather conditions and geographic location, as well as beautiful nature and countryside.



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