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Comparative Analysis of Armenia's Investment Policy: Insights from International Models

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Abstract

This article examines various models of investment policy and their applicability to Armenia, drawing on international experiences. It categorizes investment policies into state, local, sectoral, and organizational levels, each with distinct goals and measures. The American, Japanese, and Taiwanese models are analyzed as examples, highlighting their unique characteristics and lessons. The article emphasizes the importance of understanding the nuances of each model before implementation to avoid failures, citing examples from the Philippines and Germany. It also explores the differences in investment promotion strategies between developed and developing countries, underscoring the critical role of large-scale investments in transitional economies. Finally, the article highlights the growing importance of qualitative investment in the context of globalization.

Keywords: Investment Policy, Economic Development, Globalization, Investment Models, Armenian Economic Model, Foreign Investment

Introduction

The global economy demonstrates that each country follows a unique developmental path. However, a common thread among all nations is the emphasis on investments in the real sector and the creation of favorable conditions to facilitate this. While macroeconomic policies are crucial, their success largely depends on ensuring investment activity at the

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micro level. Investment policy, depending on its scope and implementation, can be categorized into four main types:

1. **State Investment Policy:** A set of measures implemented by the state aimed at increasing and maintaining investment attractiveness and activity. The primary goals are to execute economic and social development programs, ensure economic growth, and boost GDP [1].
2. **Local Investment Policy:** Measures implemented at the level of territorial self-government units (e.g., regions) that promote the flow of investments that are beneficial to both investors and the local population.
3. **Sectoral Investment Policy:** Focuses on identifying priority sectors of the economy and providing state support to ensure investment flows into these sectors.
4. **Investment Policy at the Organizational Level:** Pertains to investments in securities or other means within a specific firm and/or their promotion.

Each country has its own unique development characteristics and investment policies, each with its own set of advantages and disadvantages. For developing and transitional economies, studying and potentially applying these models can be invaluable.

Global Investment Policy Models

Based on global economic studies, investment policy models can be summarized as follows:

1. The American Model

The American model is typical for countries with a developed stock exchange infrastructure that facilitates the effective allocation of investment resources. The state plays a significant role by collecting and analyzing investment funds, providing economic development

information, making direct investments, and contributing to infrastructure development. However, a notable drawback is the apparent neglect of savings, partly due to a lack of incentives to save [2].

2. The Japanese Model

The Japanese model is typical for countries with stable cooperation between the state and the real sector. The state supervises the banking system, collects population income, and provides it to potential investors based on contractual obligations. Unlike the American model, investments in infrastructure are made based on the specific needs of individual firms [3].

3. The Taiwanese Model

The Taiwanese model is a hybrid of the American and Japanese models and is typical for countries where investments are primarily made in human capital. The state provides guaranteed loans to organizations specializing in capital-intensive goods, subsequently turning them into investment resources [4].

Lessons from International Experiences

Implementing investment policy requires a deep understanding of the positive and negative aspects of each model, assessing their effectiveness, and considering localization possibilities. Failure to do so can lead to significant setbacks. For instance, the unsuccessful application of the Japanese model in the Philippines in the 1970s, where significant differences in economic development levels were overlooked, serves as a cautionary tale [5]. Similarly, Germany's attempt to use the tax incentives of the American model did not yield significant success [6].

The policy of promoting foreign investment varies significantly between developed and developing countries. Developed countries tend to have more advanced financial instruments, while developing countries rely more on tax instruments. Large-scale investments can lead to complex

situations where the national economy becomes dependent. However, for transitional and developing countries, such investments are crucial for ensuring economic growth and development [7].

The Role of Qualitative Investment in Globalization

In the current era of globalization, there is a growing emphasis on the qualitative aspects of investment. This shift underscores the importance of not just the quantity but the quality of investments, ensuring they contribute meaningfully to sustainable economic development. For Armenia, this means focusing on investments that drive innovation, environmental sustainability, and social progress [8].

Conclusion

The international experience of investment policy offers valuable insights for Armenia as it navigates its economic development path. By examining models such as the American, Japanese, and Taiwanese approaches, it becomes clear that investment policy is not a one-size-fits-all solution. Each model has its strengths and weaknesses, and their success depends on the specific economic, social, and political context of the implementing country.

Armenia, as a developing economy, must carefully evaluate these models, adapt them to its unique circumstances, and prioritize policies that foster sustainable growth, innovation, and inclusivity. The emphasis on qualitative investments in the era of globalization underscores the need for Armenia to focus not only on attracting capital but also on ensuring that investments contribute to long-term economic resilience, environmental sustainability, and social progress.

However, challenges remain. Geopolitical instability, regional conflicts, and the need for robust institutional frameworks are critical factors that must be addressed to create a conducive environment for investment. Collaboration with international organizations, adoption of innovative financial instruments, and learning from the successes and

failures of other nations will be essential in shaping Armenia's investment policy.

In conclusion, Armenia has the potential to harness the power of effective investment policies to drive economic growth and improve the quality of life for its citizens. By studying global best practices, tailoring them to local needs, and maintaining a focus on sustainability, Armenia can build a prosperous and resilient economy that thrives in an increasingly interconnected world.

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