

An hourglass-shaped graphic with a globe in the top bulb and another globe in the bottom bulb. The hourglass is light blue and has a dark blue cap at the top. The globe in the top bulb is dark blue, and the globe in the bottom bulb is light blue. The text is centered within the hourglass.

# WikiLeaks Document Release

<http://wikileaks.org/wiki/CRS-98-430>

February 2, 2009

Congressional Research Service

Report 98-430

*ARMENIA: UNEXPECTED CHANGE IN GOVERNMENT*

Carol Migdalovitz, Foreign Affairs and National Defense Division

Updated May 5, 1998

**Abstract.** This report describes the recent change in the Armenian government and its possible consequences. The United States may need to adjust its policies in the region to meet new realities.

WikiLeaks

# CRS Report for Congress

Received through the CRS Web

## Armenia: Unexpected Change in Government

Carol Migdalovitz  
Specialist in Middle Eastern Affairs  
Foreign Affairs and National Defense Division

### Summary

This report describes the recent change in the Armenian government and its possible consequences. President Levon Ter-Petrosyan resigned on February 3, 1998, primarily because of domestic opposition to his acceptance of an international peace plan to resolve the conflict over Nagorno-Karabakh with Azerbaijan. Prime Minister Robert Kocharyan assumed power for an interim period and then won the special presidential election of March 1998. His new government wants to advance market reforms and change the Constitution to balance power among the branches of government. Kocharyan rejects the Karabakh peace plan, and has enunciated principles for negotiations that may complicate resolving the conflict. The United States may need to adjust its policies in the region to meet new realities. This product will not be updated. CRS Issue Brief IB95024, *Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests*; and CRS Issue Brief IB92109, *Armenia-Azerbaijan Conflict* are related reports updated regularly.

### Background

Levon Ter-Petrosyan, the first President of independent Armenia, resigned on February 3, 1998. Ter-Petrosyan had been an active member of the Karabakh Committee created in 1988 to advocate unification with Armenia of the mostly Armenian-inhabited Nagorno-Karabakh region of Azerbaijan. In 1989, members of the Karabakh Committee formed the Armenian National Movement (ANM) to work politically on Armenian issues within the then-rapidly changing Soviet system and won seats in the Armenian Supreme Soviet or parliament. In August 1990, parliament elected Ter-Petrosyan from among six candidates to be President; a communist was his main opponent. Ter-Petrosyan was elected President of independent Armenia with 83% of the vote in an October 1991 national election that was widely lauded as both free and fair.

Ter-Petrosyan's main objective as President was to ensure the survival of Armenia as an independent state, a status it had enjoyed only from 1918-20 during the twentieth century. Ter-Petrosyan's commitment to democracy was questioned as he apparently came to regard the legitimate political opposition as a threat to his goal. In June 1992,

Ter-Petrosyan accused a leader of his possibly strongest rival, the Armenian Revolutionary Federation (ARF/*Dasnaktsutyun* or *Dashnaks*), of collaborating with Russian intelligence and exiled him. In December 1994, Ter-Petrosyan banned the ARF, accusing the party of terrorism and other crimes. The Supreme Court upheld the ban only on the grounds that some ARF leaders were non-citizens. A Ter-Petrosyan-led constitutional commission created a system of government with a very strong president and weak legislature. The Constitution was approved in a July 1995 referendum held simultaneously with parliamentary elections, which international observers termed "free but not fair." The President's ANM and its supporters secured overwhelming control of the legislature. In September 1996, Ter-Petrosyan was reelected President in a vote so severely flawed that international observers suggested it might weaken public confidence in the integrity of the election process.<sup>1</sup>

The conduct of the 1995 and 1996 elections undermined the legitimacy of the Ter-Petrosyan regime. In response, the President reshuffled his government, but was still considered isolated from the people. To shore up domestic support, Ter-Petrosyan named Robert Kocharyan, then "President" of the self-declared but internationally unrecognized Nagorno-Karabakh Republic, to be Prime Minister of Armenia. Kocharyan is a national hero because of his leadership of the Karabakh self-defense forces which defeated Azerbaijan militarily and achieved physical control over Nagorno-Karabakh and adjacent areas (totaling 20% of Azeri territory) prior to a May 1994 cease-fire in the war.

Ter-Petrosyan had begun market reforms and, during his tenure, Armenia initially made more progress in this area than most other former Soviet states. Nonetheless, the transition from communism brought economic hardships and the poverty of many Armenians increasingly contrasted with the corruption and wealth of a few. Moreover, in the last few years, the economic growth of other former Soviet republics, including neighboring Georgia and Azerbaijan, has outpaced Armenia's as structural reform in Armenia lost momentum. In 1997, Armenia's Gross Domestic Product (GDP) grew by 3%, its estimated rate of inflation was 22%, and unemployment was 20%, according to the International Monetary Fund (IMF). Ter-Petrosyan contended that economic progress was inhibited by Azeri and Turkish blockades imposed in response to the Karabakh Armenians' territorial gains. He concluded that Armenians had to make concessions in the peace process to get the blockades lifted and stabilize their economy.

## Effects of the Minsk Group Peace Plan

International mediators have been trying to end the conflict over Nagorno-Karabakh since 1992. In September 1997, Ter-Petrosyan accepted the two-stage peace plan of the Organization for Security and Cooperation in Europe (OSCE) "Minsk Group" co-chairs.<sup>2</sup> In the first stage, Karabakh Armenians would withdraw from all Azeri geographic positions except the Lachin corridor connecting Armenia and Nagorno-Karabakh, international peacekeepers would deploy, refugees would return, and the Azeri blockades of Armenia and Karabakh would be lifted, among other measures. Discussion of Karabakh's political status would occur in a later, second stage. Ter-Petrosyan argued that

---

<sup>1</sup>See CRS Report 96-981F, *Armenia: Democratization Derailed?* by Carol Migdalovitz.

<sup>2</sup>The formal OSCE proposal has not been made public. However, media, Azeri, Armenian, and American officials have reported on aspects of the plan's contents.

the international community would not accept either Karabakh's full independence or its unification with Armenia, perhaps leading him to conclude that talks on status at this time would be unproductive for the Armenian side.

Other Armenians did not share Ter-Petrosyan's assessment. His domestic political opponents accused him of treason, while his Prime Minister and other government officials openly disagreed with him. Nagorno-Karabakh government officials rejected a phased solution and insisted that any agreement contain at least outlines of a political status that would not resubordinate Karabakh to Baku. They argued that if Armenians withdrew from Azeri territory first, then Baku would have no incentive to negotiate status. Ter-Petrosyan reportedly was totally isolated at a heated joint meeting of Armenian and Karabakh officials on January 7-8, 1998.

Events in the following weeks included mysterious assaults on Ter-Petrosyan allies<sup>3</sup> and strident charges and countercharges by his supporters and opponents. On February 1, *Yerkrapah*, a parliamentary group/legal militia comprised of veterans of the Karabakh conflict formally headed by the Defense Minister, fatefully joined its voice to calls for Ter-Petrosyan's resignation. Over 40 ANM deputies defected to *Yerkrapah*, depriving the ANM of its control of parliament and prompting the Parliament's Speaker, committee chairmen, and other ANM-affiliated officials to resign.

The debate in the Armenian government ended with Ter-Petrosyan's resignation as President on February 3. In his letter of resignation, Ter-Petrosyan declared, "the known bodies of power have demanded my resignation." This was believed to refer to Prime Minister Kocharyan, Minister of Defense Vazgen Sarkisyan, and Minister of Interior and National Security Serzh Sarkisyan. The Ministries of Defense and Interior control the army and police and all physical power in the country. Although force was not used to effect Ter-Petrosyan's departure, its specter may have expedited his resignation. The President, bereft of popular support, lacked any means to counter his opponents. With no Speaker available to act as President as constitutionally required, Prime Minister Kocharyan, the second in line, became Acting President on February 4.

## Election of a President

The first round of an extraordinary election to choose Ter-Petrosyan's replacement was held on March 16. There were 12 candidates; none was from the ANM. The main contenders were Acting President Kocharyan, defeated 1996 challenger Vazgen Manukyan, and Karen Demirchyan, the communist leader of Armenia from 1974 to 1988 who had not been politically active in years. No candidate achieved a majority and a run-off election was held between Kocharyan and Demirchyan on March 30. Demirchyan's strong showing in the first round was attributed to nostalgia for economic and other stability of the past. His views on Karabakh were less formed than those of Kocharyan, although Demirchyan said that he could deal with his old communist colleague, Azerbaijan's President Haidar Aliyev, on the issue.

---

<sup>3</sup>The Minister of Interior and National Security later suggested that the attacks had been fabricated.

On March 30, Kocharyan received 59.49% of the vote to 40.51% for Demirchyan with a 68.14% voter turnout. The OSCE Office of Democratic Institutions and Human Rights (OSCE/ODIHR) fielded the largest number of observers, 150, who were led by U.S. Ambassador Sam Brown and included 65 Americans. Its preliminary report found flaws in the electoral process, but noted improvements over 1996 as a "step forward towards a functioning democracy" and concluded that irregularities did not affect the election outcome.<sup>4</sup> The final report, however, said that the 1996 election was not the appropriate standard for evaluating the 1998 election, which had not met the OSCE standards to which Armenia had committed itself. It reached no conclusion about the possible effect of irregularities on outcome.<sup>5</sup> Council of Europe and Commonwealth of Independent States Parliamentary Assembly observers, who were far fewer than those of the OSCE, were less critical and even praised the process. Demirchyan labeled the result fraudulent, and vowed to stay politically active.

## Policies and Politics

Kocharyan named 33-year-old Minister of Finance and Economics Armen Darbinyan to be Prime Minister. The new, young cabinet is predominantly technocratic and most members are not affiliated with a political party. Ten out of 21 ministers are holdovers from the previous regime, including Defense Minister Vazgen Sarkisyan and Minister of Interior and National Security Serzh Sarkisyan. The cabinet includes eight economists. Kocharyan has said that the Azeri and Turkish blockades are not completely to blame for Armenia's economic problems. The government program will focus on the economy and continue market reforms, following International Monetary Fund (IMF) recommendations. Kocharyan desires more foreign investment, especially from the Armenian diaspora, and a special department for diaspora affairs will be created in the foreign ministry. He also intends to continue reforming customs and tax laws to make the country attractive to investors. Kocharyan wants to create jobs by developing small and medium enterprises in a number of sectors, such as mining, chemicals, tool construction, and electronics, in which Armenia traditionally has been strong, and to transform Armenia into a regional exporter of electricity.

Domestic politics remain fluid. As acting President, Kocharyan had legalized the ARF and freed a prominent ARF leader, Vahan Hovanesian, from prison. The ARF supported Kocharyan's presidential candidacy and has been rewarded with the Education and Culture Ministry and Hovanesian's appointment as a presidential advisor. The party is regaining its feet as its representatives routinely meet with government officials and its newspaper resumes publication. The National Democratic Union (NDU) also has indicated a willingness to support the government, depending on the issue. The ANM has kept a low profile. Ter-Petrosyan was present at Kocharyan's inauguration, but refused to speak to the press. The issue of possible recriminations against Ter-Petrosyan and some of his allies for their actions or corruption is unresolved and has not received much attention. Except for the question of Karabakh, Kocharyan has not criticized Ter-Petrosyan publicly, and parliament granted the former leader a house and car.

---

<sup>4</sup>Organization for Security and Cooperation in Europe preliminary assessment, Reuters, April 1, 1998.

<sup>5</sup>Reuters, April 13, 1998; also *Noyan Tapan*, April 13, 1998, translation carried by FBIS online, April 14, 1998.

A parliamentary election may be held early. As noted, the 1995 election was flawed and parliament is not believed to reflect the popular will. The ARF is not represented in parliament because it was banned during the 1995 election and thus the party supports holding an election. Other parties which supported the Kocharyan candidacy appear to agree. Preliminarily, deputies are focusing on a new electoral code, which may reconfigure parliament to include some deputies representing single member districts, while a majority still will be chosen from party lists. After an electoral reform law is passed, an election is likely.

Changes in the Constitution were termed urgent by Kocharyan in his April 9 inaugural address. He wants to redistribute powers more equitably among the legislature, executive, and judiciary, i.e. to strengthen parliament and make the judiciary more independent. One suggested revision would allow parliament to dissolve itself and pave the way for an election. Under the present Constitution, the President alone has the power to dissolve parliament. Kocharyan also seeks to permit dual citizenship.

### **Implications for the Peace Process and Relations with Turkey**

Much media coverage described Kocharyan's election as a setback for the peace process. This view is predicated upon the belief that Ter-Petrosyan's acceptance of the OSCE plan was the major breakthrough which would have led to a peaceful settlement of the conflict over Nagorno-Karabakh. However, Ter-Petrosyan's downfall and Kocharyan's rise demonstrated clearly the lack of domestic support in Armenia for Ter-Petrosyan's policy. Public opinion poses fundamental constraints on any leader and will set the parameters for the new government's negotiating policy.

In reality, no progress toward a resolution of the conflict has been made since international mediation began, except for the 1994 cease-fire. The Karabakh Armenians never compromised with the Azeris or with OSCE negotiators on their demands for self-determination and a "package deal" in which all issues would be resolved simultaneously and not in stages. Kocharyan's views could not have set back a process that had advanced so little. Neither, however, do they bode well for future success. In an April 8, 1998, interview, Kocharyan declared that "Karabakh enjoys real independence and won't renounce it."<sup>6</sup> He outlined principles to serve as the basis for future negotiations: (1) the right of the Karabakh people to self-determination, (2) guarantees of Karabakh's security, widely interpreted to include a role for Armenia, and (3) a permanent geographic link between Armenia and Karabakh, i.e. Armenian retention of the Lachin corridor. Kocharyan and Karabakh maintain that Ter-Petrosyan's "policy of concessions" led Azerbaijan to believe that it need not negotiate with the Karabakh government. They call for direct Karabakh-Azerbaijan talks and insist that Karabakh is an independent actor which will have the final say on its status.

Azerbaijani President Aliyev has said that he is ready to cooperate with any President elected in Armenia. He expressed hope for a resumption of Minsk Group talks on the same grounds as before, despite Kocharyan's stated opposition to that formula. Aliyev faces an election in October and is unlikely to modify his position in the coming months. He has

---

<sup>6</sup>With *Izvestia*, carried by Interfax in Foreign Broadcast Information Service online, (hereafter FBIS) on April 8, 1998.

been counting the prospect of Azerbaijan's oil wealth to induce the Minsk Group co-chairs, the United States, France, and Russia, all of whom have economic interests in the Azeri energy sector, to pressure the Armenians to concede.<sup>7</sup> The Armenians and some analysts believe that Minsk Group proposals favor Azerbaijan. Aliyev and Kocharyan met on April 28 and agreed to continue to work with the Minsk Group and to abide by the 1994 cease-fire. Minsk Group emissaries will visit the region in May. It is not clear how they will adapt to changes in the Armenian government. More process without progress is likely.

Armenia's relations with Turkey also may be more problematic under the new government in Yerevan. Foreign Minister Vardan Oskanyan has said that recognition of the 1915 Armenian genocide must be included in any future Armenian-Turkish dialogue. This contrasts with Ter-Petrosyan's offer to put history aside to enable the two neighbors to focus on current bilateral relations. Again, Armenian government officials would maintain that Ter-Petrosyan's concessions produced no positive response from Turkey, which has blocked land transit to Armenia since 1993 out of sympathy for Azerbaijan. Turkey had made ties with Ter-Petrosyan's government contingent on Armenia's withdrawal from Azeri lands. The new Yerevan policy is even less likely to improve bilateral relations because Turkey denies that there was a "genocide."

## U.S. Policy

Armenia is a major recipient of U.S. foreign aid. In FY1998, the United States will provide \$87.5 million to Armenia and \$12.5 million to Nagorno-Karabakh. The Administration has requested \$80 million in aid for Armenia (plus \$1.61 million for the Peace Corps) for FY1999, but made no request for Karabakh. The Administration is uneasy with Congress's separate treatment of Karabakh, believing that it might impair the U.S. role as mediator by prejudging the possible outcome of the talks.

The U.S. State Department accepted the official Armenian position that the change in government was carried out according to the rule of law and the Armenian Constitution. Ter-Petrosyan had adopted a position toward the OSCE plan that the United States believed was constructive. Yet, U.S. policymakers, who seek to further democracy in the former Soviet republics, apparently did not help him build domestic support by encouraging Baku to make reciprocal gestures to prove to the Armenian people that what they viewed as concessions would lead to a positive result and not harm their long sought security.

The State Department endorsed the OSCE preliminary report on the election and wished Kocharyan well "in further implementing economic and democratic reforms and a political resolution of the Nagorno-Karabakh conflict."<sup>8</sup> It has not commented on the final OSCE report. The new Armenian leadership will pose challenges for the negotiators. Will the United States work to revise the plan and make it more acceptable to the Armenians? If so, how will that affect U.S. relations with Azerbaijan, which the U.S. views as a valuable avenue for the diversification of international energy resources. Undersecretary of State Strobe Talbott has indicated that the United States and the Minsk Group will persevere in their efforts.

---

<sup>7</sup>See comments of Aliyev advisor Vafa Guluzade in an interview with *Baku Panorama* on March 12, 1998, FBIS online, March 13, 1998.

<sup>8</sup>U.S. State Department official statement, April 1, 1998.