



Armenia's 20-year Independence: a Reason for Celebration, or a Food for Thought

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On September 21, 2011 the Republic of Armenia celebrated the 20th anniversary of its independence following the collapse of the Soviet Union. This 20-year route was both joyful and bitter: was full of achievements and losses, satisfaction and disappointment. Thus, this 20-year period was full of events and developments that deserve the most intent attention and the summary of the results achieved thus far. Given that, it is practically impossible to provide all the details of this 20-year period with an in-depth scientific analysis in one article, the emphasis therefore will be put on the main developments.

To begin with, by late 1980s Armenia was arguably the most visible and disturbing republic of the Soviet Union, since it openly supported the independence movement in Nagorno-Karabakh (N-K) Autonomous Republic that strived for secession from the then Soviet Azerbaijan and reunification with the then Soviet Armenia. Even by late 1980s standards this was an unseen “boldness.” Following the collapse of the Soviet Union, the N-K conflict entered into its “hot” phase. Despite being outnumbered by a better armed Azeri army and its numerous mercenaries and volunteers from a vast array of countries, the Armenians of N-K, backed by Armenia and the Armenian Diaspora, emerged victorious from the uneven battle. Thus, by the time the war finally came to the long awaited end, the expectations and hopes were high, the Armenian nation assumed that the troubles were way behind and the bright and prosperous future lies ahead. Well..., mildly speaking, things went towards a somewhat different direction. Now, it is quite understandable that any war, even the most victorious one has a very high price. I would even say, the highest price imaginable, since, first and foremost, it is human beings who lose their lives at war, and not only from physical but also from spiritual standpoint, because war ruins people’s lives when it takes away their siblings and loved ones, destroys their homes and everyday lives. Hence, time is needed even for the strongest nation to recover.

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Unfortunately, the time of troubles was not over. In 1993, when the N-K war was still on, Turkey closed the border with Armenia. As Ankara declared, it was a solidarity act towards ethnically related Azerbaijan. Apparently, Ankara thought that the closed border will bring the Armenians to the capitulation in the N-K war and/or to the fatal starvation. As the time progressed since then, it became crystal clear how short-sighted that approach was: Armenia emerged victorious in the war against Azerbaijan and managed to raise its economy. The latter clearly came as a proof that the Armenian economy, indeed, can develop even in a blockade from Turkey and Azerbaijan.

But let us look harder at this Turkish solidarity towards Azerbaijan. Is it as simple, primitive or straightforward as it seems? To grasp the depth of the manifestation of this political move it is essential to thoroughly view the geo-political developments of the South Caucasian region of early 1990s.

It is an open secret that in early 1990s Turkey, while exploiting the collapse of the Soviet Union and the weakness of post-Communist Russia strived to establish its supremacy in the region of Caucasus. This was pretty much in line with the ideology of Panturkism – the long-standing aim to unite Turkey and all the Turkic peoples of Central Asia into a whole empire that would span from the Mediterranean up to China, and maybe even into it. Given that the latter has a province populated by Uyghurs, Turkic people primarily living in Xinjiang

Uyghur Autonomous Region (western China) where out of the almost 22 million population they comprise roughly the half, and striving for secession from China, the idea of Panturkism, apart from being popular those days, also looked very promising in the eyes of the highest echelons of the Turkish ruling elites. However, these ambitious plans had a tiny but nasty problem – Armenia – the geographic location of which constitutes a major obstacle towards the materialization of the possible unification of Turkey with other Turkic peoples. Moreover, Armenia, despite its size, appeared to be tougher than it seemed to be: since 1993 Armenian forces began their advance in N-K front taking one territory after another. More than that, given the good historical ties with Russia, Armenia quickly established a military-strategic alliance with the one. This crucial development came about just in time: right after the collapse of the Soviet Union – in 1992 – Armenia joined the Collective Security Treaty Organization (CSTO), and, thus, gained security guarantees from Russia, and by doing so it prevented the potential and by then quite realistic military intervention into the N-K conflict by Turkey against Armenia. At the same time the newly born Russian Federation that emerged from the rubbles of the former Soviet empire, while being in ruins, strived to keep its supremacy over the region of South Caucasus, and, thus was in the need of a military-strategic ally through which the Russian influence and, hence, supremacy could be insured in the region. As it was quickly revealed, Armenia, and most importantly, the Armenian people became that very ally that Russia was looking for. As a result, apart from winning the war against Turkic Azerbaijan by gaining supremacy over the N-K region and surrounding areas, Armenia appeared to be virtually untouchable for Turkey. All this coupled with Armenia's strive for the international recognition for the 1915 Armenian Genocide – which so far has been progressing successfully given that the number of states that recognize it has been growing steadily – that has been exploited by the great powers as a weapon against Turkey, began to emerge as an increasingly nasty “headache” for the latter. It is quite possible that Turkey began to see Armenia as a sort of a Caucasian “Israel”: surrounded by bigger enemies but protected by a global power – such as Russia – and, thus, virtually untouchable, at least for Turkey. Hence, Ankara's declaration about solidarity act towards Baku in essence is just the “tip of the iceberg.”

As for the Turkish border blockade, it had a rather opposite effect: it consolidated the fighting nation even to a greater extent. In addition, if Turkey would

have left the border opened, as well as sustained and/deepened its economic ties with Armenia, it could have definitely exerted more influence over the latter via the same economic links given that the economy of the newly born post-Soviet Armenia was in ruins. These developments confirm that political and economic sanctions may have little effect and the countries should revisit their political approach with adequate scrutiny and consideration of the underlying factors.

Even during the 2008 – 2009 Turkish-Armenian rapprochement process Ankara still underestimated Yerevan and overestimated the consequences of the border blockade. Ankara apparently thought that it can “buy” Yerevan with open borders. However, when it became obvious that Yerevan will not “sell” N-K for the sake of the open borders with Turkey and other “rosy” promises, Ankara in fact brought the negotiation process to a complete null. Moreover, open borders is a potential tool of blackmail: the party that opens its borders to another can just as easily close them whenever the necessity arises, and, thus the open borders become a sort of a perpetual tool of bargaining, blackmail, pressure and the like.

While observing the geopolitical manoeuvres in the region of Caucasus it is impossible not to mention another regional power – Iran. Definitely, Iran has been attempting to establish itself in the region as a major power, but with little success so far. Iran, the only Shiite Muslim country in the world, since the collapse of the Soviet Union relentlessly was trying to gain political supremacy over Azerbaijan where the absolute majority of the population is Shiites. For Iran this task was of geo-strategic importance. Traditional rivalry between Iran and Turkey has not been conditioned only by the desire to establish domination over the region of Caucasus, but also by the fact that traditionally Turkey allied itself with Israel and the US – Iran's mortal enemies. So, given the strong ethnic link between Azerbaijan and Turkey together with former's pro-American/Israeli orientation, it was essential for Iran to pull Azerbaijan out from Turkish “orbit.” To do so, Iran tried to exploit the Shiite factor, but it had little effect: very soon it became crystal clear that in Azerbaijan the Turkic factor together with oil and gas business aimed at the Western market overwhelmed the religion. More than that, Baku's political alliance with Ankara and Tel-Aviv grew into military-strategic one: Turkey and Israel came out as major arms suppliers to Azerbaijan. As a result, Tehran's relations with Baku worsened over time to such a degree that nowadays they are just a half a step away from the state of a Cold War. In response to Tehran, Baku has

been exploiting the factor of Iran's vast ethnic Azerbaijani (i.e. Turkic) population that comprise around from one-third to one-fourth out of the entire estimated 75 million Iranian population (Shaffer, 2000, p.473; South Azerbaijan, 2011; Nasibzade, p.2). This arrangement produced a rather paradoxical outcome: the only friendly neighbour, and, in fact, natural strategic ally that Iran was left with was Christian Armenia – the only country in the region with non pro-Western/Israeli foreign policy orientation. Not surprisingly, lately Baku came out with statements in which Iran was accused in maintaining a pro-Armenian foreign policy orientation. Indeed, Iran's foreign policy more and more has been leaning towards Armenia, and this is far from being an accident. For Iran, apart from the factors of the U.S., Israel and Turkey, there also has been a danger indirectly stemming from the unsolved N-K conflict. As it was mentioned earlier, there is a vast ethnic Azerbaijani population living in Iran. Large portion, if not the majority, of this ethnic Azerbaijani population is located in the northern-eastern region of Iran that borders Armenia, Azerbaijan, as well as N-K. This region of Iran has been declared by the ethnic Azerbaijanis of Iran, as well as the Azerbaijanis of the Republic of Azerbaijan as "Southern Azerbaijan," and modern day Republic of Azerbaijan as "North Azerbaijan." Moreover, an entire plethora of officials of the Republic of Azerbaijan have been proclaiming "Southern Azerbaijan" to be a historical part of a whole Azerbaijan. In this respect it is worth to listen to Nasib Nasibzade, the President of the Foundation for Azerbaijan Studies in Baku and Azerbaijan's Ambassador to Iran from 1992-94 (Nasibzade, pp. 1-4). Well, one may interpret all this as an innocent and wishful thinking, but as it appeared, the Iranian leaders are far from being that naive. First and foremost, it must be clarified that historically before 1918 Azerbaijan was only and only the name of the northern region of Persia, that is below the river Arax (Aras), also known as Aturpatekan, and not the territory of the modern day Republic of Azerbaijan, which Persians/Iranians historically called Aran (Iran Chamber Society, 2011 – an interview with Dr. Enayatollah Reza). Second, and most important, it is more than likely that if Azerbaijan solves the N-K conflict in its own favour, that is, if it returns all the territories that it had lost by the end of the war, then, given its Turkish and Western/Israeli orientation, Azerbaijan's de jure or de facto NATO membership will be just a matter of time, with all the following consequences. Otherwise, without maintaining full control over its all de jure territories NATO membership is impossible. This specific and very

crucial condition is required by the NATO Membership Action Plan which is a set of requirements that must be met by any country seeking membership in the alliance. By the way, this is the main reason why Georgia strived to retake Abkhazia and South Ossetia. It is for this reason that Russia could not have allowed to have another NATO member state by its borders, and, thus, responded to Georgian surprise attack against South Ossetia with punitive action to deliver a clear message that it will not tolerate NATO expansion to the Russian borders any more. In this respect Tehran's and Moscow's strategic interests fully coincide: neither of them wants to see a NATO state in the Caucasus. However, if Baku somehow regains the lost territories, and, as a result, joins NATO, the consequences of such an arrangement will be far more catastrophic for Moscow and Iran than it may seem from the first glance. To be more specific, this will be not only about a possibility of bringing NATO bases and/or offensive military hardware to Caucasus that will target Iran, Russia and Armenia. After recovering lost territories, and, as a result, regaining political strength, with NATO and Israel by its back, Azerbaijan sooner or later will aim its sight towards its long craved "South Azerbaijan" – the north-eastern territory of Iran, primarily populated by ethnic Azerbaijanis – with all the consequences. After that, with such an "international assistance" tearing that territory off from Iran is just a matter of time and technique: demonstration after demonstration followed by Tehran's tough reaction, then even more demonstrations, only now with claims for secession/independence, again, followed by Tehran's harsher reaction followed, of course, by an ever craved intervention and aggression by the "international community," as usual, comprised of such a tool of "democratization" as NATO, headed by the U.S. and its allies. Let the Libyan scenario serve as a bright example of how this is being done. It is not difficult to imagine how badly the U.S., Israel and their allies are drooling about such a possibility. As a result, after comprehending this geo-political arrangement, it is not difficult to understand why Tehran allied itself with Yerevan and not Baku, and why it is against the national security interests of both Tehran and Moscow that Azerbaijan de facto regains the territories that it lost by the end of the N-K conflict. As it became crystal clear, in the 21st century it is not the religion that determines politics, but the reverse: it is politics that in a case of a necessity exploits religion in its own favour. In other words, in the 21st century religious solidarity in politics is nothing but a farce. Who knows, maybe it is for these very reasons mentioned above the rumours

about the Tehran-Yerevan-Moscow axis are far from being a joke?

Now, a couple of words about the Armenian economy. It must be emphasized that the transition from the old Soviet centrally planned economy to capitalist market economy has been very painful: most factories and institutions that functioned during the Soviet period were closed with all the bitter consequences. The economic transition, severe energy crisis that had left most homes without electricity, heat and even water, mostly coupled with the economic consequences of the N-K war, appeared to be a very heavy burden for the Armenian population. Not surprisingly, by 1993, the GDP of the country comprised only 47 percent of that of 1990 level Soviet Armenia had (www.imf.org, July 31, 2001).

Nevertheless, after 1993, Armenia demonstrated considerable economic growth and recovery of living standards: the average annual GDP growth rate of 5.5% over the next seven-year period is considered fairly high by international standards (www.imf.org, July 31, 2001). However, the economic growth since mid-1990s so far has not been wide spread enough to provide sufficient employment opportunities. Moreover, since mid 1990s, because of the steadily growing large scale corruption within the ruling elites, the fruits of this economic growth affected mainly very thin layers of the population. As a result, such phenomena as poverty, unemployment, steadily growing into constant human rights violations, became part of the everyday Armenian life.

Worse, there is a widespread misconception, and, maybe, even delusion that the main reason behind the poor economic situation has been the blockade initiated by Turkey. Of course, it must be noted that although the blockade initiated by Turkey plays a damaging role in the Armenian economy, it also is arguably among the least troublesome negative aspects. The main reasons behind the merely paralyzed or underdeveloped Armenian economy lie within the domain of domestic politics: the de facto oligarchic/feudal-monopolistic structures within the highest echelons of the ruling elite, oligarch/businessmen ministers and members of parliament, practically owning all the branches of the economy, and, thus, dictating their price policies to the population, are logically not particularly interested in economic development, which would presuppose a healthy competition between a vast array of independent firms, a free market regulating the prices, foreign investment, rapid increase of jobs. To put it roughly, it is much easier to control a semi-

hungry population than one with a full stomach that also has a free choice between several options. In addition, this hazardous environment breeds another menace – constant demographic decline – that threatens the very existence of Armenia. It is exactly for these reasons coupled with lack of faith in decent future – when citizens cannot cover their basic family needs – which forces people to leave their country and find opportunities abroad. This indeed is a very painful issue, and the worst thing about it is that the end to this is not seen so far.

Thus, the main plethora of challenges that Armenia faces today lies within the domestic area, and there are arguably more domestic challenges than foreign ones. To deal with these challenges, the Armenian ruling elites must finally come to the understanding that the current route of “development” will eventually bring the country to a disaster of a national scale. We are currently by the doorsteps of such a disaster, but there is still time to turn away from it. It is exactly for this reason that gradual steps should be taken to eliminate the de facto suppression of the small and mid level private businesses, and take all necessary measures to reduce the involvement of the government in private sector. Such a stance will create a healthier business environment and decrease opportunities for corruption. In other words, steps should be taken to increase the private economic development and boost new domestic and foreign investment which will promote the creation of new jobs.

Unfortunately, the worrisome degree of human rights violations is another phenomena closely related to the above mentioned national challenges. It is often a common practice that citizens, namely politicians and journalists, who are considered by the government to be political opponents and/or favouring the opposition, are often a subject of persecutions and harassment. The abuse of power by police or national security services that in fact enjoy almost unlimited powers is customary since post-Communist period.

Given that Armenia geographically situated in a very complicated region of South Caucasus, inevitably it is not inadequate to carry out a brief comparison with other South Caucasian republic. In this respect Georgia is of particular interest. Like Armenia, Georgia does not possess natural resources such as gas and oil, at least in considerable quantities. However, in other major aspect it is merely the opposite of Armenia. Unlike Armenia, Georgia is not a land locked country with partially sieged borders, but a country with an access to Black Sea. Despite having hostile relations with Russia, especially after the

August 2008 Caucasian War, there is still a flow of goods from Russia into Georgia. Namely, despite the mutually hostile relations, Russia continues to supply Georgia with natural gas. In contrast, despite the fact that in post-Communist period there was no war between Armenia and Turkey as such, an inflow of goods and services directly from Turkey into Armenia is even hard to imagine. Since mid 1990s Georgia maintained a clear pro-Western foreign policy orientation, and after 2003 “Coloured Revolution” – essentially a regime change, at least backed, if not organized, by the United States – that brought Mikhail Saakashvili to power, officially strived for NATO and EU membership, though still unsuccessfully. Armenia, in contrast, historically has been maintaining a pro-Russian foreign policy orientation. In addition, Armenia is a member of CSTO – a young post-Soviet military bloc headed by the Russian Federation.

In the post-Soviet period newly independent Georgia faced even more challenges than Armenia did. Right after gaining independence Georgia engaged into two succeeding wars for its territorial integrity – wars in South Ossetia and Abkhazia. However, in contrast to Armenia, both conflicts ended with humiliating defeat of Georgia: both South Ossetian and Abkhazian secession movements enjoyed considerable support from Russia. Both wars and the following defeats had the most negative influence on the newly born Georgian Economy and the morale of the Georgian people.

In the post-war period Georgian economy was merely in ruins, and even in the case of an officially declared economic growth, the real benefits of such a development were usually shared among a very small group of people – pretty much like in Armenia. Widespread corruption within the leadership headed by President Eduard Shevardnadze and his clan was a part of the everyday Georgian life.

Things dramatically began to change in Georgia after the “Rose Revolution” headed by the newly elected President Mikhail Saakashvili. This development was followed by significant economic and political reforms that significantly developed the economy and raised the standards of living, as well as considerably reduced the corruption on low and mid levels.

To see the real picture in a more complete form, the corresponding data from *2011 Index of Economic Freedom* was observed. The source provides crucial economic data on virtually any country in the world, so, data on Georgia and Armenia was acquired and

put side by side and compared in several vital areas as seen below.

Quick Facts

Georgia

According to the *2011 Index of Economic Freedom* Georgia managed continued to maintain its economy as “mostly free.” This development was achieved since 2003 by notable reforms in business freedom, trade freedom, fiscal freedom, and labor freedom that stipulated economic development in recent years. Despite the fact that corruption weighs heavily on overall economic freedom, the anti-corruption measures since 2003 have made considerable progress in that direction. Thus, according to the *2011 Index of Economic Freedom* Georgian economy is the 29th freedom wise.

Armenia

Rather interestingly, Armenia managed to demonstrate steady economic growth conditioned by a macroeconomic policy environment supported by low taxes and stable government spending. However, further considerable growth in economic freedom will require deeper institutional reforms that include better protection of property rights and strengthening of the judicial system. Unfortunately, corruption remains widespread in many sectors of the economy.

Trade freedom

Georgia

Noteworthy progress has been made in liberalizing trade: nearly 86 percent of imports entering Georgia are duty-free.

Armenia

Although Armenian weighted average tariff rate of 2.3 percent is quite low, and customs procedures have been improved, the excise taxes and fees, inadequate infrastructure coupled with customs valuation concerns, inefficient customs administration, weak enforcement of property rights, and corruption badly complicate the trade.

Investment Freedom

Georgia

Georgia mainly provides equal treatment to both foreign and domestic investments. Foreign firms are

given the right to freely participate in privatizations, although transparency has been an issue. Foreign firms may participate freely in privatizations, though transparency has been an issue. Residents and non-residents may hold foreign exchange accounts.

Foreign individuals and companies are allowed to buy non-agricultural land. Agricultural land can be purchased by forming a Georgian corporation that may be up to 100 percent foreign owned.

Armenia

Although formally foreign and domestic investors are treated equally and have the same right to establish businesses in nearly all sectors, privatization has not been transparent, and some sectors are dominated by a few domestic firms. Moreover, lack of transparency and potential corruption make investment a complicated process.

Property rights

Georgia

The judicial system is still inefficient, as it raises doubts among foreigners and Georgians about its ability to protect private property and contracts. Enforcement of laws protecting intellectual property rights is weak.

Armenia

Armenia ranks 109th out of 125 countries in the 2010 International Property Rights Index. Armenia occupies the world's second lowest rank in protecting intellectual property rights according to the International Property Rights Index. The judicial system still suffers from underdevelopment and corruption that badly hinder the enforcement of contracts.

Freedom from Corruption

Georgia

The degree of corruption is significant in Georgia that ranks the 66th out of 180 countries according to Transparency International's Corruption Perceptions Index for 2009. However, as noted before, the government has reached considerable success in fighting corruption. Nevertheless, the corruption at high level still prospers.

Armenia

"Corruption is perceived as widespread and even pervasive. Demands for bribes by government officials are routine. Government-connected businesses hold monopolies on the importation of numerous vital products. Armenia ranks 120th out of 180 countries in Transparency International's Corruption Perceptions Index for 2009."

Even in the field of cultural development, Armenia is facing serious challenges. It is not news that national music is an integral part of any culture, and culture, in turn, is the face of any people it represents. In post-Communist era, rather paradoxically, Azeri Turkish and Arabic elements have been increasingly vivid in the Armenian music. Since then, many modern Armenian singers and song writers have been adopting these elements while the genuine Armenian folk music and its patterns have been increasingly ignored and forgotten. Either because of lack of taste, or ignorance for own genuine culture, more or more people had found themselves affiliated with this trend: authentic national music and culture are replaced by rather popular pseudo-national ones. As a result, nowadays one can rarely hear genuine Armenian music on TV and radio. Apparently, for many, these days, forgetting own culture and its values and copying and/or imitating that of the others has become fashionable or a sort of a sign of a good taste. Worse, the younger post-Communist era generations already grown listening this pseudo-national music already take things for granted, not to mention that many also lack the historical memory and the feeling for own culture, since making money and having fun is often more attractive. In contrast, Georgia succeeded in preserving its authentic music and culture: it is rather unlikely to hear any Turkish or Arabic elements in Georgian folk or pop-music. Moreover, indigenous music and culture are rather propagated in Georgia.

To sum up, Armenia went through a long and difficult path throughout its 20 years of independence. Without any doubt, there are colossal achievements, such as the outstanding victory in the N-K conflict that not only preserved our territorial integrity, but also returned the previously lost historical territories. Thus, compared with our northern and eastern neighbors, not only we did not lose any territories, but also managed to expand them after more than 1500 years of land loss and domination by others.

The reason behind this is far more complex than it might seem. Strength is not only measured by the rough force of sheer numbers, money, abundance of energy resources, or even technical superiority.

Strength is also measured by essentially important qualities such as adaptability or making the right choices at the right time, i.e. the ability to quickly, and, most importantly, timely adapt to the changing environment, battle conditions, tactics, political developments, and choosing the right allies. In terms of this key factor, Armenia clearly outmatched its northern and eastern neighbors, because unlike them, it rightly came to the understanding of one essentially important truth about South Caucasus that the others failed to understand. That truth is that while living in the Caucasus, one can stretch his/her own neck till the end of times, America, no matter how strong, will still not be seen from the Caucasus because it is way too far. Russia, in contrast, no matter what, is so huge, and so close that it is better to be friends with Russia than otherwise.

Nevertheless, given the overwhelming scale of corruption that directly leads to underdevelopment of economy, unemployment, and, eventually, to a worrisome degree of migration, there are arguably far more things to think over than celebrate. All these hazardous features of the Armenian reality must be resolved quickly because the clock is ticking and we do not have much time.

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