



Upgrading U.S. Support for Armenia's Postrevolution Reforms

RAY SALVATORE JENNINGS

In a global landscape of democratic stagnation and backsliding, Armenia's April 2018 Velvet Revolution sounded a markedly positive note. Weeks of peaceful street protests throughout the country forced the resignation of prime minister Serzh Sargsyan, displacing a regime characterized by corruption and cronyism that Sargsyan and his predecessor, Robert Kocharian, had led since 1998. With Sargsyan's departure, a forty-three-year-old former journalist and parliamentarian named Nikol Pashinyan assumed the post of interim prime minister. [Snap parliamentary elections](#) in December 2018 secured Pashinyan's bloc 70.4 percent of the vote. Sargsyan's former ruling party, the Republican Party of Armenia, won 4.7 percent, underscoring its descent from complete control of the functions of government into political oblivion within nine months.

Pashinyan's ability to leverage his popularity into a supermajority in Armenia's parliament was not surprising. [International polling](#) in October 2018 placed support for Pashinyan's performance at 82 percent; more than 80 percent of Armenians expressed optimism about the future; and 72 percent felt they could directly

influence decisions made by their government. These are among the highest ratings for optimism and efficacy ever documented in a post-Soviet country. Yet levels of support such as these carry their own risks.

Expectations are running high even as the government faces a number of unnerving challenges. More than 29 percent of Armenians live [below the poverty line](#), and [unemployment](#) stands close to 19 percent. The economy's reliance on light manufacturing, tourism, services, remittances, and agriculture provide a weak base for continued or distributed growth. Employment, wage increases, justice for previously unaccountable criminal elites, and improved access to education and health services rank high among citizens' demands, according to the October poll. Balancing relations between the East and the West, managing the protracted conflict over the disputed territory of Nagorno-Karabakh, and attracting foreign investment will be among the new government's most important and most complex priorities. As with most [democratic breakthroughs](#), the first year will be the most crucial for Pashinyan, and the grueling tasks of managing expectations, systemic reforms, and the



country's security have already begun to test the new government.

Armenia should not face these challenges alone. The present breakthrough ranks among the best opportunities in the past twenty years for the West to strengthen ties and advance Western security and economic interests within the country. Armenia has partnered with NATO in Afghanistan, Kosovo, and Iraq. Armenia borders Iran and hosts large numbers of Syrian refugees. In the wake of the Velvet Revolution, Armenians are also more open to improved relations with the United States than they have been in years. A strong and trusting relationship between Armenia and Western countries will provide a more advantageous platform for engagement on the long-running conflict in Nagorno-Karabakh, a simmering flashpoint in a volatile region. Moreover, a successful transition in Armenia will offer a model for other aspiring democracies that out of choice, or necessity, chart a multipolar course. There is no better time to use diplomacy and foreign aid to support this geostrategic ally.

U.S. POLICY PRIORITIES

So far, Washington has been slow to demonstrate that it sides with Pashinyan. The United States has not introduced significant changes in its diplomatic engagement posture or foreign assistance portfolio in Armenia, outside of timely [election support](#). Moreover, there are very few responsive and flexible mechanisms within the international donor community that are able to offer the kinds of near-term investments that the new government requires over the next twelve months. Targeted technical assistance and relatively modest foreign aid initiatives will have an outsized impact in the country while deepening relations with a strategic partner and restoring faith in a U.S. commitment to support those courageous enough to aspire to democracy abroad.

Keeping Democracy on Course

Armenia is struggling to emerge from two decades of [corrupt and illiberal governance](#). During the April 2018 rallies and in the lead-up to the December parliamentary elections, Pashinyan [repeated his commitment](#) to remedy the country's democracy deficits with improved rule of law, recourse to transitional justice, strengthened anticorruption efforts, and greater accountability and transparency measures. The degree to which Pashinyan succeeds will have a direct bearing on Armenia's relations with the United States and Europe, the country's economic performance, and the new government's political survival.

Multiple assessments since April 2018 suggest that successful Western engagement with Armenian counterparts will require co-creative or coaching types of technical and material assistance with untested government counterparts that may feel overwhelmed. Western pro-democracy programs used comparable approaches in Georgia, Macedonia, Serbia, and Ukraine, where unforeseen democratic breakthroughs prompted rapid and substantial increases in assistance. To date, U.S. foreign assistance to Armenia has not fully diversified to meet the multiple demands of working with postrevolution authorities, although not for lack of effort. This leaves a serious gap during what will likely be a difficult year ahead. During this window of vulnerability, progress will be needed in several areas.

First, Pashinyan's advisory circle will need targeted technical assistance in strategic communications, task management, and process mapping of key government initiatives. Additional technical assistance should be offered to incoming parliamentarians who lack political experience as well as the country's ministries of justice, finance, economic development, labor, and territorial affairs. Each of these actors will have a central role to play in expected reforms. This leadership and advisory assistance should be coupled with flexible material support to convene stakeholders both within and outside of government.

Second, the Armenian government will benefit from tangible, quick wins that signal progress in small but important ways. Examples of such projects include improved trash collection in Yerevan (a chronic complaint), marketplace development, enhanced green spaces, youth-inspired and -produced media content, investigative journalism programming, and the creation of recreation facilities as well as expanded, one-stop-shop administrative centers throughout the country to facilitate government-citizen interaction on reform initiatives. Efforts like these, if they are successfully implemented and responsive to local priorities, will help buy time for the government to launch more extensive or complicated reforms.

Third, transitional justice mechanisms similar to truth commissions in other contexts should be considered for Armenia. These powerful accountability and transparency tools often play a crucial role in satisfying citizens' needs for both justice and closure on long-running grievances against unaccountable elites. These processes may also help deter prosecutorial overreach and crusades against political rivals, something that Pashinyan's anticorruption campaigners have been charged with leading.

Fourth, the U.S. government should consider working with Armenian diaspora groups in the United States, especially those that have worked for years to train and prepare residents of the country in public policy and business management. Many of these groups have high-level backers in Congress and are well-placed to ensure diaspora resources are coordinated and leveraged in ways that support the transition.

Fifth, Armenian counterparts require support for domestic and comparative research as well as collaborative connections with centers of excellence abroad to develop an evidence base for key reform decisions. Armenians have little hard, reliable data to inform the conceptualization, prioritization, and substance of reforms. An expanded evidence base will be especially important for justice and tax reform,

anticorruption efforts, and forensic measures to recover stolen funds.

Sixth, the new government will likely face an escalation in disinformation flows in the months ahead. This threat will be designed to discredit key government figures, disrupt sociopolitical stability, and undermine the reform process. Support is needed to strengthen local capacities to trace the origins of this content and to measure and counter its influence, as effectively modeled in Latvia, Lithuania, and Estonia in their efforts to detect and defend against [malign disinformation campaigns](#) directed by the Kremlin.

Finally, support for long-term, slow-to-deliver reforms should move in parallel with the short-term activities described above. Effective near-term programs will preserve an opening for continued engagement, but democratic gains cannot be consolidated and institutionalized without long-term commitments to support civil service and security sector reforms, economic development initiatives, an independent energy policy, and capacity-building initiatives with civic and media actors.

The extraordinary levels of public support that Armenia's new government now enjoys are certain to decrease in 2019. This support may decline precipitously if the government fails to adequately articulate a reform road map to the public, if near-term and tangible improvements are not evident, and if disinformation campaigns and other hybrid threats are effective.

SUPPORTING A GEOPOLITICAL REBALANCING

Ultimately, Moscow may become the new Armenian government's most significant challenge. Thus far, the Kremlin has been outwardly restrained after congratulating Pashinyan on his appointment as prime minister in May 2018. But there are warning signs that Moscow is losing trust in Pashinyan's reassurances about



maintaining strong ties to Russia. Investigations against influential and well-connected figures such as Manvel Grigoryan, Taron Margaryan, Yuri Khachaturov, and former president Robert Kocharian have prompted Russian Foreign Minister Sergei Lavrov to **warn Pashinyan** against carrying out “politically motivated” arrests. After U.S. National Security Adviser John Bolton visited Armenia in October 2018, Russian Deputy Foreign Minister Grigory Karasin **commented** that he hoped Yerevan would resist “the unhidden external blackmail and pressure” that the United States is allegedly placing on Armenia.

In December 2018, **Gazprom raised its wholesale gas price** for Armenia from \$150 to \$165 per thousand cubic meters. In addition, Armenia appears to be at risk of **losing its position** as the head of the Collective Security Treaty Organization (CSTO), a post-Soviet military bloc. Signals such as these suggest that the Kremlin will continue to use its expansive leverage over energy supplies, commercial interests, and security matters to influence Armenian affairs. It also illustrates the necessity of pragmatically acknowledging Armenia’s dependence on Russia and the importance of working with Pashinyan to find a reasonable balance between the East and the West.

Before 2018, Armenia maintained a multipolar foreign policy that balanced reliance on Russia with overtures toward the West. Armenia is the only CSTO member state to have contributed troops to NATO in Afghanistan. To improve its foreign investment climate, Armenia signed the Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU in 2017 and the Trade and Investment Framework Agreement (TIFA) with the United States in 2015. Armenia’s civil aviation reforms and energy market liberalization also illustrate the country’s efforts to balance its dependence on Russia with openness to the West.

Pashinyan has renewed this commitment to balanced relations, and there is little reason to doubt his sincerity. Even though his reform agenda decisively tips the

country’s political apparatus toward the West, he remains cognizant of the fact that Armenia’s economy and security are dependent on Russia. All the same, in the postrevolution period, key Armenian advisers have looked to Europe and the West for technical inspiration and material support. Pashinyan himself understands that refashioning the economy and Armenian politics will depend on greater cooperation with the United States and other Western capitals. In light of this extraordinary opportunity, the United States should avoid zero-sum thinking. As Pashinyan pilots Armenia between Scylla and Charybdis, expecting him to veer too close to the West ignores both Yerevan’s geopolitical reality and the likelihood of consequences in Moscow.

The United States should approach this issue incrementally. The U.S. foreign aid investments described above must be balanced with concessions such as allowing Armenia to conduct trade across the Iranian border in exchange for assurances that Yerevan will decide against co-deploying its forces with Russian troops in Syria. At the same time, the United States should increase its current military engagement with Armenian counterparts on disaster preparedness, improved interoperability with NATO forces, and defense reforms. Such moves will deepen ties with the West over time. Renewed public diplomacy initiatives advancing English language training, U.S. values, and U.S. culture will both strengthen economic and cultural ties and help Armenians resist disinformation. Nuanced approaches like these, and the economic measures suggested below, will help Washington avoid openly provoking Moscow while enabling Yerevan to substantiate its multipolar orientation.

ENCOURAGING WESTERN INVESTMENT

For U.S. and other Western business interests, one of the new Armenian government’s strongest signals of its intent to create a friendly climate for foreign investment will emerge from how it resolves the Lydian

mine crisis. Lydian Armenia, a subsidiary of the U.S.-based firm Lydian International, began constructing its Amulsar mine near the Armenian resort area of Jermuk in 2016. The gold mine was due to open by July 2018, but protesters, many of whom are veterans of the Nagorno-Karabakh conflict, blocked entrances to the mine site shortly after the country's April 2018 revolution. Under Sargsyan, protesters were arrested, and construction continued. Under Pashinyan, the number of demonstrators has grown despite his requests for protesters to stand down while an investigation takes place.

Assisting the new government in its attempts to mediate this dilemma should remain a high priority for Washington. At the moment, no other issue may be as pivotal in moving Armenia from “aid to trade.” For now, Armenia still requires economic assistance, even if this need is somewhat overshadowed by the Lydian controversy. Several areas require specific attention.

First, judicial independence, the application of customs and tax regulations, and the protection of intellectual property in Armenia all remain weak and inconsistent. The importance of rule-of-law programming in areas like these cannot be overstated. In addition, small and medium-sized enterprises, especially in rural areas, require support to help spread the benefits of economic growth more evenly among Armenian workers.

Second, a range of sectors including energy, tourism, and information technology require investment and foreign partnerships to be competitive. The United States should leverage the 2015 TIFA, the U.S.-Armenia Joint Economic Taskforce, and the 1992 Armenia Bilateral Investment Treaty to identify promising partnerships, secure much-needed capital, and identify opportunities for technical assistance. Such efforts would help shield the Armenian economy from external shocks.

Third, the United States should work with other Western counterparts to mitigate the constraints placed on Armenia by its accession to the Eurasian Economic

Union (EEU). The union's questionable benefits, constraints on trading with other countries, and low trade volumes are a strategic setback for the country. Moscow threatened to withdraw security guarantees for Armenia if it signed a negotiated Association Agreement with the EU, pressuring Yerevan to join the EEU instead in 2013.

Fourth, the United States should encourage its EU counterparts to expedite Armenia's access to EU technical assistance and material support, in keeping with the terms of the 2017 CEPA. Moscow [acquiesced](#) to Yerevan's signing of the CEPA in part because the agreement does not extend the full range of economic benefits to Yerevan that were promised in the earlier Association Agreement. Yet even though the CEPA's trade benefits are curtailed, Armenia stands to gain much from deepening its relationship with the EU in 2019.

MANAGING THE PROTRACTED CONFLICT OVER NAGORNO-KARABAKH

Resolving the conflict in Nagorno-Karabakh would bestow alluring benefits on Pashinyan and his political agenda. If the conflict were resolved, Azerbaijan might be willing to allow Armenia to join initiatives like the Baku–Tbilisi–Kars railway and oil and gas ventures that would enhance the country's energy independence. Moreover, any warming of relations with Baku may lead to an opening of Turkey's border with Armenia, which would be a huge boon to Armenia's economic prospects. Then again, Nagorno-Karabakh may be kryptonite for the new government. Any deterioration in Armenia-Russia relations would benefit Azerbaijan, potentially giving Baku permission to intervene militarily to seize lost territory. The way forward is unclear, and several new variables have made it difficult to predict the future of efforts to resolve the standoff.

First, members of the region's siloviki, or security establishment, may be removed or face corruption



charges in the near future. Pashinyan's replacements in the region may telegraph his intentions to be more flexible in future negotiations. Second, Pashinyan enjoys greater public support than his predecessors, possibly enabling him to push through the kinds of painful compromises required to resolve the conflict and begin a national conversation on the future of the standoff. Third, Pashinyan's family has made several recent moves that may be construed as confidence-building overtures. His son has enlisted in the Armenian military to serve in Nagorno-Karabakh, prompting the son of Azerbaijan's President Ilham Aliyev to do the same. Pashinyan now has direct lines of communication with Aliyev in Baku and operative ties between military commanders across lines of contact. Finally, in July 2018, Anna Hakobyan, Pashinyan's wife, launched a [Women for Peace campaign](#) dedicated to resolving the conflict.

These promising signs notwithstanding, Pashinyan has insisted that residents in Nagorno-Karabakh have a seat at the table in any future negotiations. Baku does not recognize such representatives and views residents of the enclave as uncompromising. In addition, [Pashinyan has made public statements](#), possibly for political expediency, maintaining that districts captured from Azerbaijan in 1993 and 1994 providing a buffer zone around Nagorno-Karabakh are not up for discussion. Previous Armenian positions, including those advocated by Sargsyan, proposed a "land for status" formula that offered Azerbaijan captured districts in return for formal recognition of Nagorno-Karabakh. Finally, although the latest three-month ceasefire is the longest for some time, public attitudes toward the standoff have not softened in Baku, Yerevan, or Stepanakert.

These mixed signals cloud the way ahead. The standing international plan for resolving the conflict, as articulated by mediators of the OSCE's Minsk Group, keeps the status of the enclave ambiguous for now. But the plan outlines near-term moves whereby Azerbaijan would recognize Karabakh Armenians' [right to self-governance](#) in exchange for the return of territory Armenia controls around the enclave. This is

the position that the U.S. supports for both capitals. However, these principles have been in place for years with little progress. Something else is needed.

First, as part of capacity-building efforts with the new government, new Foreign Minister Zohrab Mnatsakanyan will need assistance developing his ministry's expertise and capacity for sustained diplomatic engagement on the issue. Within Pashinyan's overtaxed circle of advisers, negotiation efforts are centralized and inconsistent, but Mnatsakanyan (an experienced negotiator) will likely play a key role in future talks. Additional advisory assistance should be offered to help Yerevan implement near-term initiatives such as marking mine fields and exchanging detainees.

Second, Pashinyan and like-minded civic groups should receive assistance in leveraging the new government's popularity into carefully choreographed opportunities to convene experts and activists interested in defining alternative resolution strategies to the long-standing conflict. Baku's attitudes toward the dispute and opportunities for political expression are far more inflexible and constrained. Yerevan can accentuate those differences and advance its own position by demonstrating greater freedom of expression and citizen engagement on the issue.

Third, the way forward must include a strong track 2, citizen-to-citizen component. Grassroots diplomacy will be necessary to build pressure on respective governments in Yerevan and Baku to break the stalemate. Although this approach may be far easier in Armenia than Azerbaijan at the moment, concerted action by the three co-chairs of the Minsk Group, working with citizen-led initiatives, may extend the current ceasefire and build support for exchanges and the incremental steps required for the principles outlined in Minsk to take hold. At present, however, both sides have only limited capacity to engage in such grassroots initiatives. Support for activities like these should be a priority, in conjunction with traditional diplomatic efforts, to resolve the crisis.

CONCLUSIONS

The global struggle for democracy is as difficult as it has been in decades. Democratic breakthroughs, however rare in recent years, are a reminder that well-organized and inspired citizens can reclaim control of their government and restore their faith in a better future. The political transition under way in Armenia presents an opportunity for the United States to assist an important ally and restore support for democratic partners abroad that are inspired by the same values that animate U.S. citizens' own efforts to preserve their institutions at home.

ABOUT THE AUTHOR

Ray Salvatore Jennings is an independent scholar and development practitioner who has worked in societies undergoing democratic transition for more than twenty-five years. He currently advises the U.S. Agency for International Development and the World Bank on transitional development. The views expressed in this article are his own.

NOTES

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