

CONGRUENCE BETWEEN AMBITION AND CAPABILITIES: CAN ARMENIA MEET THE ECONOMIC LEVEL OF THE EUROPEAN UNION?

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Introduction

Signature collection in the frames of the legislative draft “About launching the process of Armenia acquiring membership in the European Union” has started in the Republic of Armenia since September 16, 2024. The authors of this legislative draft are expected to ensure the collection of 50000 signatures by November 14 in order to make it possible to be considered in the National Assembly of the Republic of Armenia. First, we suggest to considering the theoretical possibility of Armenia acquiring membership in the European Union within the framework of its economic congruence without dwelling on the political aspects of this issue. Accession to this system is quite a difficult process. So, neighbouring Georgia signed the Action Plan within the framework of the EU’s New Neighbourhood Policy back in 2006, was granted EU candidate status in 2023, yet is expected to accomplish a number of conditions for official accession. One can evaluate the complexity of this process by considering the fact that the last candidate – Croatia – was accepted into the EU back in 2013. The purpose of this paper is to understand if it is possible for Armenia to reach the level of GDP per capita of the European Union countries in the foreseeable future.

Methodology

In our analysis we will use a quantitative research method, using calculations of future values of the argument under consideration. The article also applies theoretical analysis, since the analysis of literature related to the subject matter helps to have an understanding of what processes took place in this integration.

This study will use a simplified DFC model, which must reflect the essential phenomena of the process and be optimal. Excessive detail complicates the model and complicates theoretical studies, making them more cumbersome. But at the same time, an overly simplified model does not provide the required adequacy and accuracy. It is possible to study and analyze a phenomenon more fully only if its model has a mathematical form.

Literature review

Since 1991, researchers in various fields of science have published a number of analytical materials on international cooperation and integration of Armenia in various economic unions. The relationship between Armenia and Europe has a relatively rich history over a short period. Thus, in 1999, the Partnership and Cooperation Agreement was signed

[Ayvazyan, 2021, 217], already in the first decade of the XXI century, Armenia and the EU begin cooperation within the framework of the European Union Partnership and Cooperation Agreement and the European Union's Eastern Partnership.

Kamynin and Papoyan in their study note that since 2015 relations between the two parties have begun to intensify [Kamynin, Papoyan, 2019, 94-97]. In 2018, an Enhanced Partnership Agreement was signed, according to which cooperation is developed in four areas: strengthening institutions and good governance; economic development and market opportunities; connectivity, energy efficiency and climate action; mobility and contacts between people [Kamynin, Papoyan, 2019, 94-97].

Promising predictions are noted in other studies. Thus, S. Minasyan notes that bilateral trade and economic agreements are being actively signed with many European countries, and legislative standards and norms are becoming as close as possible [Minasyan, 2005, 80-94]. In the region, Armenia has the highest chances of European integration after Georgia, significantly ahead of Turkey and Azerbaijan in this process [Makoukh, 2008, 18-27].

At the same time, despite joining first the Customs Union and then the Eurasian Economic Union, Armenia continued cooperation within the framework of the Eastern Partnership [Juchkova, Miroshnikov, 2017, 64-68]. This once again confirms both Armenia's interest in this integration process and the positive intentions of the EU members.

We should not forget that Armenia and the EU do not have a common geographical border. This factor is easily refuted by supporters of possible integration, citing the example of the EAEU, which also does not have a common border with Armenia. At the same time, opponents point out that integration into the EU is more conceptual in nature, there is a single currency in the EU and the requirement for income matching between countries is a necessary condition.

The future of EU-Armenia relations within the framework of the "Eastern partnership" will depend on several things. First of all, from the attitude of those interested sides to this European project. It is forbidden to allow economical confrontation between the EU and the EAEU [Juchkova, Miroshnikov, 2017, 64-68]. In a situation of limited space for maneuver, no less important will be the ability of the parties develop new approaches and find the necessary information tools for developing cooperation in those areas Armenian economy, which modernization and technological development can give impetus for further latest development. [Ayvazyan, Petrova, 2018, 91-102].

Thus, we can conclude that researchers and specialists in general see it possible for Armenia to join the EU, while noting that this is a rather complex process, which in our case has its own specifics, taking into account both the geographical location and the location of Armenia in another economic union.

Based on the research already conducted, we will determine the scientific novelty of the article. The scientific novelty of the study lies in the fact that the expert community in Armenia and abroad considers the political and social factors of joining the EU more than purely economic ones, but our approach is based on an economically oriented vector. The study is based on one of the key economic parameters, which is the most informative for assessing the situation at the social level – on GDP per capita. At the same time, not only the current picture is assessed, but also is made a forecast for the foreseeable future, giving an answer to the question of whether this issue has a future or not.

Analysis

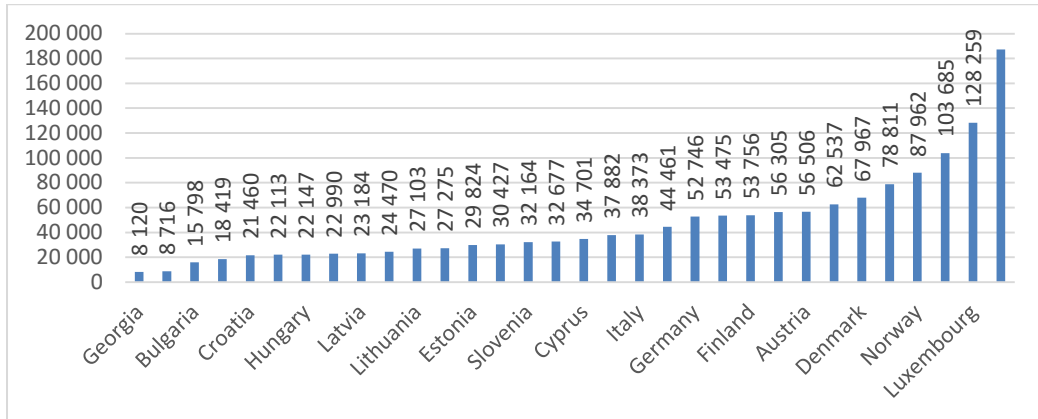
It becomes clear that, for the accession to the EU, Armenia needs to achieve a number of indicators in various public sectors. Within the framework of this research, we will assess our proximity to EU standards by considering one of the four key parameters – economic. As a marker, we will use one of the basic macroeconomic indicators – GDP per capita. We consider the period between 2006 (Georgia was mentioned for a reason) and 2023, analyze both absolute indicators and annual dynamics of growth / decline.

Currently, the European Union consists of 27 countries, 3 more countries – Iceland, Liechtenstein and Norway – are not EU members, yet are part of the European Economic Area (EEA). These three countries will be included in our sample since our research will be conducted in the economic context.

In 2023, Bulgaria had the lowest GDP per capita in the EU – 15,798 U.S. dollars. Next was Romania – 18,419 U.S. dollars. Greece, Croatia, Hungary, Latvia, and Poland had approximately the same GDP per capita (ranging from 21,000 U.S. dollars to 23,000 U.S. dollars). Ireland (103,685 U.S. dollars), Luxembourg (128,259 U.S. dollars), and Liechtenstein (187,267 U.S. dollars) had the highest GDP per capita. Among post-Soviet countries, the highest GDP per capita was in Estonia (29,824 U.S. dollars). Next was Lithuania (27,103 U.S. dollars), followed by Latvia (23,184 U.S. dollars). It should be mentioned that Ukraine which obtained a EU candidate status in 2022, had GDP per capita of only 5,181 U.S. dollars.

Armenia had GDP per capita of 8,716 U.S. dollars in 2023. Neighbouring Georgia – an EU candidate – had a slightly lower GDP per capita – 8,120 U.S. dollars. Thus, Armenia's GDP per capita was nearly half lower than the threshold level. Moreover, compared to the average figure of the top ten EU countries, the difference is more than 11 times (see Table 1).

Table 1. GDP per capita in 2023, U.S. dollars

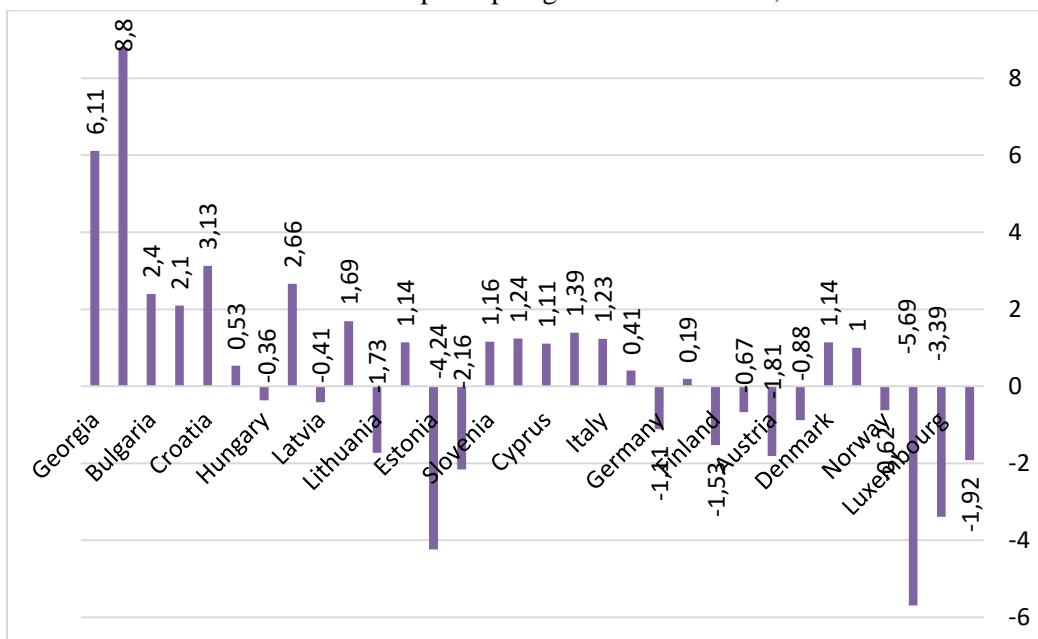


Source:

https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?end=2023&name_desc=false&start=2006&view=chart

At the same time, attention should be paid to the GDP per capita growth rate, since this indicator will be used to analyze Armenia’s ability to reach the specified level.

Table 2. GDP per capita growth rate in 2023, %



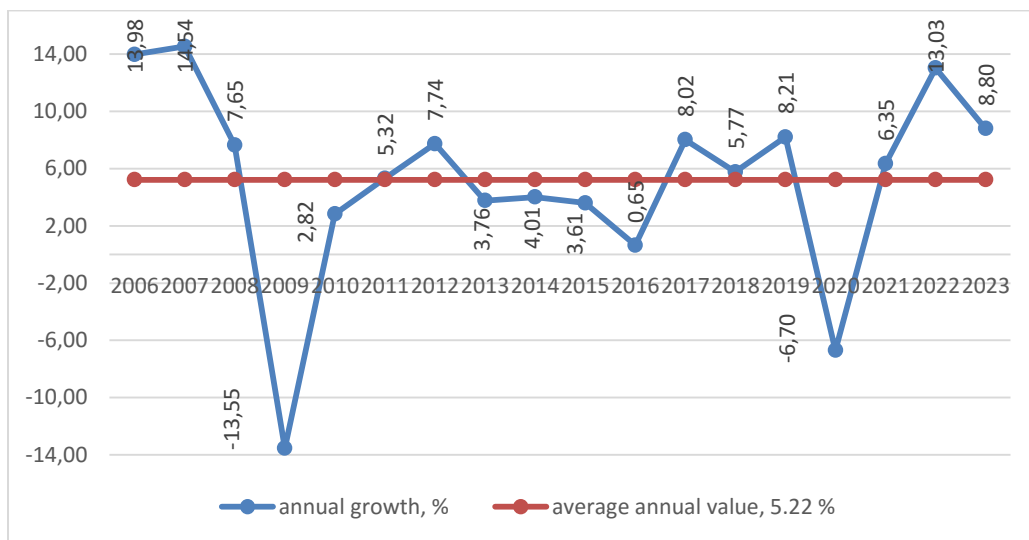
Source:

https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG?end=2023&name_desc=false&start=2006&view=chart

As it can be seen, Armenia’s figure is much higher than the corresponding figures of EU countries. GDP per capita growth rate was 8.8% in 2023; Georgia was the closest country with a GDP per capita growth rate of 6.11%. Such a high figure was caused by the capital flow from the Russian Federation to the Caucasian republics in 2022-2023. Thus, in 2022, this figure in Armenia reached a two-digit number – 13.03%. At the same time, GDP per capita growth rate in EU countries either declined over the last two years or showed negative values as a result of the same factors.

In case of considering the average annual growth of GDP per capita since 2006, the rate in Armenia is 5.22%.

Table 3. GDP per capita growth rate in Armenia in 2023, %



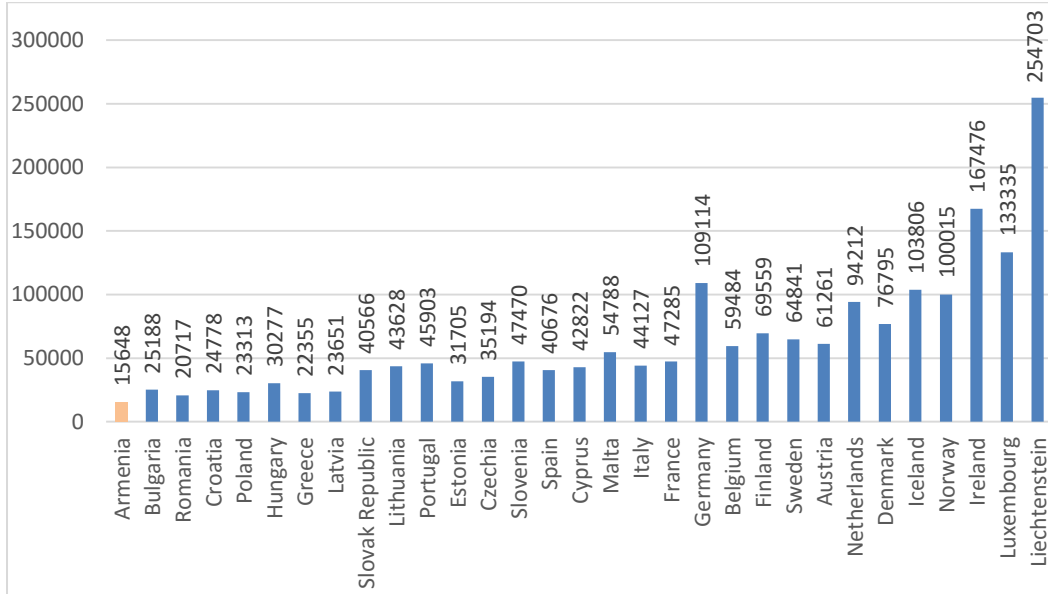
Source:

https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG?end=2023&name_desc=false&start=2006&view=chart

In order to analyze more precisely, we will calculate without the last two years, which were influenced by various factors, including those mentioned above. The average annual growth rate in this case is 4.51%.

Thus, if we consider this growth rate and the lowest threshold of GDP per capita in EU countries (Bulgaria, 15,798 U.S. dollars), Armenia will have reached the EU current lower bound in 13 years – 15,648 U.S. dollars.

Table 4. GDP per capita in Armenia and the EU by 2028, U.S. dollars



Source: prepared by the author

And what about the average figure in the EU? Entering an organization, an economic aim should not be just to enter and to turn into the “last carriage” of the train, but to become a country that provides its citizens with a high socio-economic level. In this case, it becomes even more difficult to achieve the threshold. Currently, the average figure of the EU is 49,825 U.S. dollars. Applying the future value formula, at the same growth rate, Armenia will have reached the EU current figure in 38.5 years! By 2065, GDP per capita in Armenia, under constant conditions, will be 49,315 U.S. dollars.

Yet, let us not forget that the GDP per capita of other countries will also be growing. In the above-mentioned period, the average EU figure will be 119,551 U.S. dollars which will be 2.42 times higher than that of Armenia at that time. Calculations show that by that time, if the current growth rate is preserved, theoretically Armenia will be able to reach only the lowest EU threshold. At this stage, it is difficult to forecast whether it will align with the accession to the EU as a whole.

Thus, by 2028, Armenia will have reached the current lowest bound of EU members; by 2065, it will have reached the current average bound. These dynamics indicate that in the near future it will be quite difficult for Armenia to reach the proper level of GDP per capita of EU countries. In order to implement this task, entirely different tools, new institutions, and relevant approaches in the socio-economic life of the republic are needed. What mechanisms should be created and implemented is a question for the analysis of new research.

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Arman AMROYAN Congruence between ambition and capabilities: can Armenia meet the economic level of the European Union?

Key words: European Union, GDP per capita, average annual growth rate

Trade and economic relations between Armenia and EU countries are in a phase of dynamic development. Over the past four years, trade turnover has grown by more than half, thanks to Armenia's participation in the European Union's Eastern Partnership project and benefits under the GSP+. This activity has also contributed to the revival of domestic discourse about the country's accession to the European Union. However, the European doctrine for accession requires not only significant trade turnover between the two parties, but also ensuring an acceptable level of a number of other socio-economic indicators. At the same time, Armenia is a member of another economic bloc, where there is no such imperative requirement for the level of well-being of the population. It is obvious that at this stage, in terms of the level of economic development, Armenia cannot compete with European leaders, however, the process of joining the new bloc is not short-lived, and taking into account the significant growth rates of the GDP of the Transcaucasian republic, a number of experts predict that a certain level of compliance will be ensured in the foreseeable future. The study analyzes such a prospect from the point of view of Armenia achieving the level of GDP per capita of the European Union countries.