

## **New Opportunities of Global Markets for Armenian Businessmen**

Excellencies, honored guests, colleagues, dear friends.

It is a privilege to be here with all of you today and to share in a discussion about a world defined by change, and what change has, does, and may mean for Armenia and Armenian businesses.

From the digital forces disrupting global finance, to new patterns of global trade, to the uncertainties of a world driven by global crises, the risks have never been greater. However, with these risks come opportunities that will require agility, adaptability, and the openness to deal with a very different global landscape. Today's Armenian business leaders and innovators may still be able to position future generations for success. Doing so will once again depend on how our global nation has had to do over countless generations: survive, adapt, and thrive in a world of adversity.

The world is still reeling from the consequences of the global crisis of 2008. Banking and regulatory frameworks are getting more and more stringent, choking the opportunities for new businesses. While the arrival of President Trump was followed by the hope of deregulation, the rest of the world, in a "cut and paste" fashion is continuing the momentum of stringent regulations.

A key shift in the world of global finance will be the growth of blockchains and cryptocurrency. To many, blockchains are synonymous with Bitcoin, but the technology's significance goes far beyond an unregulated digital currency. It is the industry disrupter in the financial sector and could transform international finance and banking. Blockchains have enormous potential to reduce transaction costs and fraud by pushing financial institutions away from the payment ecosystems.

Hurdles such as privacy laws, questions tied to compliance with regulatory oversight, and how scalable the technology is, are all to be expected. Be that as it may, the World Economic Forum estimates that 10% of global GDP will be stored on blockchain related technology by 2025. As a country known for its skilled IT professionals, Armenia needs to think strategically about its place in a changed financial technology landscape. In particular, Armenia needs to plan for the ensuing unemployment in its own financial sector.

The second key shift that Armenia and Armenian business must deal with is the expected change in global trade flow. China's "One Belt, One Road" (OBOR) initiative is an overland and maritime trade infrastructure project described by some as the "biggest project on Earth." The plan intends to develop trade corridors and transport hubs that bring Europe,

Asia and Africa closer together. The initiative, while providing China easier access to new markets, and deepening economic ties with established and new trade partners, may also degrade the long-held strategic importance of Middle East and North African waterways, including the Strait of Hormuz, Bab el-Mandeb, and the Suez Canals.

For centuries, Armenia found itself squarely along the path of the traditional Silk Road linking East and West. With some \$454 million in trade, China was Armenia's second largest foreign trade partner in 2015. Of particular importance will be the Muscat-Bandar Abbas-Baku-Moscow-Saint Petersburg corridor. It is essential that Armenia finds a way to integrate itself into this effort.

Lastly, through it all, Armenia and Armenian businesses will have to deal with unprecedented geopolitical risk. Beyond, persistent instability in the Caucasus, a cycle of violence in the Middle East and Africa, and the effects of climate change on population flows and displacement, countries around the world – including some of its champions – are fighting globalism. An increasingly interconnected world – the post-WWII norm par excellence – has now been challenged and disrupted by isolationism, nationalism, religious extremism, and the scourge of terrorism. This in turn affected the boundaries of regional and global trade as mega-cities and mega-regions redefine how they interact with each other.

It is important to stress that the principal challenges to a globalist system are growing inequality in the distribution of wealth and mass corruption. The benefits of an interconnected world – especially on the free flow of trade – are clear for a small, land-locked country like Armenia. We all need to understand that skepticism of today's international system must be countered aggressively by reversing growing income inequality and institutionalized corruption. We do that by being a model of integration wherever we find ourselves. We do that by promoting and paying a price for stability in regions as complex as the Caucasus and the Middle East. And we do it by showing that we want to be pioneers of an inclusive global architecture tied to the free flow of goods and ideas.

In the face of all of these challenges, it is fair to ask: are Armenia and Armenian business communities well positioned to take advantage of these and other global shifts? What are our strong selling points in the coming decades ahead?

- 1) First, Armenia should refocus on a still under-optimized source of global exposure and revenue generation: its tourism sector.
- 2) Second, Armenia and Armenian business should invest in the transformation of the country's IT sector. Armenia has the human capital to become *the* regional hub for machine learning and artificial intelligence development.

- 3) Third, Armenia should not neglect its Agricultural sector. Efficient natural resource management – which would benefit from IT/AI optimization – is essential if Armenia is to weather system shocks tied to food security, let alone work to export its often class-leading local produce.
- 4) Fourth, there is a need to better manage and maximize Armenian water resources. One way of doing so is by promoting public-private partnerships and to export water to the benefit of every member of the population which would be tantamount to a reverse sovereign wealth fund.
- 5) Finally, Armenia should dedicate significant energy and resources toward medical research. This would mean creating and sustaining a permissive legal framework wherein Armenian doctors and scientists can work on the cutting edge of ground-breaking medicine.

As we consider Armenia's options for the future, we should look to the past for examples of how Armenians have adapted to change through the ages.

His Highness the Ruler of Sharjah, Dr. Sheikh Sultan Bin Mohamed Al Qasimi, has recently published a study wherein the City of Ras Al Khaimah – historically known as Julfar – was founded by Armenians who escaped Julfa in Persia during the Mongol invasion. This important historic recognition is a living example of the ingenuity and adaptability of our communities in the face of drastic change.

We often forget that we are one of the oldest living nations; we should take pride when – every now and then – we are called living fossils. We were and are great merchants. We knew how to thrive in the Russian Empire, China, India, Singapore, Venice, Persia, and yes, especially the Ottoman Empire – just to list a few.

Today, the prospects are in the Russia the Far East, Africa and the Middle East.

The fourth industrial revolution is the ability of humans to convert into reality every dream and virtual concept thanks to the advancement of digital technology. Today, size and even geography do not matter. Digital advancements and quasi-instant mass communication make the world one market onto itself. Products can be delivered and sold almost instantaneously, globally, and across once disparate supply chains. What does matter is our people, and how they are used to face the changes and uncertainties to come.

In 2016, Armenia was ranked 37<sup>th</sup> out of 130 countries by the World Economic Forum's Human Capital Index. This ranking is a testament to Armenia's strengths: high education standards, gender equality in education, and a diversified labor pool. At the same time,

Armenia continues to struggle with the lasting effects of unemployment on new entrants to the job market. Annual emigration in 2016 stood at 4-5% - reportedly the highest rate of any country.

Our history does not start or end with the trauma of the genocide. It only took us as a battered and broken nation one century to stand up strong on our feet with a homeland and a presence in every corner of the globe. In all of this we are fortunate to have singularly great and dynamic communities, and from them singular achievers – some of them here present.

It is time to dig into our history and to recognize that we always knew how to change and to adapt. Our people – then, now, and tomorrow – are our greatest single raw material. If we are proactive in shaping, pushing forward, and elevating these "Human Resources," the future – whatever shape it may take – can be theirs for the taking. Failure to do so over the coming decade, by contrast, would represent our single greatest missed opportunity of the 21<sup>st</sup> century, and the very definition of collective self-defeat.

Thank you.

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