

Armenia, similar to the other former soviet states, is in the process of addressing a number of social issues, surfaced after the inception of the economic transition, which has been taking place in the Newly Independent States (the NIS).

Ladies and Gentlemen:

It is undeniable that our region is in the center of interests from the standpoint of its economic capacities. Such approach is mainly explained by the geopolitical position of the Region as a significant crossroad of intersecting roads. It is also worth mentioning that attractiveness of our markets for an extensive business is considerably high. Comprehension of this fact is gradually playing a definite role in the approaches of today's political elites.

Economic factors of this Region are also determined to be the coalescing nodes of confidence-building measures. The economic interrelatedness is a pledge of reinforcement of mutual confidence. From this viewpoint, synchronization of the economic reforms and the idea of the regional countries' steady economic development are becoming increasingly indispensable.

The unsolved conflicts, resulting in intense pressure of the objective circumstances on the process of economic reforms in our countries, are impediments to realization of the aforementioned idea. This fact creates a misleading imagination that the economic factors may serve as an instrument for pressure and ejection of one of the countries from the common regional processes. This approach is anti-efficacious, deepens the existing confrontations and bears a real treat for the South Caucasus' stabilization.

Today's imperative is to find a systematic approach towards ongoing stability and safety in the Region, and the countries solicitude for the regional basic problems and often having competitive interests endeavor to achieve a goal. Political elites of the South Caucasus' countries has already accepted the indispensibility of the collective Safety System. This matter is in the stage of active discussions. It is the first time in the history of the Region, that we have a tangible possibility to take a serious step forward towards radical reforms. Irreversibility of our self-power is half of our way to pass. Our dominant priority should be creation of durable foundation for ongoing stability and further development of the South Caucasus region.

So which are the peculiarities and what lessons do we take from the experiences faced in post-independence period, under the highlights of ongoing Globalization procedures.

1. The countries in transition fulfilled the right of transfer from the state ownership based economy to the private ownership based one. In the political sphere democratic values should have been dominating and in the social sector we had to create a scheme of realization of human rights and state protection.

What is the aim? In all these three domains we must be comprehensible and predictable for the surrounding world. On the other hand we must be able to use the positive experience of the world development.

What did we do? I mean most of the countries with transition economy. We carried out privatization in the economic sphere. In the first stage our aim was to provide the critical number of proprietors in order to ensure the unreversibility of reforms. On the whole, we had a success. Today, in Armenia the private sector produces over 75% of GDP.

It should be noted, that this process was very painful for all the countries. Each of them has passed its own way and there is no universal and acceptable model.

For all the countries in transition the first stage of privatization is the quantitative, which is followed by the qualitative stage with a priority of the efficient realization of the right of ownership, when the private property itself is a stimulus to increase the economic productivity. It is here, that all the countries face difficulties.

The reason is, that parallel to the increase of the number of the private property owners, no viable mechanisms were amended to realize the right of ownership. The necessary institutional field wasn't created on one hand, and on the other hand the states couldn't establish such a system, that would parallelly provide with protection of property.

This all can be briefly formulated in this way: the private ownership right and creation of institutional mechanisms for its realization should be fulfilled simultaneously.

2. The transition from centrally planned system to democratic society can be realized in a definite succession. The experience showed, that any attempt to choose a strategic succession was doomed to failure. The constituent part of political democracy is the ideology of free market, clear and equal rules for everybody and the insurance of these rules by the state. The structural reforms of economy, the improvement of the management system, the organization of market infrastructures should be realized in conditions of legal system harmonious development.

Consequently success guarantee of the economic reforms is conditioned by the systematic approach to their realization.

3. The third lesson is the alteration of the state's role on the way towards globalization. It should be emphasized, that the state role doesn't diminish, just the opposite of it. On the state level we must conquer the field unfamiliar for us so far. The state must gradually obliterate its immediate participation in the processes of economic management and take a regulating function, that is to say, must be worked out the rules of the game and guarantees for protection of these rules.

It is here that nearly all the countries have failed (especially the CIS countries and Caucasus countries among them). Trying to ensure the reduction of the state's role in the processes of economic management, we failed to fix the most important regulating and controlling functions.

4. Nearly no country in transitional period has intentions or possibilities to have a dominating international position in the forthcoming future, and therefore, these countries can also be called small countries. The small country, alongside with its privileges (e.g. it is easily managed), has numerous negative aspects. Consequently, it is important for these countries to elaborate a special development conception on the world scale.

- Explicitly, in the first stage of development these countries cannot be allowed to enjoy protectionism. Nowadays, customs profits comprise the dominating part of the state budget of the countries in transition. As a result, all the countries suffer from losses and universal approaches could have been worked out:

1. In the first stage, obliterating all the protection steps and reducing the customs tariffs, the International community could compensate the losses of the developing countries.

2. In the second stage general integration processes would begin.
3. In the third stage the growing economy and the increasing volumes of foreign trade would restore the primary level of protecting profits, and the changes in the profit structure would be in favor of the immediate taxes (income tax, profit tax).

- In many cases the humanitarian aid has a narcotic effect on the developing countries. The developed powers should predetermine the very moment when the humanitarian aid can be replaced by development programs.
- The International financial institutions, in many cases, continue to impose quantitative indices as development criteria, thus distorting the qualitative and ideological tendency of the reforms. Hereupon, the approaches should be changed from the present-day problems to a model of stable development.

5. The fifth lesson is, that on the way of creating a global society, under the pressure of diverse problems, we have ignored the sphere of human development. It's time to refer to the educational, health and democratic reforms not from the social standpoint, but as a main factor of the economic strategy, as an investment in the most important phenomenon of the economy – in mankind.

This is the reason of the indispensability to reconsider the investment system, that presupposes an increase of human productive power.

It should be accomplished through ensuring the prolongation of the efficiency period, creating means, that will assist to master the information and the experience gained. It will be achievable by enlarging knowledge, qualification, possibilities of self-expression, by reducing diseases, providing scientifically grounded nutrition and physical culture.

It's obvious, that the purposeful direction of particularly educational, informative and health reforms gets a paramount significance. The budgetary financing of these spheres should be observed, as a dominating strategy, and the budgetary appropriations shouldn't be done according to the residual principle.

6. Next lesson hier is the priority of joint approaches to management of infrastructural sectors of economy. The range of infrastructural services, the foreign investor receives in his country, should be available in our countries as well. Our infrastructures should be comparable with international criteria and should obey the same regularities.

The shortest way is the accomplishment of the regional joint programs. It is efficient to elaborate joint regional models for development of transport routes, electro-transmission lines, optical cable lines, drinking and irrigation water systems.

Why not, perhaps certain services, implemented by the state, such as the customs service, can be unified. The countries of the region will only gain.

Today, almost everyone agrees, that there is a greater awareness not only of the privileges of globalization phenomena, but also the multifarious problems facing humanity in this new global society. For the countries in transition, it is only a matter of time to take the challenges, and grapple with the same set of problems on their ways towards globalization.

In any case, there is only one way: we must speak to the world comprehensibly and be transparent.

7. The last lesson is, that the countries with transition economy, should strive to work out and accomplish regional development programs, without restricting the number of the programs directed to the domestic economic development.

In the age of globalization it should be desirable for any country to have a developed and prospering neighbor. In this respect, the process of our membership in the World Trade Organization is especially striking. The regional countries have begun separate negotiations in conditions, when the inter-state trade current position is not promising.

Thus, with global trends of integration, no country can lead an isolated policy. The most essential element today is the economic cooperation and integration into the global community in which countries have become increasingly dependent on each other. This approach leads to the following five directions of the policy in the global community and in the region.

First, no country can be involved in global integration if there is no integration process within its own region and with its neighboring countries. There can be no regional co-operation with the artificial isolation of a country; this country will lose, the other members of that region will lose and the full potential will not be realized. In some cases, economic blockades and/or the failure to seek potential support obstruct co-operation projects at the grassroots level.

Second, stability in the region requires balanced relations between countries of the region. The widening cooperation gap among states is dangerous for regional security. Cooperation and integration should be key elements of preventing or overcoming crises, be they natural, political, economic or social. The process of integration is a comprehensive set of actions directed toward stability and development.

Third, there is no magic wand that can be waved to complete the process in one step. Economic ties and trade links are good confidence building measures. Economic projects and co-operation initiatives are potential instruments of conflict resolution. In this case the International Community should concentrate much more on economic projects and facilitation of cooperation. Priority should be given to micro projects for raising internal stability in a country. This will allow the promotion of macro projects on a regional level for integration, and will, in turn, facilitate regional stability.

Forth, the more internal stability, democracy and economic freedom in a country, the stronger the basis for integration and economic co-operation. And vice versa. The way to achieve this is:

- Increasing the role of the private sector and free market economy to enable the actors of countries of the region to begin bilateral projects and continue more comprehensive integration processes.
- Good governance, stable institutions and confidence among states create a stable macro environment.
- Liberalization and facilitation of trade within the region are the basic conditions that must be met for deeper integration.

The last but not the list, confidence-building measures (including cooperation projects) are reliable tools to signal readiness to take further steps towards integration. Experience demonstrates that the roles of NGOs and mass media should be promoted and increased for building democracy and a civil society. If individuals, NGOs, the media, and others are not restricted in their abilities to function, then the potential for future cooperation and integration will be high.

Ladies and Gentlemen:

These are the main ideas considered to serve as an ideological basis for the South Caucasus development.

During the years of independence each of the countries of the region has tried to protect its own national interests. We used to act mainly not taking into account the interests of our neighbors, which, in conditions of the unsolved conflicts, mostly had a reflecting character. It has intensified the hereditary conflicts. Intervention of the external factors has transformed our region into an arena of counteractions. It is implicitly clear that no country in our Region, acting independently, can enjoy appeasement. The efforts of a separate country towards safety enforcement cannot be effective out of the regional safety context. Today's imperative is to repudiate the policy of tactical maneuvers based on the confrontation of the external interests.

Formation of systematic approaches to the regional countries' common values should be the constituent part of the regional integration. Parallel to the independence we obtained a capability of state building and radical reformations on socio-economic and society levels. Principles of democracy and predominance of law should serve as a basis for these reforms. Unavoidably, the processes of democratic reformations in our countries collide with some serious obstacles and proceed in distinctive ways. It is obvious, today we are building a durable ground for future inter-political and regional stability.

As I already mentioned, the region's distinctive feature is its national and religious multiplicity, when particularly the democratic values, predominance of law and protection of Human Rights should be of a paramount significance. From this viewpoint the tempo and dimension of reforms in each country, taken separately, are out of the framework of inter-political processes, thus obtaining a regional character. Through perception of the necessity of common democratic values, we'll create favorable conditions for formation of new levers to exert influence on the process of conflict resolution and alteration of the essence of the regional interrelationships. We should be more predictable and understandable. We can't play a role of a nonchalant observer and be insensitive to failure of this procedure.

Our efforts addressed to development and reinforcement of democratic reforms will be the first steps towards future safety and enduring regional cooperation. The huge historical-cultural heritage of our nations strengthens our position within the European civilization and assists our integration into the European antique architecture stretching from Atlantic to Ural.

All three countries of the South Caucasus are members of the OSCE. Georgia's accession into EC ceased the prolonged historical dispute over the issue whether we are part of the Europe or not. Regarding to Armenia's accession into EC, it's just a matter of time. All these events pretend to coalesce but are not enough to create a durable foundation for peace and stability in the South Caucasus.

President Robert Kocharyan has already announced the attitude of Armenia towards the collective safety system in the south Caucasus. Armenia's approach towards this topic is mainly defined by the historical and geopolitical events, as well as by the fact that we are one of the comparatively weak elements of the European common safety system. The President also mentioned that future safety system was destined to be effective if it indeed had a cohesive character. That kind of system shouldn't deny involvement of any State having a direct influence on the Region. From this standpoint the (3+3+2) formula has been offered implying three South Caucasus countries, the neighboring countries: Russia, Turkey, Iran, as well as the European Community and the United States. This system is claimed to conduce to future stabilization and further

development of the South Caucasus. Such system should first of all include comprehensive issues of the economic reforms and mutual economic cooperation. Second, the principles of generality of democratic values and reforms should be steadily entrenched. Third, the processes of conflict resolution should be implemented by comprehensive and universal safety mechanisms. This is the current trend of civil world's development. These are the unavoidable effects of Globalization and we should accept it for a fact.

Ladies and Gentlemen:

As the former Prime Minister of the Republic of Armenia, a great part of my activities was focused on the expansion of democratic values, development of open market economy, cooperation and integration in the Caucasus region. As the head of the Government, I tried to find inclusive and participatory approaches to addressing such issues. Special emphasis was placed on strengthening the existing means of intergovernmental cooperation, and improving of collaboration with the private sector, within as well as outside of Armenia. It became clear that in order to create a collaborative synergy we must work towards strengthening the principles of cooperation, transparency and accountability.

These concerns were the catalyst to the establishment of the International Center for Human Development. ICHD is an independent research and public policy institution, dedicated to developing regional collaboration and economic development strategies in the Caucasus countries. ICHD's objective is to achieve a greater level of "regionalism", which will lead to closer political and economic integration. By cooperation with leading policy makers as well as similar institutions in the United States, Europe, Russia, Turkey, Central Asia and the Middle East, ICHD will work towards expanding the ideas of democracy and liberal economy in the region.

Major areas of the Center's studies will include political, economic, ethno geopolitical developments and strategies. The mission of the Center is to assist the Governments of the countries in the region in achieving a strategic goal of regional collaboration and further integration. The Center also will host series of round tables and seminars with participation of leading policy makers and representatives of the business, academic circles as well as diplomatic missions and political parties.

ICHD is to promote the advancement and diffusion of knowledge and understandings, the regional peace and to advance new ideas for the prevention of any kind of humanitarian crisis and the resolution of the existing ones.

The Center is examining the principal causes of the conflicts within and between states of the region and the circumstances that foster or deter their outbreak. Taking a long-term view of conflicts, the Center seeks to determine the functional requirements of an effective system for preventing them and to identify the ways in which such a system could be implemented. The Center looks at the strengths and weaknesses of various international institutions in conflict prevention and considers ways in which international organizations might contribute toward developing an effective international system of nonviolent problem solving.

The Center's conceptual approach serves both as a strategic framework for thinking about the conflicts mass violence and as an analytic structure to guide its work:

- What is the problem posed by humanitarian crisis and conflicts within or between states? Why is outside help necessary to deal with these problems?
- How should that help be structured? What political, economic, military, or social tools are at the disposal of the international community? What is the

relationship between and among these tools-especially now, after the collapse of the Soviet Union?

- Who should do the work? What should be the role of the international institutions and regional organizations? What prerogatives for action are individual states likely to retain? What responsibilities for preventing mass violence do these prerogatives suggest? How can the vast resources of the private sector-for example, nongovernmental organizations (NGOs), the media, religious groups, and the business community-be employed more effectively and be coordinated with governmental efforts?

Today, ICHD has begun six research projects of regional significance. These projects are:

1. Spread of the Democratic Values and the Ideology of a Free Market Economy Throughout the Region

The main Purposes here are:

- To create a practical and viable system for the spreading and sharing of the achievements of countries in attaining democratic values and market economy throughout the region.
- To establish a unified model for human development tendency based on liberal principles.

2. Effective Use of Existing Hydro and Energy Resources of the Countries of the Region

It will be aimed at:

- Development a possible regional system of water and energy management, which would be both efficient and profitable;
- Preparing, within the limited financial and political means available, a mutually beneficial resource management program for water and energy, by incorporating the use of wind and solar energy, and using the existing and projected pipelines;

3. General Program for the Development of a Transport Communication System

Main Purposes:

- Establishment of joint investment projects for the creation of transport communication systems in the region;
- Creation of a regional model for management of highways, railways, telecommunication systems, and power lines;
- Development of a mutually beneficial project within the framework of the TRACECA program;

4. The Development of Interstate Trade and Liberalization of Regional Trade

Main Purposes:

- of unrealized interstate trade potential within the region;
- Trade liberalization and creation of general approaches to commercial regulations;

5. Regional Common Environmental Management Conception

Main Purposes:

- Elaboration of joint management systems aimed at the environmental balance of the region;
- Maximum application of western values already achieved in this sphere;
- Affirmation of the universal principles of a regional environmental strategy.

6. Confidence Building Through Cultural Relations

Main Purposes:

- To find and focus on the similarities among the cultures of the region;
- To bring together artists from over 25 countries;
- To harmonize and bring together the unique classical and eastern cultural styles with modern western ones;

Today, we are negotiating with all interested parties in the region for joint studies and research. I would like to take this chance and invite you to cooperation and collaboration in all our projects. We are open and willing to work with you for bringing peace and prosperity to our region for benefit all of us.