



**RSC MONTHLY BRIEFING NOTES  
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In order to provide a current assessment of developments in Armenia and the wider South Caucasus, the Regional Studies Center (RSC) convened two separate online briefings in January 2021, offering an assessment of trends and developments in three main areas: domestic Armenian politics; economic developments; and trends in foreign policy, defense and national security. The following are the presentation notes from our monthly briefings of 27 and 29 January 2021:

**I. Armenia's Post-War Domestic Political Crisis**

***Armenia's Lingering Political Crisis.*** The Armenian government remains challenged by a lingering domestic political crisis. Driven by the shock of the unexpected military defeat in the war for Karabakh that ended in November 2020, the political crisis is deadlocked, with a stalemate between a largely unpopular and discredited opposition and a government with no credible alternative or viable aspirant. Reversing his initial reluctance, Prime Minister Nikol Pashinyan accepted the need for early elections, based on the prudent recognition that a snap elections are the only feasible way to diffuse the domestic deadlock.

***Moving to Early Elections.*** After the belated acceptance of the necessity for a fresh election, the government's initial plan, initiated in early January, was to forge a tactical agreement between the pro-government majority "My Step" bloc and the opposition "Prosperous Armenia" and Bright Armenia" parties represented in parliament. Under the terms of that proposed agreement, Prime Minister Pashinyan was to resign in order to trigger the dissolution of parliament and, according to the constitutional provision whereby the failure of parliament to elect a new prime minister in two consecutive attempts, would then necessitate snap election for a new parliament.

Crucially, despite holding an overwhelming majority, the ruling "My Step" bloc sought an assurance from the two parties to refrain from proposing any alternative candidate for prime minister in both rounds of voting. Interestingly, that important precondition, which drove the opposition to reject the agreement outright, revealed a sense of insecurity and a lack of unity or party discipline within the ruling "My Step" bloc.<sup>1</sup>

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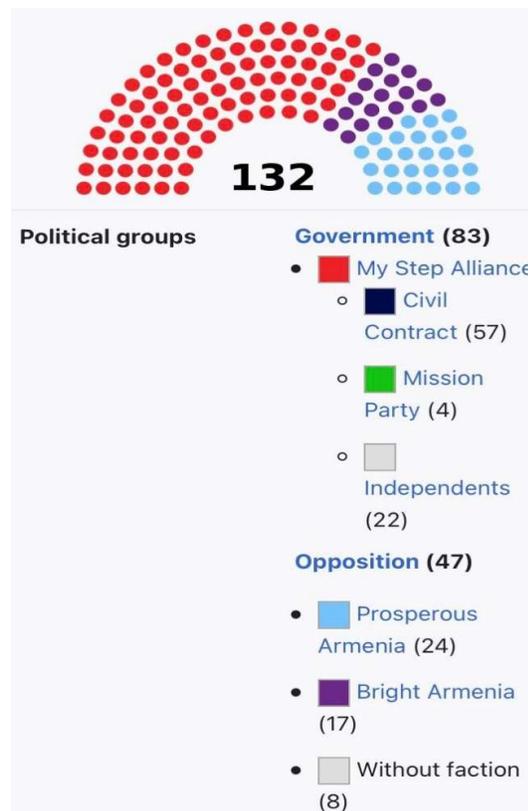
<sup>1</sup> Holding a 87-seat majority, the ruling "My Step" bloc ordinarily should easily block any move by the opposition to elect a rival prime minister, which would require at least 67 votes, well above the 41 seats held by the two opposition parties.

After the demise of that initial plan, the government is now considering a surprisingly more difficult alternative strategy. This alternative path to an early election, now under consideration by the government, consists of a parliamentary vote to amend the constitution by allowing for the dissolution of parliament without the resignation of the prime minister as a prerequisite. Although this move would seemingly ease the restrictions on triggering a new election, the reliance on a constitutional amendment would require 88 votes, meaning that the 83-seat “My Step” bloc would have to secure five additional votes. And as it is highly unlikely for the pro-government bloc to garner support from any five additional deputies, such a strategy seems doomed. Against that backdrop, therefore, there are two possible scenarios regarding possible early elections:

***A Return to Reason.*** The first, and more logical scenario, would be for the government to return to reason and trigger a snap election with the resignation of Prime Minister Pashinyan, but leveraging its parliamentary majority to prevent the opposition from collecting the additional 26 votes needed to elect a new candidate for premier. And even despite the seeming lack of confidence in the discipline and unity of the “My Step” bloc, the opposition has never succeeded in swaying any significant number of deputies in any previous vote in parliament.

***Refusing to Retreat.*** A second possible scenario entails a dangerous decision by the prime minister to reject an early election altogether. Although the risk of such a move would only enflame the lingering political stalemate, the impulsive behavior of Prime Minister Pashinyan suggests that such a refusal to retreat may be both characteristic and in conformity with his emotional embrace of “vendetta politics.”

### Composition of Armenian Parliament (January 2021)



Beyond the rhetoric of both the government and the opposition, an early election is the only way to resolve the country's lingering political crisis, however. And the Pashinyan government is likely to win a fresh mandate, albeit with a reduced, but still working majority in a new parliament, while the opposition would be challenged to garner any significant number of seats given their lack of popular standing and their failure to present any alternative policies. In that context, the strength of the government's position is driven as much by the lack of any credible rival or political alternative than by any deep level of popular appeal or public support, however.

***A Discredited Opposition.*** Moreover, despite the frustration and shock over Armenia's defeat in the war, the political opposition remains deeply unpopular and widely discredited. And the opposition's attempts to leverage dissent and discontent into street protests have largely failed, both in terms of meager support and lacking any alternative policy positions. The opposition's stubborn reliance on outdated tactics and maximalist demands for the resignation of a democratically elected government and the appointment of a transitional leader selected by the opposition are impractical and implausible. Against that backdrop, even a new election would not be enough to either satisfy the opposition or to salvage their unpopularity. Many still see the disparate opposition as driven more by its own self-interest than any defense of national interest, and merely pursuing a campaign to regain power.

***Desperation over Determination.*** In a display of desperation over determination, the self-appointed "leader" of the opposition, former Prime Minister and one-time Defense Minister Vazgen Manukyan, recently called for an "uprising," matched by threats to take over government buildings if necessary. Although such a threat is as dangerous as it is startling, it should be less of a surprise given Manukyan's public demands during the war that all power be transferred from the government to the military, suggesting an unprecedented military coup for Armenia. Although backed by the Homeland Salvation Front, a coalition of some 15 largely marginal opposition parties and groups, Manukyan is seen as a compromise transitional figure and has even been dismissed by his own opposition supporters as a possible candidate for prime minister. From a broader perspective, however, the 76-year-old Manukyan stands out as a political dinosaur, revealing the sad state of the "Jurassic park" of Armenian politics today.

***Former President Announces Political Comeback (Again).*** In a televised interview late in January, former President Robert Kocharian threatened a "political struggle" by fielding a "team" of candidates to participate in an early parliamentary election. The promised political comeback, which follows earlier unfulfilled threats of a return to politics, is a divisive development for the opposition, however, for two main reasons. First, by promising to participate in the early election, Kocharian distanced himself from the opposition's demand for Pashinyan to resign first and their refusal to accept a snap election managed by the Pashinyan government. A second divisive factor is rooted in the clash between Kocharian and more powerful elements of the opposition coalition. More specifically, Kocharian is as much a polarizing figure among the opposition as he is among society at large, with Gagik Tsarukyan, the leader of the largest opposition "Prosperous Armenia" party, harboring a profound sense of betrayal over Kocharian's lack of support in a public humiliation of Tsarukyan by former President Serzh Sargsyan years earlier.

***Crisis of Confidence.*** Yet there is still a serious "crisis of confidence" in the government, marked by deficient decision-making and a flawed public policy process. Most evident in the failure to include cabinet ministers or to consult the parliament in any substantive policy deliberations, this breakdown in the decision-making process is compounded by the absence of legislative initiative or even basic oversight by the Armenian parliament, which stands out as an institutional failure in a formal parliamentary democracy. The result, therefore, has been an over-centralization of power and responsibility in the position and the person of Prime Minister, with little or no sharing of accountability and even less delegating of authority to other state institutions or ministries.

***Missteps and Mistakes in Personnel Policy.*** One of the more consistent failings of the Pashinyan government has been in the selection and appointment of key personnel, with a number of repeated mistakes and missteps. This pattern of personnel decisions, which contributes to a perception of personal and political loyalty over competence, has only continued, with several recent examples:

- As the seventh minister to be removed since late November/early December 2020, Health Minister Arsen Torosian, a senior member of Pashinyan’s Civil Contract party, was replaced by his first deputy and appointed as the prime minister’s chief of staff. The move effectively dismissed Eduard Aghajanyan as chief of staff, which triggered concern among mid-level Pashinyan loyalists and government officials;
- Replacing Torosyan as Minister of Health, his deputy Anahit Avanesian, was promoted to the cabinet position despite little experience in health care beyond an administrative role running a pharmacy, sparking a degree of uncertainty over the ministry’s capacity to oversee and manage the coming COVID-19 vaccination rollout;
- The governor of Armenia’s northwestern Shirak region, Tigran Petrosian, became the fourth regional governor to resign or be removed. As regional governors are selected by the prime minister and not elected, this is seen as a reflection on the prime minister himself, raising further questions over his preference for personal loyalty over professional competence in determining his appointments;
- The leader of the government’s “My Step” bloc in parliament, Lilit Makunts, sparked a fresh controversy after it was confirmed that she is under consideration as the new Armenian Ambassador to the United States. With no foreign policy experience herself, the possible appointment of Makunts was exacerbated by the fact that if approved, she would replace a well-regarded career diplomat well over a year before the current ambassador’s tenure would normally end.

***A Possible New “Court Crisis.”*** After a year-long conflict between the government and the legacy Constitutional Court that culminated in the passage of constitutional amendments in June 2020 that altered the composition of the court, a fresh “court crisis” may be looming after the parliament approved two new members of a judicial oversight body. The appointment of the two government-backed candidates for the Supreme Judicial Council (SJC), an important state entity empowered to nominate, screen, sanction and dismiss judges, is widely seen as an attempt by the government to impose its supporters to influential positions to pressure and police the independent judiciary.

The appointments were especially controversial due to the legacy and background of the nominees, which included legal expert Davit Khachaturyan, the brother of the head of the Special Investigative Service (SIS), a key law enforcement body, and most notably, former military prosecutor Gagik Jahangiryan, who was accused of covering up serious human rights abuses and corruption within the Armenian armed forces during his tenure from 1997-2006. Adding to the controversy in recent weeks, Jahangiryan only enflamed critics and even supporters alike by publicly criticizing Pashinyan’s political team for not “purging” the judiciary of judges that refused to approve prosecutors’ requests for the arrest and pre-trial detention of a number of opposition leaders and supporters.<sup>2</sup>

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<sup>2</sup> Lazarian, Tatevik, “New Members Appointed to Armenian Judicial Watchdog,” Radio Free Europe/Radio Liberty’s (RFE/RL) Armenian Service, 22 January 2021. <https://www.azatutyun.am/a/31064038.html>

***Pursuing a President.*** Prior to the announcement by former President Kocharian vowing to return to politics, his own trial resumed. In the first hearing since the resumption of the trial since the war began in late September, Kocharian and three other former senior officials, including his former chief of staff, Armen Gevorgian, and two retired army generals, faces criminal charges of overthrowing the “constitutional order” in the events related to a violent crackdown on demonstrators in March 2008 protesting disputed presidential elections. Unlike more straight forward corruption-related charges, however, the case against Kocharian and his co-defendants is both complicated and complex, raising legal questions over presidential immunity and pursuing a prosecution based on rather vague and difficult to explain criminal charges.

***Pursuing A President: The Perception of “Vendetta Politics.”*** The criminal case against former President Kocharian began following his arrest and indictment in July 2018, just two months after Prime Minister Nikol Pashinyan came to power in the “Velvet Revolution.” Since then, the swift timetable of the case, the intensity of the prosecution’s efforts to move quickly to trial while demanding pre-trial detention, and the direct involvement of the prime minister in the 2008 protests and crackdown that are the center of the case, have each contributed to a perception that Pashinyan is engaged in a personal vendetta against Kocharian and his other co-defendants.

At the same time, however, the course of the Kocharian case has become even more unusual in recent months, for several reasons. First, after a court ruling rejected the pre-trial detention and suspended the trial of the former president in May 2019, the judge issuing that ruling was abruptly removed, purportedly as a target in an unrelated investigation into alleged judicial misconduct, although the charges were dismissed by June 2020. That ruling was then overturned and Kocharian was promptly rearrested, with the imposition of pre-trial detention and a new judge appointed to manage the trial. Kocharian was then later freed, when the Court of Appeals allowed the former president to post a record \$4.1 million as bail in June 2020.<sup>3</sup>

The bail was a second unusual aspect of the case, however, but not because of its size but rather, due to the source of the payment. More specifically, the \$4.1 million bail payment was reportedly collected as “donations” from a group of four wealthy Russian businessmen, including Vladimir Yevtushenkov, the main shareholder in AFK Sistema, a large Russian corporation that has Kocharian on its board of directors. And in that context, a third unusual element of this case involves Kocharian’s ability to travel to Moscow, with government permission, in December 2019. Such a record of inconsistent and often contradictory treatment of the former president has tended to weaken the government’s legal arguments justifying the case and has only bolstered the public perception that Kocharian is a target of the government in a complicated criminal case driven more by political revenge than the rule of law or accountability.

***Combating the Coronavirus.*** The Armenian government continues to battle the COVID-19 pandemic, although strains on the country’s health care system and hospital capacity have eased significantly over the past two months. To date, the pandemic in Armenia has been serious, with over 166,000 confirmed coronavirus cases and an estimated 3,780 deaths among a population of less than 3 million.<sup>4</sup> After weathering a “second wave” of infections in recent months, the average number of daily cases has now declined dramatically, from over 2,000 new daily cases in late October and early November to an average of 350 new COVID-19 infections per day.

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<sup>3</sup> Bulghadarian, Naira, “Former Judge in Kocharian Case Acquitted,” Radio Free Europe/Radio Liberty’s (RFE/RL) Armenian Service, 8 June 2020. <https://www.azatutyun.am/a/30659553.html>

<sup>4</sup> This figure is of late January 2021 and includes the 3,030 official COVID-19 mortalities plus another 753 infected patients whose deaths were attributed to other causes.

***A Modest Vaccination Plan.*** The next stage of containing the pandemic will begin in March 2021, with plans for the start of a national vaccination campaign slated to cover a target group of doctors, nurses and emergency responders, as well as the more vulnerable elderly population. The government's plan is underwhelming, however, with initial vaccinations aimed at covering only 3 percent of the population. This initial projection, based on the delivery of the British AstraZeneca-Oxford University vaccines from the WHO COVAX Facility global partnership, is expected to increase to cover a total of about 10 percent of the Armenian population after the expected delivery of a "large quantity" of the Russian Sputnik V vaccine.<sup>5</sup>

Even with those modest projections, however, newly appointed Minister of Health Anahit Avanesyan will still be challenged by the logistical demands of a coordinated two-dose vaccination campaign. More specifically, the effort will require a complicated process that must include public education and awareness, the proper storage and distribution of the vaccine, and an effort to counter an already demonstrable decline in precautionary discipline, as well as a pronounced lack of confidence or belief in the necessity for vaccination among the Armenian public.

## II. Economic Developments

***Deepening Economic Decline.*** The severe economic decline from both the coronavirus and the war worsened, as Economy Minister Vahan Kerobyan released revised figures showing a steep 8.5 percent decline in GDP for 2020, ending the once impressive 7.6 percent increase in GDP for 2019, in what was then the country's fastest growth since 2008. The new figure revealed a deepening of the downturn compared to recent estimates from the International Monetary Fund (IMF), which only last month projected a 7.3 percent decline for the same period. The decline was further exacerbated by dismal trade activity for last year, with a 33.5 decrease in exports and a 28.1 percent fall in imports, and coupled with a fall in foreign direct investment (FDI), totaling an estimated \$178 million for 2020, down from the 2019 level of \$397 million level. Against that backdrop and with expectations for substantial price rises for food and consumer goods over the past two months, the outlook for an economic recovery from the pandemic now seems bleak.

New statistics released in recent weeks also revealed a shortfall in tax revenue, down by 8 percent to \$2.7 billion, well below projections and posing a fresh challenge to the 2021 state budget that is based on a projected GDP growth rate of 3.2 percent for 2021, now unlikely to surpass the IMF forecast of a meager 1 percent in growth for this year. In order address the shortfall in tax collection, which is structurally vulnerable due to an over-reliance on only 1,000 firms for 72 percent of all revenue, the government is seeking fresh loans that are expected to trigger a rise in public debt to over \$9.2 billion by the end of 2021.<sup>6</sup>

After a rebound in unemployment, reaching 24.1 percent last year compared to 18.9 percent in 2019, the easing of Russian travel restrictions will likely trigger a fresh exodus of Armenian migrant labor in the coming weeks and months. Entry into Russia was banned for Armenian citizens for nearly a year but starting in February 2021, travelers from Armenia with a documented negative coronavirus test will be able to enter Russia. The Armenian government has long sought this easing of Russian restrictions, which were lifted for other members of the Eurasian Economic Union (EaEU) back in September 2020.

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<sup>5</sup> Hayrapetian, Satenik, "Armenian Authorities Gear up for 'First Phase' Of COVID-19 Vaccination," Radio Free Europe/Radio Liberty's (RFE/RL) Armenian Service, 22 January 2020. <https://www.azatutyun.am/a/31063899.html>

<sup>6</sup> Zargarian, Robert, "Armenian Tax Revenue Down in 2020," Radio Free Europe/Radio Liberty's (RFE/RL) Armenian Service, 25 January 2020. <https://www.azatutyun.am/a/31068336.html>

### III. Foreign Policy

***Prolonging the “State of War.”*** Although fighting in the 44-day Karabakh war was suspended by the acceptance of the Russian-brokered agreement for a cessation of hostilities on 9 November, the “state of war” over Nagorno Karabakh has only been prolonged by Azerbaijan. More specifically, Azerbaijan’s refusal to abide by the terms of the agreement calling for the complete exchange of all prisoners of war and civilian noncombatants continues to exacerbate the post-war situation. The return of Armenian prisoners and other civilians is an urgent priority and Azerbaijan seems to be using the issue as leverage in order to further strengthen its bargaining power in preparation for a return to diplomatic negotiations.

Moreover, Azerbaijani officials have branded those soldiers as “saboteurs” and “terrorists,” threatening to prosecute them, in blatant violation of both international law and the ceasefire agreement. To date, Azerbaijan still holds over 100 military and civilian prisoners, including 62 soldiers captured in early December when Azerbaijani forces seized the last two Armenian-controlled villages in Karabakh’s Hadrut district.<sup>7</sup>

At the same time, the sporadic release and dissemination of Azerbaijani “atrocities videos” on social media showing the mistreatment, abuse and torture of Armenian prisoners only intensifies anger and grief, contributing to a destructive cycle of revenge and hunger for retribution. This has also increased tension and insecurity over the recent process of border demarcation and delineation, especially for border areas in Karabakh and southern Armenia, often with roads now passing through the Azerbaijani side of the “new” borders and with Armenian villages and towns situated in exposed and vulnerable positions in close proximity to Azerbaijani military units.

***Tentative Talks as a Prelude to Diplomacy.*** In the first meeting between the Armenian and Azerbaijani leaders since the start of the war in late September 2020, Russian President Vladimir Putin succeeded in brokering a preliminary resumption of diplomatic negotiations. The 11 January Moscow meeting between Azerbaijani President Ilham Aliyev and Armenian Prime Minister Nikol Pashinyan focused on Azerbaijan’s priority agenda item of the agreement’s stipulation of the restoration of trade and transport links, including granting Azerbaijan access to its exclave Nakhichevan through Armenian territory. All sides assented to the creation of a tri-partite “working group” on a deputy ministerial level to manage the “practical modalities of restoring transport links between Armenia and Azerbaijan.”

The weakness of the Armenian side also allowed Azerbaijan to dictate terms in this first return to the diplomatic arena, even going so far as to protest the recent visit of the Armenian foreign minister to Karabakh. For his part, Russian Foreign Minister Sergei Lavrov was firm in dismissing such Azerbaijani protests but warned Armenian officials against making “emotional” statements when visiting Karabakh.<sup>8</sup> The Russian foreign minister also specifically downplayed any urgency to settling the “status issue” of Karabakh, explaining that Moscow prefers to “leave it to the future” and to instead focus first on “confidence-building measures” and other issues.<sup>9</sup>

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<sup>7</sup> Azerbaijan released 5 of these 62 soldiers on 28 January 2021, bringing the total number of Armenian POWs and civilians freed to date to 59, but with more than 100 others still in Azerbaijani captivity. Bulghadarian, Naira, “More Armenian POWs Freed by Azerbaijan,” Radio Free Europe/Radio Liberty’s (RFE/RL) Armenian Service, 28 January 2021. <https://www.azatutyun.am/a/31074541.html>

<sup>8</sup> Babayan, Aza, “Deal on Karabakh’s Status Not Urgent for Russia,” Radio Free Europe/Radio Liberty’s (RFE/RL) Armenian Service, 18 January 2021. <https://www.azatutyun.am/a/31051257.html>

<sup>9</sup> Ibid.

With no agreement on the urgent need to complete the return of prisoners, which would ordinarily be a prerequisite to resume such diplomatic negotiations, however, the Moscow summit only confirmed the weakness of the Armenian position, especially given Armenia's notable lack of any diplomatic strategy or "end state" objectives. Thus, the Moscow summit demonstrated the temporary and limited nature of the Russian-imposed agreement, which is more than an agreement for the cessation of hostilities but is substantially less than a comprehensive peace deal. But with the OSCE Minsk Group mediators expected to return to the region in the coming weeks, Armenia does not have much time to revise and formulate a new, more realistic diplomatic strategy.

***National Security Communication.*** In terms of diplomatic reengagement, there has been a small move forward, in a new process of meetings between the Armenian and Azerbaijani national security service directors. As an essential component of communication and even possible coordination, this format is significant. After an initial meeting in Moscow in December 2020 hosted by Alexander Bortnikov, the head of Russia's Federal Security Service, Armen Abazyan, the director of the Armenian National Security Service (NSS), and his Azerbaijani counterpart, Ali Nagiyev, the head of Azerbaijan's State Security Service, held a follow-up meeting on 9 January along the southern Armenian-Azerbaijani border.

This second round of talks was especially important for two reasons. First, the practical value of the meeting stems from the establishment of a valuable avenue that offers a format for the facilitation of "back channel" or covert communication and coordination, if not outright cooperation. A second factor affirming the importance of the meeting was the setting itself, marking a welcome return to the region itself where, instead of the traditional round of meetings in Moscow or European capitals, the bilateral dialogue was held on a local level of direct engagement without third-party mediation, demonstrating a new commitment to dialogue.

***Summary Conclusion.*** Despite the promise of diplomatic re-engagement, Azerbaijan's failure to return all prisoners and Armenia's lack of a coherent diplomatic strategy have contributed to an environment hardly conducive for the restart of negotiations. In this context, as victor, Azerbaijan has adopted a counter-productive maximalist stance that is both vindictive and over-confident, while Armenia still seems to have not fully accepted or adjusted to the new post-war reality. More broadly, the outcome of the six-week war for Karabakh has also led to three troubling trends:

- The military victory for Azerbaijan, with unprecedented Turkish support, suggests a dangerous confirmation of "might makes right," with the war is seen as a validation of force of arms based on an acceptance of applying a military solution to the essentially political conflict over Nagorno Karabakh. If not effectively challenged, such a precedent will have negative consequences elsewhere, including Crimea for example;
- A second distressing result of the war was the perception of the inherent weakness of democracy, as seen by the military victory of larger, more powerful authoritarian states of Azerbaijan and Turkey over the small infant democracy of Armenia. In addition to the broader lesson, this "lesson" will also weaken and imperil continued democratization, political will and the commitment to reforms in Armenia;
- Third, the post-war geopolitical context raises concerns over the future of regional security and stability, in light of Russia's unilateral deployment of peacekeepers and the return of Turkey as Azerbaijan's primary military patron state. Azerbaijan will also be challenged to maintain its precarious balancing between Turkey and Russia, while the inherent rivalry between Ankara and Moscow may only resurface, with the South Caucasus serving as the arena for a fresh competition and possible conflict between those regional powers, and possibly triggering a response from Iran.