



**RSC MONTHLY BRIEFING NOTES
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I. Post-War Domestic Political Crisis

A Lingering Political Crisis. Since the end of September, domestic politics in Armenia have been shaken and stricken as never before. With a massive attack by Azerbaijani forces on 27 September, Armenia has suffered a triple shock that included an unprecedented military defeat, an unexpected loss of territory that includes a significant part of Nagorno Karabakh, and an unforeseen challenge to the Armenian government. And after nearly 45 days and nights of intense combat and an ineffective defense, the Azerbaijani victory continues to reverberate throughout Armenian society.

A Limited Challenge from Street Protests. The domestic political challenge to the government, with calls for Prime Minister Nikol Pashinyan to resign, is both less and more than it seems, however. On the one hand, the political vulnerability of the Pashinyan government is neither as serious nor as significant as recent developments suggest, for two reasons. First, despite the initial shock of the Prime Minister's acceptance of a Russian-imposed agreement to halt the war over Karabakh, demonstrations against the government remain largely ineffective. The demonstrations, which have turned out significantly fewer participants than expected, have yet to galvanize widespread sustained support. And that lack of momentum stems from the fact that much of the opposition leading the protests remain seriously unpopular and significantly discredited, tainted by ties to the corrupt former government and lacking any real policy alternative.

The Absence of any Credible Rival or Alternative. Moreover, a second reason that the political challenge is less significant lies in the absence of any credible rival or alternative to Pashinyan. In fact, Pashinyan had no choice and little alternative but to accept the Russian agreement. Although that Russian plan was both imposed on Armenia and implemented unilaterally by Moscow, it was the only feasible way to save lives and salvage what remained of Nagorno Karabakh and, in this context, the fall of Shushi, the second largest city in Karabakh, was the turning point, making any further fighting unsustainable and risking the complete loss of Karabakh.

Deeper Political Deficiencies. Nevertheless, although the threat from the political opposition may be insufficient to force the resignation of the Prime Minister, the political future of the Pashinyan government is certainly open to question. The weakness of the government's position is driven by three broader considerations. First, Pashinyan has become increasingly stranded in uncharted political waters. Most importantly, both the Karabakh issue, and the subsequent Karabakh conflict itself, have predated Armenian independence. Modern Armenian politics have always been driven and defined by Karabakh. And no political leader or party has ever faced the challenge of governing without the essential element of domestic discourse and public policy.

Second and somewhat ironically, the political fate and future of Prime Minister lies more in his own hands than in the actions of the opposition. More specifically, Pashinyan's rather reckless and impulsive style of leadership has done more to undermine his standing than anything that the opposition has done or said. And this was most evident in two serious mistakes.

For one example, the Prime Minister's midnight Facebook post on 10 November announcing an end to the war and acceptance of the Russian agreement was a significant misstep given his dangerous reliance on informal social media as a platform that only weakens and lessens the authority and legitimacy of his office. And the lack of any preparation of Armenian society or public opinion for the scale and severity of the losses in the war only sparked an emotional outburst of frustration and anger.

As that violent display of public anger culminated in the storming of the Armenian parliament and the physical assault of Parliamentary Speaker Ararat Mirzoyan, Pashinyan should have taken heed of the intensity of public anger. Instead, as seen in a second example of a serious political mistake, a similar late-night Facebook badly worded post by the Prime Minister late on 15 November raised fears that Pashinyan was intent on using force against the opposition demonstrators.

While that second mistake prompted Pashinyan to issue a clarification early on 16 November with a hastily arranged press conference, the damage was done. More troubling, as seen in the case of other world leaders paying a political price for an impulsive use of social media, Pashinyan seems to have not yet learned a lesson from this misstep. What this actually reveals, however, is that the Prime Minister faces an especially difficult and daunting challenge, consisting of the need to control himself and restrain his impulsive political style.

Although such political characteristics of tactical flexibility and impressive self-confidence were crucial assets in his successful rise to power in the "Velvet Revolution" of 2018, those very same traits have become his biggest weaknesses. That critical trait of tactical flexibility has devolved into more of impulsive and often indecisive style of leadership, for example. And his pronounced self-confidence has developed a tendency for arrogant micromanagement and a priority for personal loyalty over policy competence within his team.

Armenian Prime Minister Resists Calls to Resign, Promises Stability. In a heated televised address on 27 November, Armenian Prime Minister Nikol Pashinyan angrily denounced his political opponents for seeking to "spread chaos" to "bring the war into Armenia...in order to ensure their return." Noting that the opposition was driven by elements of the former government, Pashinyan recognized the anger over his forced acceptance of a Russian-imposed ceasefire after the disastrous Armenian defeat in the war for Karabakh but rejected calls for his resignation and for early elections. But pressure on Pashinyan has escalated, as Armenian President Armen Sarkissian joined on 25 November in calling for a change of government. In a partial response to the opposition, Pashinyan dismissed six cabinet ministers, including the Defense and Foreign Ministers, and announced a "plan of action" that he argued would "establish stability" and strengthen the economy within six months, Pashinyan unveiled a new 15-point "action plan" on 18 November, promising to "establish stability and security" and restore economic growth within six months.

The Broader Political Context. From a broader assessment of the current domestic political situation in Armenia, a surprising paradox has emerged. More specifically, in political science there is little debate over the sources and outlook for domestic stability among different political systems. For example, the resiliency of a legitimate, popular, and freely elected government is widely accepted as significantly more stable than an authoritarian system based on corruption and patronage rather than on free and fair elections.

The Outlook for Stability: A Longer-Term Paradox. And in the case of Armenia and Azerbaijan, the aftermath of the war for Karabakh reveals a political paradox of the exact inverse of such a calculation. Moreover, in the immediate aftermath of the war, it is Azerbaijani President Ilham Aliyev that has been succeed in “riding the tiger” of war and mastered nationalist discourse. Despite the limitations of entrenched corruption and authoritarian rule, there is no challenge to the Aliyev government. Instead, it is Armenian Prime Minister Nikol Pashinyan who is under pressure, facing the most serious challenge to his leadership to date. And his inherent political advantages of a demonstrable legitimacy, an overwhelming parliamentary majority from a free election, and a rare success in leading a non-violent change of government, are little consolation and less effective to resist the pressure he is now under.

But over the longer term, Armenia benefits from a strategic advantage of institutional democracy, which will exert a stabilizing impact on the country. Yet for Azerbaijan, the outlook for the Aliyev dynasty is less assured and more tenuous once the emotional victory of the war for Karabakh fades. And after ruling Azerbaijan after 27 years, the Aliyev government is ill-equipped to meet rising expectations for more victories and greater achievements. Thus, in terms of regional stability, the only certainty is a prolonged period of political change to come.¹

II. Economic Developments

An End to Economic Growth. Faced with a daunting combination of negative factors, including a demonstrable economic downturn due to the COVID-19 lockdown, a related slump in trade, and the coming impact from the war, the outlook for the Armenian economy is particularly bleak. With the most recent estimates from the IMF, Armenian GDP is expected to decline by at least 7 percent for 2020. While that decline was widely expected, the impact will be long lasting, coming after three consecutive years of fairly robust growth, and with the government lacking prudent policies to respond to sufficiently to the crisis. More specifically, the once impressive 7.6 percent increase in GDP last year, in what was the fastest growth since 2008, has now become politically irrelevant.²

And over the longer term, the government still seems unprepared and ill-equipped to meet the unprecedented challenge for economic recovery in the post-COVID period. The government’s latest budget submission, from early November, reflects a degree of both wishful thinking and unfounded optimistic, with a baseline forecast of an economic recovery of some 4.8 percent for 2021, although the impact of the six-week war makes that estimate already outdated. In a rare display of good news, however, the All-Armenian Fund announced on 27 November that the charity had raised over \$26 million in donations from the global diaspora, earmarked to assist the roughly 100,000 Karabakh Armenians forced to seek refuge in Armenia from the war.

Armenia Imposes Ban on Imports of Turkish Products. In direct response to Turkey’s support for Azerbaijan in the war, the Armenian government announced on 16 October plans to ban all products and goods imported from Turkey. The ban on Turkish goods would enter into force on 1 January 2021 for a period of six months and will curtail the roughly \$268 million in Armenian imports of Turkish goods, which mainly consists of about \$70 million worth of clothing and machinery and other equipment worth \$35 million, based on figures for last year, that enters the Armenian market through Georgia.

¹ For more, see: Giragosian, Richard, “Armenian Prime Minister Under Threat,” Institute for War & Peace Reporting (IWPR), 16 November 2020. <https://iwpr.net/global-voices/armenian-prime-minister-under-threat>

² An older, but more comprehensive analysis is also available: RSC Monthly Closed Briefing Notes, Regional Studies Center (RSC), Yerevan, Armenia, 26 February 2020. <https://www.regional-studies.org/news/events/briefings/644-260220>

Parliament Approves Increased Defense Spending. And in a second direct response to the war, the Armenian parliament voted unanimously on 7 October to approve a government request for a 13 percent increase in defense spending through the remainder of 2020. The \$82 million increase would expand the current \$620 million defense budget for 2020 by roughly 13 percent. This increase follows a similar emergency request for additional funds to be added to the budget when the parliament approved a \$310 million increase in April to fund coronavirus-related relief measures and to offset a shortfall in tax revenue from the lockdown of the economy.

Since the onset of the coronavirus crisis in March 2020, the Armenian government has provided a stimulus and aid package worth more than \$300 million, with over \$190 million to finance bank-administered preferential loans, subsidies, tax incentives and credits. Finance Minister Atom Janjughazyan reported that the impact from both the COVID-19 emergency and the war over Nagorno Karabakh will result in a further contraction of GDP, and a related widening of the budget deficit to an estimated \$946 million, representing about 7.4 percent of GDP.

III. Foreign Policy

Armenia Accepts Russian-Imposed Agreement to End the War for Karabakh. In a difficult decision, Armenian Prime Minister Pashinyan accepted on 10 November a Russian-crafted and Russian-imposed agreement that effectively ended the six-week war for Karabakh and triggered the immediate deployment of some 2000 Russian peacekeepers to Nagorno Karabakh for an initial five-year mission. Although the agreement consolidated significant territorial gains by Azerbaijan and introduced a cessation of fighting, it only affirmed Armenia's stunning defeat. And while the acceptance of the agreement saved lives and salvaged the remaining territory of Nagorno Karabakh, the conflict remained unresolved with several outstanding questions, ranging from the status of Karabakh to the terms of the withdrawal and possible demobilization of the Karabakh armed forces, making further diplomatic negotiations essential to ensuring last security and stability. Given the lack of preparation for Armenian society for the scale of the losses from the war, the Pashinyan government faced an immediate and emotional series of protests, leading for calls for the prime minister to resign and culminating in violent attacks on the parliament and the prime minister's office.

Some observers see the 45-day war for Nagorno Karabakh as a victory for Turkey as much as for Azerbaijan. This view stems from the unprecedented military support and unexpectedly direct engagement by the Turkish military in waging the war for Karabakh alongside Azerbaijani forces. And although this joint military effort between Turkey and Azerbaijan succeeded in seizing large areas of territory and capturing parts of Nagorno Karabakh, several factors weaken the case and diminish the gains from the war for Turkey.

Diminished Returns for Turkey. In other words, Turkey's victory is neither as complete nor as convincing as it seems. Rather, Turkey is now over-extended, in both the military and diplomatic dimension. This assessment is also confirmed by the less than expected results for Turkey after Russia's belated engagement. And this is also seen in the controversy over the future peacekeeping mission in the region for both Russia and Turkey. This latter issue was especially embarrassing for Turkey, as Moscow seems to have openly reneged on promises for a great, more direct role for Turkish military peacekeepers. The final decision is more of a symbolic role for Turkey, with a minimal and marginal position in the peacekeeping planning and supervision within Azerbaijan itself. And this effectively gives Russian peacekeepers the dominant role in the region.

Turkey's Limited Victory. Yet at the same time, Turkey did regain its lost role as the primary military “patron state” for Azerbaijan, thereby replacing Russia as the leading arms provider and source of weapons. This is also matched by a “power exchange” defined by a deeper trend of a shifting balance of power, with a resurgent Turkey empowering an over-confident Azerbaijan after the successful military campaign against Nagorno Karabakh.³

Nagorno Karabakh: What Next? But after the end of the war for Karabakh, there are many questions over what comes next, with no clear answers and even fewer certainties. For example, after 45 days of fighting, the war for Nagorno Karabakh halted abruptly on 9/10 November when Armenia announced that it was accepting the terms of a Russian-imposed agreement that ended the war but also effectively ceded territory to Azerbaijan.

Status & Security: Unresolved Issues. The agreement to halt the war for Karabakh, which salvaged the remaining remnants of Nagorno Karabakh and saved the Karabakh Armenian population from advancing Azerbaijani forces, raises only more questions, however. The situation remains dangerously unclear and undefined, raising questions over “status,” sovereignty, and legal standing, for only a few notable issues. And although seemingly deferred, these outstanding issues are far from resolved.

Beyond the perspective of “status,” there is also justifiable concern over what is not stipulated or stressed related to security in the agreement. For example, there is no clarity for the security of the remaining parts of Nagorno Karabakh, with a disregard for earlier negotiations and a disdain for clarification of demilitarization or withdrawal. And with a number of other complications and issues related to post-war security, there is an obvious need for direct negotiations and further agreements. Thus, the outlook for regional security and stability remains uncertain and unpredictable at best.

³ Giragosian, Richard, “Turkey in the Post-War Caucasus, *Agos*, 17 November 2020.
<http://www.agos.com.tr/en/article/24897/turkey-in-the-post-war-caucasus>