



THE GOVERNMENT OF  
THE REPUBLIC OF ARMENIA

CONCEPT:

**ESTABLISHMENT OF  
FREE ECONOMIC ZONE  
IN THE PROVINCE OF  
SYUNIK, ARMENIA**

DECEMBER 2016

## **FREE ECONOMIC ZONE (FEZ) IN SYUNIK REGION**

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### **FOREWORD**

*The main goal of the Free Economic Zone (FEZ) is to contribute to the export volume growth and creation of new workplaces, as well as ensure sustainable economic development through integrating foreign direct investments and introducing advanced technologies.*

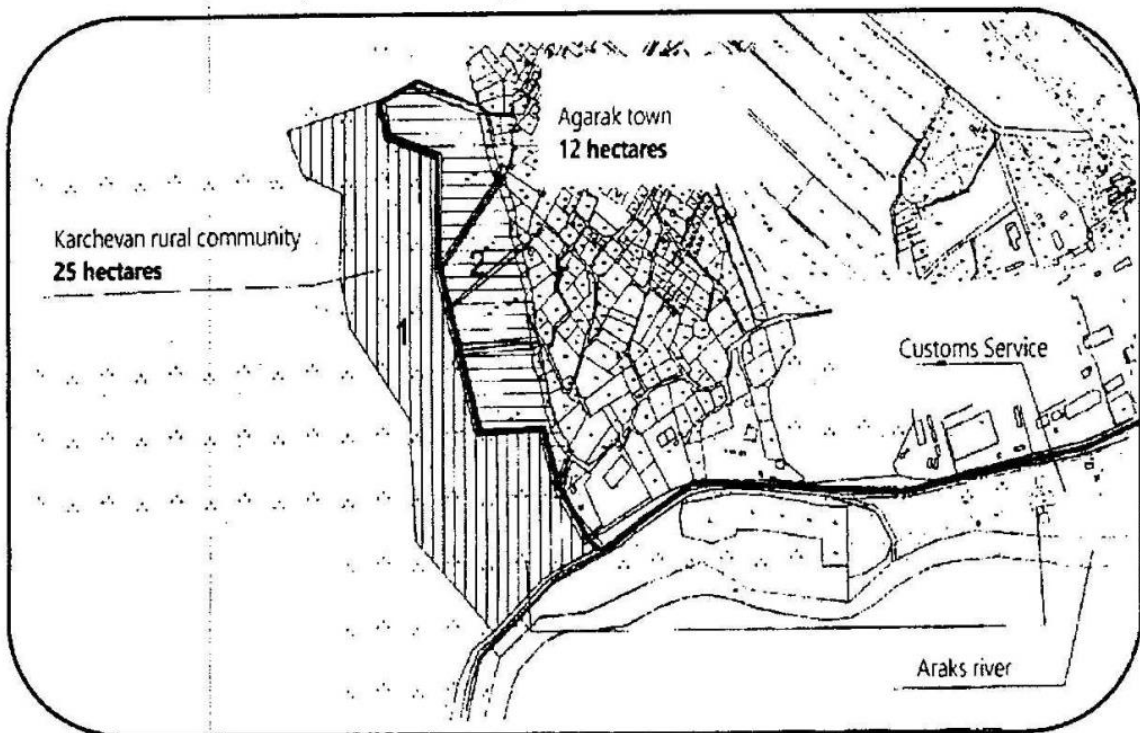
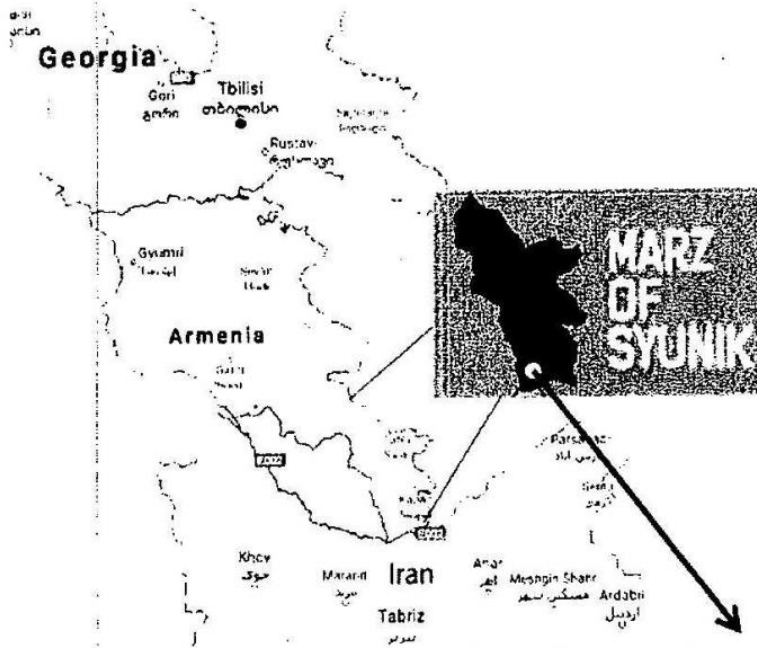
*An appropriate legal framework has been established to ensure the operation of free economic zones. With this regard, the Law of the Republic of Armenia (RA) "On Free Economic Zones" adopted on May 25, 2011 by National Assembly of Armenia is a basic regulatory document. Aimed at providing tax and customs preferences prescribed by this Law, relevant amendments have also been introduced to other related laws. Activities of FEZ are regulated also by Government decree 1521-N.*

***To foster regional economic cooperation and for further development of the national economy, growth of the export volumes the Armenian Government has decided to initiate the establishment of Free Economic Zone in the province of Syunik which is situated at the border with Iran.***

### **TRADE REGIMES OF ARMENIA**

1. Since 02.01.2015 Armenia is a member of the Eurasian Economic Union (EEU), which creates the following opportunities:
  - Access of Armenian production to about 180 million consumers.
  - Duty free import of raw materials from EEU member states.
  - No customs formalities during mutual trade between EEU member states, which leads to financial costs reduction and time-consuming for business.
  - No non-tarif measures of trade and trade technical barriers between EEU member countries.
  - Favorable import tariffs for about 750 products.
2. Free trade agreements with CIS countries, which gives duty free access to 250 million consumers.
3. Armenia currently enjoys "Generalized system of preferences" of the USA, Canada, Switzerland, Norway and Japan.
4. Armenia is one of the countries enjoying "Generalized system of preferences" (GSP+) provided by the European Union.
5. Bilateral treaties on investment promotion and protection with over 40 countries. Investors of the Contracting parties are granted a number of guarantees, in particular fair and equitable treatment, protection from expropriation, free transfer of means and full protection and security, an alternative dispute resolution mechanism is allowed.
6. Membership to the International Centre for Settlement of Investment Disputes.

**FEZ IS PROPOSED TO ESTABLISH NEAR THE BORDER WITH IRAN IN SYUNIK MARZ**



**PROPOSED TYPE OF COOPERATION:**  
Public Private Partnership

**DESCRIPTION OF THE FREE ECONOMIC ZONE**

<b>Total area of the FEZ</b>	<b>25 hectares</b>
Production area	50.000 sq.m
Office area	20.000 sq.m
Warehouse area	15.000 sq.m
Parking area	2.000 sq.m
Auxiliary area	15.000 sq.m

**FINANCIAL**

*Purchase of land, construction of buildings, infrastructure, etc.*

<b>CAPEX</b>	<b>25 mln. USD</b>
Initial investments required	10 mln. USD
IRR	14%

**ESTIMATIONS ON FEZ PERFORMANCE**

- *Foreign Investors/residents of the FEZ - 80-100*
- *Foreign direct investments - 250-300 mln. USD*
- *Workplaces created - 1000+*
- *Exports - annual 80-100 mln. USD*

**EXPORT DESTINATIONS**

*Iran, Russian Federation, Eurasian Economic Union, Commonwealth of Independent States, Georgia, Middle East, Eastern Europe*

- *One of the important factors of establishing FEZ is Armenian Diaspora in Iran, Russian Federation, Georgia and etc. which plays quite an influential and active role in economic life in that countries. Diaspora can highly contribute to the promotion of this FEZ among local companies and help to attract them to expand and establish activities in the FEZ.*
- *Eurasian Economic Union is negotiating temporary free trade agreement with Iran according to which customs duties will be reduced.*

	2017-2019	2020-2023	2024-2026
Export Volumes	<b>150-180</b>	<b>250-350</b>	<b>230-250</b>

**SERVICES PROVIDED BY THE FEZ OPERATOR**

- Rental of premises, warehouses (temporary and permanent)
- Logistic – storage services
- Utilities , telecommunication
- Parking

## **ADDITIONAL SERVICES**

*(which may be provided by the FEZ organizer as well)*

- Catering & hospitality services
- First aid station
- Business center (computer services)
- Notary office
- Banking services
- Consulting & law office
- Visa center

## **PARTIES INVOLVED**

- Government of the Republic of Armenia;
- Organizer of the FEZ (company initiating, establishing and managing the FEZ)
- Resident of the FEZ (companies operating in the FEZ)

## **THE PROCEDURE OF BECOMING FEZ ORGANIZER**

*Documents for the process:*

- 1) Application,
- 2) List of services and tariffs provided by the organizer,
- 3) Free economic zone outline, establishment goal, main activities,
- 4) Location, site plan, and building design as well in case of buildings,
- 5) Business plan.

## **FEZ PREFERENCES:**

- FEZ organizer and operator (hereinafter resident) are exempted from VAT when delivering services and supplying goods in FEZ territory;
- Legal entities are exempted from profit tax when being a resident and performing activities in FEZ;
- Public and industrial buildings and structures that belong to or are used by FEZ residents in FEZ territory are exempted from property tax;
- Services delivered in the free economic zone on behalf of the state bodies are realized on "one stop shop" basis.