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Summary

Although the past month was marked by the second anniversary of Armenia’s March 1, 2008 post-election crisis, the Armenian government skirted any real political damage or challenge from the opposition. The ruling elite managed to surmount the anniversary by continuing to effectively divert political scrutiny and public attention from shortcomings in democracy by focusing on foreign policy issues. Despite the lack of any political harm to the government, however, the country remains hindered by lingering tension and an unresolved political stalemate between the authorities and opposition.

Thus, throughout March, the public debate and political discourse was dominated by the two main defining issues of Armenian foreign policy: diplomacy with Turkey and the Nagorno Karabagh conflict. Each of these issues remained relevant in March, as the diplomatic effort to “normalize” relations between Armenia and Turkey faltered after renewed Turkish hesitation and political posturing, and any progress in the Karabagh peace process remained as remote as ever. At the same time, the combination of unmet demands for political change and mounting economic pressure offered little respite for an already weakened leadership plagued by low popular support and an absence of legitimacy. The month of March also saw little real change in overcoming Armenia’s economic crisis, despite some half-hearted measures and incredulous optimism by some ministers.

Political Overview

A focus on foreign policy issues still dominated and framed the Armenian political discourse in March, with both the government and the opposition engaging in harsh attacks and counter-attacks over two main foreign policy imperatives: Armenian-Turkish diplomacy and the Nagorno Karabagh conflict. While this tended to distract public attention from more pressing domestic issues, much of the political elite on all sides seemed to prefer to wage a political struggle over these two broader issues.

In terms of the first issue, Armenian-Turkish diplomacy, an Armenian victory was as remote as ever for the Armenian government. Since the virtual deadlock in Armenian-Turkish diplomacy since the beginning of the year, the outlook for any improvement only worsened in March. Most notably, the recriminations and tension in Armenian-Turkish talks escalated as Turkish Prime Minister Recep Tayyip Erdogan threatened to deport Armenian citizens living illegally in Turkey. Although the threat was a response to resolutions on the Armenian genocide passed by the Swedish parliament and a committee of the US House of Representatives in March, the outburst tended to exacerbate tension between Turkey and Armenia.

Largely reflecting the mounting difficulties in salvaging the stalled Armenian-Turkish effort to “normalize” relations, the findings of a new public opinion survey released in March, revealed meager support among Armenians for any agreement to normalize Armenian-Turkish relations. According to the survey, which was conducted by the Armenian Marketing Association (AMA), only about one-third of Armenians expressed support for the possible opening of the closed Armenian-Turkish border, with another 30 percent indicating that they were “firmly” or “mostly against” the opening. Notably, the survey was one of the most comprehensive assessments of Armenian public opinion on the Armenia-Turkey issue, employing a methodology based on a random sample of 2,500 respondents throughout the country.¹

More specifically, the survey reported that nearly 31 percent of respondents expressed a varying degree of support for increased contacts between Armenian and Turkish officials and civil society representatives, with a roughly equal percentage opposed to such contacts, and another 40 percent either undecided or expressing no definite stance. The survey also found that a mere 36.3 percent of respondents thought that the October 2009 “protocols” on normalizing relations were “good” for Armenia and regarding expectations of possible economic benefits from an open border with Turkey, only 41.2 percent of those polled believed that it would result have a “positive” impact on Armenia, while 36.3 percent indicated that they were “neutral” or “did not know” if resulting cross-border trade would result in economic benefits for Armenia.

Although the findings were not unexpected, they did reflect the general lack of information among the population, which has been exploited by opponents to the normalization effort, especially as the Armenian government has failed to adequately

¹ Although similar surveys have been conducted in the past, the sample size has been smaller and there was lack of broad scope, as most have been limited to surveying respondents in the capital Yerevan.

articulate or defend its diplomatic strategy toward Turkey. The March 2010 survey also confirmed an earlier public opinion poll, carried out in September 2009, just prior to the signing of the Armenian-Turkish protocols, by the government's traditional pollster, the Armenian Sociological Association (ASA). The results of that poll, using a smaller sample size limited to Yerevan, found that 52.4 percent of city residents were "dissatisfied" with the normalization effort and only 39 percent expressing approval of an agreement between Armenia and Turkey.

Beyond the foreign policy focus, there were still several significant developments in terms of domestic politics, however. First, the Armenian National Congress (ANC), an opposition coalition led by former President Levon Ter Petrosian, escalated their criticism of the Armenian government in March, seeking to not only provoke the authorities to respond but also as a way to restore its fading relevance in public opinion. Rallying opposition supporters during a demonstration in Yerevan timed with the second anniversary of the deadly post-election crisis of March 1, 2008,² the ANC renewed their demands for new presidential elections and promising supporters that the government was "close to collapse." Despite the rhetorical flourish, however, the opposition demonstration was in some ways too little, too late, as it was the first such public rally in over five months.

There was a second development in domestic politics in March, centering on a growing political confrontation, but quite separate from the stalemate between the government and the opposition. More specifically, there were increasingly outward signs of a widening internal division within the ruling political elite itself. This division was marked by a simmering conflict on two levels: a budding and intensely personal rivalry between former President Robert Kocharian and his successor, current President Serzh Sarkisian, and a direct "clash of proxies" between the two presidents through their respective political parties.

This first level of personal conflict was exacerbated by a new level of activity by the former president, most evident in his second visit abroad in less than two months, when former President Kocharian met with his former French counterpart Jacques Chirac in Paris in March. In the wake of an earlier visit to Iran in January,³ the former president's activity and itinerary assumed a new sense of political meaning and was interpreted by many observers as a bid to upstage President Sarkisian as an Armenian "statesman" or "world leader." This view was only fueled by the timing, as Kocharian's "private visit" to France directly coincided with President Sarkisian's official visit to Paris and meeting with French President Nicolas Sarkozy.

On a larger level, the second aspect of this internal conflict was marked by the public criticism of Economy Minister Nerses Yeristian, a close associate and political ally of

² At least ten people died and more than 200 were injured in the March 1st violence that followed weeks of opposition demonstrations protesting the country's flawed February 2008 presidential election.

³ During the "private visit" to Iran in January 2010, former President Kocharian met with Iranian President Mahmoud Ahmadinejad and Foreign Minister Manouchehr Mottaki, although neither the reason for the trip nor the precise details of the meetings were never revealed.

Prime Minister Tigran Sarkisian, in March. That public attack, by businessman and deputy Gagik Tsarukian, the leader of the “Prosperous Armenia” (*Bargavach Haiastan*), which is closely linked with Kocharian, was seen as the latest in a series of clashes between the Kocharian camp and President Sarkisian’s own political powerbase, the ruling Republican Party of Armenia (HHK).

As the case with most of the more significant government ministers, Yeritsian is a member of the president’s Republican Party, and may be seen as a more vulnerable target for the party rivals because he is younger and, although untainted by corruption, without strong personal political power of his own due to his lack of ties to the powerful “oligarchic” power centers. Most significantly, this clash confirmed the collapsing power-sharing alliance between the two parties that was already threatened by violent clashes between members of the two parties that took place ahead of the May 2009 municipal elections in Yerevan.

The third development stemmed from the need to overcome the unresolved political tension in the country. In another effort to bridge the profound polarization of society, the opposition Heritage (“*Zharangutiun*”) party called on 31 March on all political parties to commit to a new national dialogue in order to address “the most dangerous challenges” facing Armenia since independence. The Heritage party proposed the establishment of an “informal political center” to facilitate discussions on issues of critical importance, ranging from Armenian-Turkish diplomacy to the Nagorno Karabagh peace process. The party explained that the effort would be a necessary first step toward achieving “national unity.” According to the party’s written statement, the proposed dialogue would involve each of the three parties in the ruling pro-government coalition,⁴ the opposition Armenian National Congress (ANC) bloc, the Armenian Revolutionary Federation (ARF or “*Dashnaktsutiun*”) party and the Heritage (“*Zharangutiun*”) party, which is led by former Foreign Minister Raffi Hovannisian and is the only opposition party represented in the Armenian parliament.

Economic Overview

For its part, the government moved to counter mounting economic pressure by approving a set of measures on 25 March raising pension payments by 11 percent, starting on 1 November, and a 15 percent increase in poverty benefit payments, effective on 1 May. Armenian government officials explained that the measures were aimed primarily at least partly offsetting a 37.5 percent rise in the price of natural gas for Armenian households set to take effect on 1 April. The rise in gas prices is particularly significant, for two main reasons. First, the price for gas already rose by some 14 percent in April 2009, resulting in a related 20 percent increase in the cost of retail electricity. Second, any increase in price of gas, which accounts for roughly one-third of Armenian electricity production,

⁴ The three political parties comprising the ruling pro-government coalition are the Republican Party, the Prosperous Armenia (“*Bargavach Haiastan*”) party and the Country of Law (“*Orinats Yerkir*”) Party. The Armenian Revolutionary Federation (ARF or “*Dashnaktsutiun*”) party withdrew from the coalition in April 2009 in protest over the Armenian government’s diplomatic talks with Turkey.

will also have spillover effects for consumers, triggering related price rises for other commodities, ranging from the cost of bread to public transport.

Speaking in a cabinet meeting, Prime Minister Tigran Sarkisian added that the measures were also aimed at countering a rise in consumer prices, citing official statistics showing an 8.2 percent rise in inflation the first two months of 2010, a figure roughly double the government's target of 6 percent for the full year. As the increases in pension payments and poverty benefits were not included in the 2009 state budget, Finance Minister Tigran Davtian has confirmed that the cost of the measures will most likely exceed 6 billion drams (\$15.2 million). Interesting, Davtian reassured the cabinet that costs would be met by undefined increases in "savings."

But the Armenian government secured another important bailout in late March, with the announcement of a new disbursement of a \$73.6 million International Monetary Fund (IMF) loan installment to Armenia. With this latest disbursement, the total of the IMF's anti-crisis lending to be provided to Armenia to date will reach nearly \$560 million. Last June, the IMF increased its 28-month loan package to Armenia by over fifty percent, to about \$830 million, the bulk of which is to be used to finance the growing state budget deficit and to replenish hard-currency reserves, much of which was virtually squandered in earlier attempts to bolster the value of the Armenian currency. In return for the IMF loans, senior Armenian officials promised a visiting IMF delegation in February to accelerate further reforms and adopt greater transparency in several key areas, including "tax policy and administration, public expenditure and debt management."

The Armenian government further reiterated its commitment to deepening reforms in order to attain "an improved business environment," improve governance and increase "market competition in key sectors of the economy." Despite the promises, however, even the IMF recognizes that Armenia is still gripped by an "economic recession" that appears to have only "bottomed out," and has warned that the country remains challenged by the need to support and sustain a "fragile recovery," address and better manage "external vulnerabilities, and advance a credible fiscal consolidation plan over the medium term."

Conclusion

In light of the Armenian government's continued failure to overcome the burden of an unresolved political crisis, any demonstrable progress in democratization and political reconciliation remained bleak in March. Against the backdrop of deep-seat domestic tension and a profoundly polarized society, Armenia remains hindered by a stalemate between the authorities and the opposition that has been defined by a lack of dialogue or compromise. But the real test for the Armenian government stems from its lack of legitimacy and the absence of any popular mandate to govern, a vulnerability that has recently been exacerbated by the onset of a new confrontation within the ruling elite itself. And with no real success in foreign policy, the Armenian government must now address not only the need to ease internal political tension, but must also manage the mounting economic crisis threatening any longer term stability for Armenia.