

PRESS RELEASE

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Armenia at 25 Years: A Country at a Crossroads

Vasgen Manukyan, an intellectual and theorist of the Karabagh Committee, in his widely-acclaimed article written in 1990 titled, “*It is Time to Jump Off the Train,*” described the scope, the depth and the prescience of what independence meant for Armenia.

It is not incidental that just as we see opening ahead of us opportunities to make decisions regarding the future of our people and to benefit from them, there are people who see hopelessness and speak of a dead end. No, there is no dead end. There is a difficult road ahead, which has been traveled by many other nations and which leads to happiness. What is needed is cooperation, unity, intelligent calculations, and decisiveness... We must strive to achieve economic independence and sovereignty.



Significant strides have been taken in bringing Armenia onto the global stage. However, as Manukyan predicted, the journey has been extremely difficult. In the few years preceding independence, Armenia faced many daunting challenges. There was the conflict with neighboring Azerbaijan over Artsakh, accompanied by pogroms in Sumgait, Baku and elsewhere. Some 400,000 refugees fled Azerbaijan to Armenia and Russia. A devastating earthquake killed 25,000 people and left 530,000 individuals homeless out of a total population of 3,100,000 or over one-sixth of the country’s population. Approximately 9,177,000 sq. meters of residential space was either totally lost or listed unsafe and 85% of the country’s economy was destroyed.



Then the Soviet Union collapsed. Armenia was quickly separated from a market of 300,000,000 people. The former Soviet Republic underwent a severe energy crisis due to the Karabagh war, an economic blockade by Azerbaijan and Turkey, and the closure of the Medzamor nuclear plant. To survive winter, people were forced to devastate Armenia’s flora by cutting many trees for fuel, especially in urban centers. The price of food increased 50 fold. Bread had to be rationed. The population was left to improvise survival strategies, while simultaneously establishing the institutions necessary to govern a newly independent country.



These arduous challenges must be measured alongside the developing country’s successes in the last 25 years. On September 21, 1991, Armenia declared independence through a national referendum. Levon Ter Petrossian became Armenia’s first democratically elected President through a free and fair election, and the new country took its place among the other



countries of the world. A new constitution was adopted; Armenia became a member of the United Nations in 1992; its army was strengthened and modernized; and new educational facilities, including the American University of Armenia, helped raise the standard of education. Three Administrations have governed the country since, each one followed by a peaceful transition of power.

Despite being landlocked, lacking indigenous sources of power and blockaded by its neighbors, Armenia's GDP has grown from 1.23 billion USD in 1992 to 10.561 billion USD in 2015, signaling its resilience and determination to survive and grow.

Ultimately, Manukyan's prophecy of the difficult road ahead has become a reality.

During the last twenty-five years, there have been continuous political, economic and social challenges that have led to the emigration of over 1,000,000 people. The political challenges are epitomized in such incidents as the October 1999 shooting in parliament, where high ranking officials, amongst them deputies, the Minister of Urgent Affairs, the Prime Minister and the National Assembly Speaker, were killed. The peaceful protest of 2008 was met with police brutality suppressing the assembly of the people, causing the death of ten protestors and the wounding and imprisonment of hundreds. To date there has been no accountability by the police or law enforcement agencies.

Other incidents of police brutality were reported by Human Rights Watch and Freedom House, including protesters clashing with police in January 2015 expressing their anger over the plans for a Russian soldier who murdered a local family in Gyumri, Armenia, to be tried in Russian courts. Once again in June 2015 demonstrators faced similar brutality during protests against the plans of the national electricity company to raise energy prices for the third time in three years. All these incidents have shaken the public's confidence in its leaders.

Other incidents that magnify the society's mistrust towards their government include the draft Electoral Code of May 2016, that once adopted by the parliament, will significantly limit the effective monitoring of parliamentary elections in May 2017; the unpreparedness of the Armenian forces during the Azerbaijani attack in April 2016; and the violent demonstration by Sasna Tserer (Daredevils of Sasun) in July 2016, which was an act of desperation that received wide popular support.

AGBU, in their press release dated July 30, 2016, had this to say about the last incident:

The seemingly harsh treatment of peaceful protesters at the hands of the police is unacceptable, and sheds a starkly negative light on our nation. Citizens' rights to peaceful protests must be respected as they should be in any sound democracy.

We understand when people speak out about social concerns, inequality, corruption, and the desire for rule of law, but violence and the use of force or weapons by any individual or group is never the answer. We condemn the taking of hostages, especially the latest development involving medical workers being held against their will.



The economic challenges are also significant. While the poverty index has been reduced successfully from 58% to 25% for the population overall, there is still a wide economic gap between the country's elites and the general population. In Yerevan alone, a city that is home to around a third of

Armenia's population, 75% of the population earns less than \$5 USD per day, according to the World Bank. Starting a new business is extremely challenging, especially if it deals with commodities or imports. The reasons are complex, but it is clear that the monopolistic and oligarchic economy, combined with corruption and nepotism, are deterrents to growth and innovation.

The entrenched power of the oligarchs now stands as a direct threat to reform and an impediment to the state itself, eroding the authority of the state, which can neither tax the oligarchs nor police their business interests. Several commodity-based cartels, such as gasoline and heating oil, and basic staple goods, bolstered by a powerful combination of criminal links and political influence, control major sectors of the national economy. In fact, some of the legislators are themselves the oligarchs and the monopolists. This situation is exacerbated by an ineffective official political opposition, impunity of the ruling elite, economic and military dependence on Russia, and ongoing aggression in Artsakh.

Socially, the mistrust and uncertainty have reached a tipping point for many citizens across the country. Increasingly, Armenians are faced with the dreadful choice between emigration and out-right poverty and despair. Armenians from all walks of life are demanding a better future for their children. Emigration continues and approximately 45,000 people annually leave the country. This pattern of mass emigration contributes to a massive brain drain within the country, and by extension, makes fast economic recovery difficult.

For Armenia's survival, it is essential to find ways and means to ultimately stop emigration. This is an existential issue for the nation. With no critical mass of people living and thriving, there will be no development and a serious threat to the survival and independence of the country.

In order to stop emigration, and reverse the mistrust towards the ruling elite, the government must adopt immediate short-term actions based on two specific approaches:

- Political: to ensure a fair and transparent electoral process; and
- Economic: to provide demonstrable measures to ensure the elimination or reduction of monopoly.

These approaches should be followed by medium-term and long-term plans dealing with the political, economic, and social issues.

Political (Electoral) Actions:

The 2017 parliamentary elections can be an important test if it can be shown to be transparent and fair. This can be achieved with the following steps:

- a. Stop or reverse the electoral code adopted by National Assembly on 25 May 2016, as it restricts the rights of observers and mass media representatives, contradicting the recommendation made by Venice Commission and OSCE/ODIHR.
- b. Organize official, accredited election observers from the Armenian Diaspora and other international agencies to monitor every polling station for fair, credible voting practice. This effort could require as many as 2,400 volunteers to man the polling stations, observe the voting, counting and reporting on the process. Governments should facilitate their engagement in this process.
- c. Allow meetings and rallies held by international and Diaspora organizations between now and the election in May, to raise awareness and empower the citizens of Armenia with information about their rights. This will motivate them to vote with the confidence that their votes will be counted.

These initiatives must be encouraged, publicly supported and implemented in a timely manner (several months before the 2017 election) by the government to show its clear intention that it is serious in earning the public's trust.

Economic Actions:

- i. In order to reduce monopolies and curtail the effects of an oligarchic economy, the government must eliminate conflicts of interest of the legislators and all those who govern. This can be done by enforcing the existing laws and strengthening them through legal actions.
- ii. Lift all legal and extra-legal obstacles for all imports, particularly food or other commodities, and allow anyone to trade or manufacture.

It would be beneficial if a few of the monopolists, including military personnel who have abused the procurement process of the army to enrich themselves, are brought to justice and penalized publicly. Such action will definitely signal the new government's resolve that it means what it says and will further illustrate their sincere intent to rebuild the public trust.

To expedite these confidence-building efforts, the President should also declare that:

All economic sectors and activities would be open to new entrants and competitors. Those who obstruct will be severely punished. An independent body will oversee this initiative and will implement the existing laws in order to break and/or obstruct new monopolists.

Unless the Prime Minister is serious in reversing these obstacles, then this whole process of appointing a new Prime Minister by the President and replacing certain officials of the government will be viewed as a sham.

Medium-Term Actions

While the short term is critical to help build immediate trust with the electorate, the medium-term and long term efforts are needed to bring about structural changes, and strengthen the country's rule of law and democracy. Such medium-term actions include:

1. Enhancement of educational programs to ensure Armenia's global competitiveness.
2. Increase the type of public spending that focuses on high quality investments in human and physical capital.
3. Last but not least, ensure that the country has a real, Independent Judicial System, (not just on paper).

Long-Term Actions

Other challenges that need to be resolved if Armenia is to achieve successful transition towards democracy and an open market economy, including improving the quality of political management, are as follows:

- a. Eliminate the executive's dominance over other branches of government, which has only increased since the last election. Currently, administrative resources are being used to further concentrate power within the executive branch. This undermines any chance of checks and balances in governance.

- b. Address the popular demand for reforms or risk radicalization of political forces and the widening division between a small, wealthy and politically connected elite and the larger, more impoverished general population.
- c. Eliminate the paternalism of ruling elites in addition to corrupt patron-client networks, which lead to inefficiencies and low professionalism, resulting in lack of control mechanisms in public administration.
- d. Eliminate state control and influence of the government on the media and break any monopolies in that sector.
- e. Stop police brutality against peaceful protesters. Those responsible must be brought to justice swiftly and with transparent public trials. The police force and security services are unpopular and enjoy very little trust, driven by a record of abuse of power and cases involving the excessive use of force against detainees and civilians. The impunity of the police by the administration has only emboldened them in this act.
- f. Address poverty and socioeconomic discontent by creating equal opportunities for the entire population including equitable means of wealth creation and distribution.
- g. Reform the Diaspora Ministry and its Modus Operandi to harness the advantage of the Diasporas competitive potential, including angel investors, technology transfers, and trade facilitation.
- h. Address environmental issues, particularly the mining sector, which has continued to confront serious environmental challenges as the state lacks the control mechanisms needed or fails to exercise those it has.
- i. Hold sincere and open discussions regarding Nagorno-Karabakh. Governments should to inform and educate the general public about the need for compromise. At the same time, all nationalistic and maximalist narratives that fuel intransigence must be halted if a peaceful agreement is to be reached. Furthermore, the veterans must be assured that they will be treated with the utmost care and comfort given that they have risked their lives for the security of the nation. Moreover, any kind of corruption in military procurement must be severely penalized.
- j. Rebuild earthquake zone as earthquake reconstruction has been lagging behind since 1988 in some parts of Armenia, especially in Gyumri. This must be accelerated and completed within a very short period.
- k. Uphold the separation of the Church and State. The Armenian Apostolic Church holds a strongly entrenched position of dominance within Armenian society, mainly based on the fact that the Church holds an informal but powerful relationship with the Armenian state, endowing the authorities with a degree of legitimacy and support. The government must stop leveraging the Church's regard with the ordinary population.

In November 2016, during the celebrations of the 110th anniversary of the AGBU in New York, the audience heard repeatedly that Armenia is at a crossroad. Now in its twenty-fifth year of independence, Armenia truly faces an existential crisis, not only because of its geopolitical challenges, but also because of its internal challenges.

Armenia has always had to fend off external forces to fight for its survival. However, Armenia has increased its own vulnerability by weakening its internal strengths: the hope and the faith of its people in their collective future and their trust in its government, causing serious internal instability. Without

regaining its internal strength through “cooperation, unity, intelligent calculations and decisiveness,” Armenia will not be able to withstand the external challenges it faces as a nation.

Unless the Armenian government urgently addresses social concerns, inequality and corruption, the desire for rule of law and citizens’ rights to peaceful protests, true democracy will never be achieved and the depopulation of Armenia will continue.

History may one day hold the current government responsible for choosing the wrong track. Here at the crossroads, the urgency to point Armenia toward economic independence and sovereignty has arrived.



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