

**REPORT ON ARMENIA'S
PARLIAMENTARY ELECTION**

May 30, 1999



**A Report Prepared by the Staff of the
Commission on Security and Cooperation in Europe**

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The Conference on Security and Cooperation in Europe, also known as the Helsinki process, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. Since then, its membership has expanded to 55, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia. (The Federal Republic of Yugoslavia, Serbia and Montenegro, has been suspended since 1992, leaving the number of countries fully participating at 54.) As of January 1, 1995, the formal name of the Helsinki process was changed to the Organization for Security and Cooperation in Europe (OSCE).

The OSCE is engaged in standard setting in fields including military security, economic and environmental cooperation, and human rights and humanitarian concerns. In addition, it undertakes a variety of preventive diplomacy initiatives designed to prevent, manage and resolve conflict within and among the participating States.

The OSCE has its main office in Vienna, Austria, where weekly meetings of permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations and periodic consultations among Senior Officials, Ministers and Heads of State or Government are held.

ABOUT THE COMMISSION (CSCE)

The Commission on Security and Cooperation in Europe (CSCE), also known as the Helsinki Commission, is a U.S. Government agency created in 1976 to monitor and encourage compliance with the agreements of the OSCE.

The Commission consists of nine members from the U.S. House of Representatives, nine members from the U.S. Senate, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair are shared by the House and Senate and rotate every two years, when a new Congress convenes. A professional staff of approximately 15 persons assists the Commissioners in their work.

To fulfill its mandate, the Commission gathers and disseminates information on Helsinki-related topics both to the U.S. Congress and the public by convening hearings, issuing reports reflecting the views of the Commission and/or its staff, and providing information about the activities of the Helsinki process and events in OSCE participating States.

At the same time, the Commission contributes its views to the general formulation of U.S. policy on the OSCE and takes part in its execution, including through Member and staff participation on U.S. Delegations to OSCE meetings as well as on certain OSCE bodies. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from OSCE participating States.

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This report is based on a Helsinki Commission staff delegation to Armenia from May 27 - June 2, 1999. Commission staff met privately with local journalists and then joined the OSCE Parliamentary Assembly's observer delegation, for whom Armenia's parliament arranged meeting with political parties, the Central Election Commission and the Constitutional Court. Commission staff also consulted with the OSCE/ODIHR Election Observation Mission.

The Helsinki Commission would like to thank the OSCE Parliamentary Assembly and Ambassador Michael Lemmon and the staff of the U.S. Embassy in Yerevan for their assistance.

After leaving Armenia, Commission staff traveled to Tbilisi, Georgia and Baku, Azerbaijan. The Helsinki Commission would like to thank Ambassador Kenneth Yalowitz and the staff of the U.S. Embassy in Tbilisi and Ambassador Stanley Escudero and the staff of the U.S. Embassy in Baku for their assistance.

EXECUTIVE SUMMARY

- On May 30, 1999, Armenia held its second parliamentary election since gaining independence. Twenty-one parties and blocs contested 56 seats set aside for party voting and over 700 individual candidates competed in 75 majoritarian races to fill the legislature's 131 seats. According to official results, turnout was almost 56 percent.
- The big winner in the election was the Unity bloc, an alliance of the Republican Party, headed by Defense Minister Vazgen Sarkissian, and the People's Party of Karen Demirchian, Armenia's last Communist leader. Demirchian and Sarkissian are Armenia's most popular and most powerful politicians, and Unity did even better than expected, gaining an effective majority in parliament. The Communist Party came in second, followed by the socialist Armenian Revolutionary Federation. Next, in order, were a party backed by the defense minister of Nagorno-Karabakh, a party reportedly supported by Armenia's Minister of National Security and Internal Affairs, and the National Democratic Union, whose leader lost a highly controversial election in 1996 to then-President Levon Ter-Petrossyan. No other parties passed the five-percent barrier.
- OSCE observation missions had criticized Armenia's parliamentary and presidential elections in 1995, 1996 and 1998, so Yerevan had to hold better elections to restore its damaged reputation. The May 30 election was also supposed to formalize the shift of power in early 1998, when the governing party—the Armenian National Movement (ANM)—collapsed as its leader, Levon Ter-Petrossyan, was forced out and Vazgen Sarkissian came openly to the fore.
- The ANM and other parties associated with Ter-Petrossyan have now been swept away, having won almost no parliamentary representation. As for Armenia's image, Yerevan's hopes for a better assessment from the international community were partially realized. The May 31 joint statement by OSCE/ODIHR and the OSCE Parliamentary Assembly noted improvements since previous elections, such as the authorities' respect for freedom of speech and assembly, parties' and candidates' ability to enter the race and campaign freely, the neutrality of media coverage and provision for domestic election observers. But serious reservations remained, especially the poor state of voter lists, which kept many people from casting ballots, continuing problems with military voting and insufficiently representative election commissions. OSCE/ODIHR's final report (August 2) restated these concerns.
- Though Armenia's May 30 election was a clear improvement over previous elections, concerns persist about overall political trends. Armenia is unique among former Soviet republics in that its president, despite broad constitutional prerogatives, is not the most powerful political actor. Vazgen Sarkissian, as Defense Minister, had already gained a remarkable hold on the military, the executive branch and even the legislature, while also heading a veterans' organization that controls most local authorities. Such concentration of authority in the hands of one politician bodes ill for separation of powers and the development of civil society. Even more troubling, Sarkissian's record does not inspire confidence in his commitment to democracy. He now has to overcome his reputation and manage his own transition to a democratic statesman.
- After the election, Sarkissian became Prime Minister, tightening his grip on all branches of Armenia's Government, despite formally ceding control of the Ministry of Defense. On the other hand, he now bears full responsibility for improving Armenia's economy. Karen Demir-

chian, for his part, is Speaker of Parliament. He, Sarkissian and President Robert Kocharian form a troika that at present, appears to be cooperating, but the balance of power among them is unstable. Rumors persist about tensions between Sarkissian and the institutionally weak Kocharian, which could yet lead to a confrontation. Parliament Speaker Demirchian, for his part, has signaled his intention to strengthen the legislative branch at the expense of the executive, which could also upset the delicate equilibrium among the country's leading political actors.

- The composition of Armenia's new parliament reflects the influence of power structures and the interests of newly wealthy businessmen. Most other significant political parties, though highly suspicious about problems with voter lists on election day, won sufficient representation to accept the outcome and remain engaged in the political system, even if they consider the game skewed against them. The overall tenor of government-opposition relations has greatly improved since Levon Ter-Petrossyan's departure, with only the more radical wing of the ANM refusing to accept the legitimacy of the president and parliament.
- The election and the victory of the Unity bloc presage no major shifts in Yerevan's foreign policy or specifically, its approach to the Nagorno-Karabakh conflict. Vazgen Sarkissian had been instrumental in ousting the relatively moderate Levon Ter-Petrossyan so there is no reason to expect major concessions from him or from President Kocharian, who had previously been president of Nagorno-Karabakh. In an attempt to revive the long-deadlocked OSCE talks, negotiators are seeking compromise language between proposals put forward in 1997 and the "common state" approach of 1998. Perhaps more promising are the stepped-up bilateral contacts between Kocharian and Azerbaijani President Heydar Aliev, who met in Washington in April and again in Geneva on July 16. They expressed satisfaction with their discussions and plan to continue meeting, though they announced no breakthroughs. It would seem that the 76-year old Aliev's health problems in 1999 have spurred the intensified negotiations, as the search for peace has now become entangled in Azerbaijan's succession politics: resolving the dispute would bolster Aliev's reputation and enhance his son's prospects to succeed him, but accepting terms that Azerbaijanis would consider a defeat would tarnish Aliev's legacy, doom his son's chances and could even lead to instability in Azerbaijan. Though Kocharian and Sarkissian have recently voiced confidence about a near-term resolution, finding a compromise that allows all parties to claim victory will be difficult.
- Following the lead of the OSCE, the U.S. State Department noted the improvements over past elections but emphasized the need for further progress to bring Armenia's elections up to OSCE standards and raise public trust in the process. With the OSCE's assessment having at least been better than in past elections, Yerevan can hope for the first official visit to Washington of President Kocharian this fall.

BACKGROUND

Independent Armenia, after a promising start towards democracy and stability, had by 1998 developed a reputation for flawed elections. In December 1994, about six months before the scheduled 1995 parliamentary election, President Levon Ter-Petrossyan banned an important political party, the Armenian Revolutionary Federation (ARF, or Dashnaks), on the grounds that it was financed and ruled from abroad, in contravention of Armenian law. The ARF was barred from participating in the election. Furthermore, many candidates complained of being arbitrarily excluded from the lists and of intimidation by local authorities. The OSCE Parliamentary Assembly's assessment of the election was "free but not fair."¹

Matters did not improve during the September 1996 presidential election. Confident of victory, the Ter-Petrossyan team was unprepared for the surprise alliance shortly before voting day among the ARF, the National Democratic Union (NDU) and the Self-Determination Union behind the candidacy of NDU leader Vazgen Manukian, who suddenly presented a serious challenge. When the Central Election Commission announced that Ter-Petrossyan had won by barely enough to escape a second round, supporters of Manukian stormed the parliament. Troops forcibly dispersed the crowds, while the world witnessed the spectacle of Armenians—who had been engaged in hostilities since 1988 against Azerbaijan in Nagorno-Karabakh—now warring with each other. Vano Siradeghian, at the time Minister of Internal Affairs, publicly acknowledged in 1998 that the 1996 election had been falsified.²

In fall 1997, a much weakened President Ter-Petrossyan argued openly that Armenia had to make concessions to Azerbaijan to resolve the Nagorno-Karabakh conflict. But his associates, led by Defense Minister Vazgen Sarkissian and Prime Minister Robert Kocharian—who had been president of Nagorno-Karabakh and whom Ter-Petrossyan had brought to Yerevan to run the government—balked, and Ter-Petrossyan's position won little public support. Many of his parliamentary allies went over to the Yerkrpah faction, a movement of veterans of the Karabakh war led by Vazgen Sarkissian. In February 1998, Ter-Petrossyan resigned, clearly implying he had been forced out. The ensuing snap election in March went two rounds, with Kocharian eventually defeating Karen Demirchian, the former Communist Party boss of Armenia, whose resurrection after ten years of political dormancy many voters greeted with apparent ecstasy. Claiming fraud, Demirchian did not accept the results of the voting, which the OSCE, in its final report, said did not correspond to OSCE standards.³

Given this history, it was imperative to repair the damage to Armenia's image and to demonstrate that with Ter-Petrossyan and his team gone, Armenia could hold reasonable elections. The parliamentary election scheduled for May 1999 offered a perfect opportunity, especially as Yerevan's application to join the Council of Europe had been pending since 1996. Throughout 1999, Council officials publicly conditioned Armenia's chances for admission on the conduct of the election. At the same time, the election was also supposed to formalize the power shift that had taken place in early 1998, when Ter-Petrossyan's governing Armenian National Movement collapsed.

¹ See Commission on Security and Cooperation in Europe, *Report on Armenia's Parliamentary Election and Constitutional Referendum*, August 1995.

² Emil Danielyan, "1996 Presidential Election was Rigged, Aide Suggests," *RFE/RF Newswire*, December 31, 1998.

³ See Commission on Security and Cooperation in Europe, *Report on Armenia's Presidential Election*, June 1998.

The scheduling of the parliamentary election, however, was one of the first issues to end Kocharian's honeymoon period.⁴ After his victory in March 1998, he faced pressure to hold pre-term parliamentary elections. The ARF, newly readmitted to the political arena once Ter-Petrosyan was gone, the National Democratic Union, and other parties argued that the 1995 elections had been badly flawed and the current parliament reflected neither justice nor current political realities. Kocharian agreed but resisted the call to dissolve parliament, leading some opposition groups to call for his impeachment in October 1998. Nevertheless, he stood his ground and insisted elections would take place in spring 1999.

In February 1999, two critical issues came to a head, one of which led Kocharian to rethink his unwillingness to dissolve parliament. Calls to prosecute officials of the former regime, especially by the ARF, which had been banned from December 1994 to 1998, grew in intensity. The focus of the accusations was Vano Siradeghian, former Minister of Internal Affairs, former Mayor of Yerevan and leader of the former governing party, the Armenian National Movement (ANM). Siradeghian was accused of having organized, while Minister of Internal Affairs, the murder of several individuals. Kocharian supported the demand to try Siradeghian, but a majority of parliamentarians refused on January 26 to comply with the Prosecutor General's request to lift his parliamentary immunity. On January 29, Siradeghian left Armenia, claiming that he required medical treatment abroad. One week later, Kocharian warned that he would definitely dissolve parliament if it rejected the Prosecutor General's second request to let him prosecute Siradeghian; on February 17, parliament gave in and voted to strip Siradeghian of his immunity. Nevertheless, in Siradeghian's absence, the ANM voted at its March congress to retain him as party leader, rejecting the charges against him as politically motivated. A movement to unseat him led by former Speaker of Parliament Babken Araktsian failed, as Levon Ter-Petrosyan, who had been living in virtual seclusion since his ouster in February 1998, attended the congress to defend Siradeghian. The fiasco essentially finalized the split in the ANM, as Araktsian and others said they would boycott the election and the ANM itself prepared to face the voters with its leader accused of murder and apparently on the lam.⁵

The other contentious agenda item was the election law, which had been generating controversy since the March 1998 presidential election. With parliamentary elections scheduled for spring 1999, the battle over how to elect Armenia's new legislators heated up. Vazgen Sarkissian's Yerkrpah, the dominant faction in parliament, argued for a system favoring single district races, whereas the ARF, NDU and other parties—fearing that Yerkrpah's control of most local authorities would ensure the victory of its own candidates—demanded an equal number of seats be assigned to proportional party list voting. Lawmakers spent much of the winter debating the issue and in the end, Yerkrpah won. The law passed in February 1999 gave preference to majoritarian races over party lists (see below).

In preparation for the election, Vazgen Sarkissian had already merged his Yerkrpah organization with the Republican Party in November 1998. In March 1999, he moved to improve his chances by allying himself with the rising star of Armenian politics, Karen Demirchian. Their joint announcement

⁴ Another major point of contention on the legislative agenda was the privatization of several large enterprises, especially the brandy factory in Yerevan and some hotels. Opposition lawmakers claimed the government had sold them for far less than could have been received, demanded that parliament debate the issue and lambasted Kocharian for blocking the discussion.

⁵ About a month before the election, Siradeghian returned to Armenia, where he was arrested at the airport, detained for four days and then released.

on March 30 of the formation of a bloc called Unity surprised many: Demirchian had never accepted his defeat in the second round of the 1998 election, during which Sarkissian had strongly backed Kocharian and used his considerable influence to ensure Kocharian's victory. Nevertheless, Sarkissian had suggested in 1998 that Demirchian serve as prime minister, which may have smoothed ruffled feathers. Their Unity alliance, once announced, seemed obvious and natural: Sarkissian obviously concluded it was better to have the popular Demirchian as an ally than an opponent, whereas Demirchian—who had already rejected overtures from the NDU's Vazgen Manukian—knew an alliance with Sarkissian virtually guaranteed victory. In forming Unity, Sarkissian and Demirchian overcame whatever ideological differences they may have had and said they had joined forces to overcome the difficult problems facing Armenia while promoting tolerance in the country's political life. And they were determined, they claimed, that the election be free and fair.

Given Unity's star power, it was widely assumed that the bloc would dominate in the voting. The only real questions in the runup to the election were whether bad old habits would overcome pledges by Kocharian and Sarkissian to hold democratic elections—which Sarkissian could now do, confident of victory—and how other parties would fare in the new political landscape.

CENTRAL ELECTION COMMISSION

Domestic and international observers had criticized Armenia's Central Election Commission (CEC) for its running of previous elections, and the 20-member Commission was revamped for the May 30 election. As of April 27, the CEC had 13 members and Khachatour Bezirjian, the previous chairman, was replaced by Artak Sahradyan, a government appointee. The government also named two more representatives, and five others were selected by parties with factions in parliament: the Armenian National Movement; Self-Determination Union; Shamiram; the Communist Party; and the National Democratic Union. Those parties which had gathered the largest number of signatures during the nominating period—Unity; Powerful Fatherland; Rule of Law; Fatherland Alliance; and the Armenian Revolutionary Federation—added another five members:

Below the CEC were 11 Regional Election Commissions (RECs) and over 1600 Precinct Election Commissions (PECs). Each REC had 13 members; the government appointed three, with the remaining 10 reflecting factions in parliament and the parties that garnered the most signatures. Each REC member could appoint a member of PECs, whose members varied from nine, in precincts with fewer than 700 voters, to 11 in larger constituencies.

ELECTION LAW

As mentioned above, opposition parties failed in their attempt to raise the number of seats set aside for party lists. The law's final version, passed in February 1999, provided for a mixed system. Of parliament's 131 seats, 56 seats were contested under a fixed list, proportional representation system, with parties obligated to win at least five percent of the vote to enter parliament; 75 seats would go to individual candidates running in single district races. Parties had to collect at least 30,000 signatures to enter a party list and had to leave a deposit of about \$5000 with the Central Election Commission. Individual candidates needed 500 signatures to run. There was no minimum turnout for the election to be valid.

The law guaranteed all parties and blocs equal amounts of time in state media to campaign. Though the number of television and radio stations has grown significantly, state television remains the only broadcaster that reaches the entire country. All registered parties and blocs got 60 minutes of free air time on state TV and could purchase a maximum of two hours at \$5 per minute. Radio made available two hours of free air time and three hours at \$3 per minute, while state newspapers provided half a page to each party and bloc. Candidates running in majoritarian races were not entitled to free air time, but could buy as much as they wished, for \$6 per minute.⁶ Private television and radio stations also sold time to parties and candidates.

Soldiers and their families living no more than 50 kilometers from a precinct voted in that precinct. Commanders were supposed to supply lists of voters to local authorities five days before the election. If soldiers were housed farther than 50 kilometers from a polling station, special precincts were to be set up, with relevant information provided to Regional Election Commissions 20 days in advance.

There were several important innovations in the law. First, it provided for non-partisan domestic observers, as OSCE and other monitoring organizations had been suggesting. Like foreign observers, domestic observers had the right to receive copies of final protocols from polling stations. Second, in an effort to eliminate vote rigging and a perennial source of controversy, mobile ballot boxes and supplementary voter lists on election day were abolished.

PARTIES AND THEIR PROGRAMS

In 1998, the governing ANM collapsed in disarray as its leader, Levon Ter-Petrosyan left office, and new political parties began to emerge. To step into the vacuum and in anticipation of the 1999 election, high ranking government figures created their own parties, altering the face of Armenian politics. Defense Minister Vazgen Sarkissian's move to merge Yerkrpah with the Republican Party was only the most obvious example. Before the May 30 election, Prime Minister Darbinian backed the formation of a party called Dignified Future, and though Minister of National Security and Internal Affairs Serzh Sarkissian denied he was the force behind Country of Law, few of Helsinki Commission staff's interlocutors took his denial at face value.

Ultimately, the CEC registered 21 parties and blocs. As subsequently noted in the OSCE/ODIHR's assessment of the election, little distinguished the platforms of most parties from each other and few offered specific programs. Below are brief descriptions of the parties that passed the five-percent barrier.⁷

Unity: Headed by Karen Demirchian and Vazgen Sarkissian, Unity was tagged as the frontrunner at birth and never gave up its lead. Its co-chairmen, more than its program, constituted its strength. Unity called broadly for a democratic society, rule of law, economic reforms and a market economy, with the state also creating conditions for the normal functioning of state enterprises and ensuring decent living

⁶ These prices were extremely modest; prime time on Armenian state television generally costs \$150-200 per minute. European Institute for the Media, *Preliminary Report on Monitoring of the Media Coverage of the Armenian Parliamentary Elections in May 1999*.

⁷ The following is based on meetings party representatives held with the OSCE Parliamentary Assembly observer delegation, the guidebook compiled for international observers by the OSCE/ODIHR mission, and *Elections Guide for Journalists*, produced by an Armenian NGO called Cooperation and Democracy.

standards for all. The bloc also pledged to reduce dependence on foreign loans, revamp the financial system, encourage tax reform and raise employment and salaries. On foreign policy, Unity advocated Armenia's integration into the international community and the establishment of normal relations with all countries. Unity offered no specific solution to the Nagorno-Karabakh conflict, calling for a fair settlement and creating the prerequisites for Karabakh's economic development.

Unity presented a joint party list, headed by Demirchian and Sarkissian, of about 140 candidates. In some districts, however, a Republican Party candidate ran against a candidate of the People's Party.

Communist Party: The Communist Party, led by Sergey Badalian, called for a parliamentary republic and, given its ideology and particular appeal to elderly Armenians, rejected Western-style market reforms that had impoverished the bulk of the populace. Excoriating the policy of privatization that had enriched a tiny elite, the Communists called for socialism that embraced a mixed economy, including private property. On foreign policy, they emphasized close ties with Russia and urged Nagorno-Karabakh's recognition as a subject of international law, followed by its entry into a new voluntary union of independent states. The party did not call for the recreation of the USSR, urging instead that Armenia join the Russia-Belarus Union, and claimed to have gathered about one million signatures in favor of the idea (which the government has consistently rejected). Karen Demirchian's resurrection in 1998 undercut the Communists' appeal, which helps explain the party's strong criticism of its erstwhile leader.

Armenian Revolutionary Federation: Founded in 1890, the ARF is a nationalist, socialist party, belonging to the Socialist International. Rejecting "radical liberalism," its economic plank called for correcting the errors of privatization, developing industry and agriculture, higher taxes on the wealthy, and raising pensions and welfare for families. The Dashnaks espoused a new constitution which would give parliament more power, create real checks and balances among the branches of government and mandate the election of regional governors, instead of their appointment. On Nagorno-Karabakh, the ARF advocated a peaceful solution, but stressed the right of the Armenian population there to self-determination.

Rights and Unity: Rights and Unity—an alliance of National Unity, Union of Constitutional Rights, Karabakh-Armenia and *Gardamank*—urged economic reforms to ensure Armenia's security and abundant supplies of food. Considering the open backing given to Rights and Unity by Nagorno-Karabakh's Defense Minister Samvel Babayan, the tough foreign policy planks are not surprising: Armenia should seek international recognition of a united Armenia and Nagorno-Karabakh, and should develop an economic axis with Russia, Georgia, Iran and Arab countries. Babayan's move into overt Armenian politics reflected the ongoing, if uneven, fusion between Armenia proper and Nagorno-Karabakh, as well as a power grab by Babayan, which elicited annoyance from various commentators in Yerevan to Helsinki Commission staff.

Country of Law: Country of Law called for the professionalization of policymaking, a stronger parliament and promoting the culture of cooperation among political forces. Economic reforms should focus on taxation and customs laws, as well as create jobs but should also develop a long-term approach. On foreign policy, the party supported Armenia's further integration into the international community. More interesting was the approach to Nagorno-Karabakh: the conflict was one of many regional disputes which could be solved only by renouncing the idea of territorial integrity and creating instead mono-ethnic states.

National Democratic Union: Chaired by Vazgen Manukian—who may have won the 1996 presidential election or who at least probably got enough votes to enter a second round—the NDU attacked the legacy of the Ter-Petrosyan years and called for democracy, a parliamentary republic, a new constitution and an independent judicial system, as well as market reforms, with the state protecting vulnerable elements in society. The NDU advocated an OSCE-negotiated settlement on Nagorno-Karabakh.

OBSERVERS

Foreign Observers: Apart from the OSCE/ODIHR and the OSCE Parliamentary Assembly, the Council of Europe sent monitors, as did the CIS Parliamentary Assembly.

Domestic Observers: NGOs working on democratization and human rights issues could apply for registration. The Central Election Commission registered 12 Armenian organizations to field observers.

VOTING

Helsinki Commission staff observed voting in precincts in the center and outskirts of Yerevan. The election commissions were always composed of members of various political parties. In each of the polling stations visited, there were observers for political parties and individual candidates. Few of them had any complaints about the process. After presenting their identification papers, usually a passport, voters cast two ballots, one for party lists and another for the candidates running in their particular district.

For the most part, the voting seemed orderly. But the most serious problem observed during the day, repeated in numerous polling stations, was the inaccuracy of the voter lists. In almost every precinct, Helsinki Commission staff saw angry people protesting about not being allowed to vote because their names were not on the list. Many frustrated individuals complained that their names had been included in previous elections, but were mysteriously absent, whereas names of people who had long left the electoral district or Armenia itself, or had died, were now included. It turned out that entire buildings had been omitted from the lists. Several furious voters openly charged that their exclusion was the result of a conspiracy to keep them from exercising their franchise. One woman approached Helsinki Commission staff and several foreign correspondents to shout that “they” were once again fooling the people so as to retain power. She gave her name, loudly proclaiming that she feared nobody, and requested that the facts be publicized to show the world that nothing had changed in Armenia.

In one polling station, the commission chairwoman herself complained at length about the voter lists. She said many people had left Armenia and that her election commission had searched through the lists for names of people they knew were no longer resident. The chairwoman doubted that lack of time or mere incompetence could be at fault, and hinted that certain unidentified forces had deliberately tried to sabotage the voting and frustrate voters.

To deal with such problems, the authorities had established courts which were open on voting day. Helsinki Commission staff visited one such court and spoke to the judge, who was trying to resolve the problems of a score of voters who had been excluded. She explained that in previous elections, voters whose names were not on the regular voter lists could sign a supplementary voter list in polling stations and cast their ballots. As these supplementary voter lists obviously offered the possibility of vote fraud,

they had been abolished by the election law. Consequently, voters refused the right to vote because their names were not on a list had to go to a court. She said she had been there since early morning and expected to remain at her post until the polls closed.

VOTE COUNT

Helsinki Commission staff observed the vote count in a precinct in central Yerevan. The chairman ran the process diligently, first counting the unused and spoiled ballots. Once proceeding to ballots for parties and candidates, as stipulated in the law, he himself took every ballot out of the boxes and announced for whom or which party the vote had been cast before placing it in the appropriate pile in front of commission members responsible for tracking specific parties or candidates' tallies. Occasionally, if there was a question about the ballot's validity or what the voter had done, the chairman would show it to the other commission members for consultation.

None of the numerous observers for parties and individual candidates who were present complained about the conduct of the vote count or claimed prejudice or misbehavior on the part of the commission's chairman and members. At the end, all observers who wanted copies of the protocols, including foreign observers, received one.

Unity, as expected, handily won the party line voting, outpolling the other parties and blocs by a factor of three. The only surprise in the result of majoritarian voting was the victory of Shavorsh Kocharian, an NDU leader, who defeated the sitting Speaker of Parliament, Khosrov Harutiunian.

RESULTS

The Central Election Commission announced the results on June 3. According to official figures, the Unity bloc won 63 seats, including proportional and majoritarian voting. Second was the Communist Party, with 10 seats; Rights and Unity came in a surprising third with seven, equaled by the ARF; Country of Law was next with six and the NDU also won a total of six seats. In noteworthy majoritarian races, the NDU's Shavorsh Kocharian ousted Parliament Speaker Harutiunian and ANM leader Vano Siradeghian won a seat in his home district.

ASSESSMENTS

The OSCE/ODIHR and the OSCE's Parliamentary Assembly issued a preliminary statement on May 31. Their joint verdict was that the election marked an improvement over prior elections. Of particular importance, the mission noted that freedom of assembly and association were respected and reported no cases of political repression or intimidation. There were no banned political parties and the authorities did not use "legal mechanisms" to limit political participation. The election law had incorporated suggestions from ODIHR and was better than the previous legislation. Media coverage of the campaign, in contrast to past elections, was neutral. Parties and candidates could campaign openly and freely. The mission concluded that the election represented "a relevant step towards compliance with OSCE commitments."

Nevertheless, OSCE/ODIHR had reservations. Of particular concern were: the inaccurate voter lists, which excluded many eligible voters and, despite the prohibition on voting by refugees, included many of them; the formation of election commissions, which were not sufficiently representative; and

the presence of unauthorized people in polling stations, who could have exerted undue influence on polling station officials. Delayed decisions about military voting and poor implementation resulted in “only a partial improvement” over past elections, as officers continued to influence soldiers’ votes.

The OSCE/ODIHR final report (August 2) noted other concerns as well. Specifying the problems with military voting, for example, the observation mission reported that many election monitors had seen officers closely supervising soldiers, and some had seen commanders instructing soldiers to vote for Unity. Moreover, the vote count revealed more serious flaws than the voting, with the most common problem being the presence of unauthorized individuals in the polling stations. When the CEC released the final tallies, the OSCE/ODHIR observation mission found that the numbers did not add up and the results should have been canceled in 22 constituencies, whereas figures issued by RECs showed no such disparities.

The OSCE/ODIHR’s final verdict was the May 30 election “generally represented a step towards compliance with OSCE commitments.” Still, while the election registered improvements over the flawed elections of 1995, 1996 and 1998, those elections “are not an adequate basis for comparison.” The only proper criterion is the 1990 Copenhagen Document, and “Armenia must make further improvements” to be in compliance with the standards contained therein.

The Council of Europe’s verdict was more positive, as evidenced by the headline of its May 31 press release: “Parliamentary Election in Armenia—Commitment to Democracy Confirmed.” The Council’s observer delegation focused its criticism on the voter lists “in several districts depriving a number of people of the right to vote” and on the “strict military way in which some soldiers had to vote.” [*sic*] Otherwise, the assessment was positive, welcoming a “considerable improvement” compared to 1995 and characterizing the election as an “important step towards achieving the Council of Europe standards.”

The European Institute for the Media tracked Armenia’s media between May 1 and May 30. EIM reported “no major violations of the electoral laws governing media” and that whatever minor violations occurred could not have affected the outcome. State media carried out their obligations to provide free and low-cost air time to political parties. In general, “the level of professionalism in relation to election coverage was...considerably higher than in previous elections.”

Certainly the most negative appraisal was by the National Democratic Institute (NDI), a Washington-based organization which works with political parties to promote democratization, and has been involved in Armenia since 1995. Among the most problematic issues, in NDI’s view, were: large-scale problems with voter lists, which “both increased the potential for illegal voting and disenfranchised a large number of voters”; the composition of election commissions did not ensure political pluralism; and more often than not, officers supervised voting by their troops. Despite improvements in the election law, media coverage and parties’ ability to campaign, NDI concluded that the election “failed to break from Armenia’s troubled electoral history” and regretted that positive developments “were undercut by electoral manipulation.”

ADJUDICATION OF COMPLAINTS

Various parties and individual candidates lodged complaints about the election. As of July, the Washington-based International Foundation for Election Systems (IFES) reported that Armenian authorities had investigated 40 complaints, of which 15 resulted in criminal and/or civil proceedings.⁸

According to the OSCE/ODIHR final report (August 2), 22,157 citizens turned to the courts on election day to protest their exclusion from voter lists. The observation mission concluded that contrary to past elections, there was “no evidence to suggest that courts ruled based on political motivation,” practicing instead “a limited and previously unknown degree of independence.” Complaints about decisions made by Regional Election Commissions or the CEC, as well as grievances relating to the final results, were heard by the Constitutional Court. Petitioners filed 10 such cases with the Court, disputing the results in nine districts and in one case challenging the results of the proportional voting. The Court declined to invalidate the results of the proportional voting, but ruled for the plaintiff in three instances, thus overturning the decisions of RECs. In the view of OSCE/ODIHR, “In general, the Constitutional Court addressed the electoral appeals appropriately.”

CONCLUSIONS AND PROJECTIONS

Democratization: The OSCE/ODIHR’s assessment of the election properly noted the improvements over the 1995 and 1996 election, especially the openness of the process and the ability of all who wished to enter the lists. There were no banned political parties. Party spokesmen did not complain to observers from the OSCE Parliamentary Assembly about the authorities’ attempts to intimidate them out of the race, as they did in 1995. During the campaign, freedom of the press, assembly and association were observed. The relatively neutral coverage of the campaign in state media marked a major change from previous practice.

To the extent that democracy implies the electoral victory of the candidate with the broadest public support, Karen Demirchian is by all accounts genuinely popular in Armenia and any bloc associated with him would have enjoyed good chances in the election. Moreover, the acceptance of the results by almost all opposition political parties gives domestic legitimacy to the outcome which the 1995 and 1996 elections lacked. Most of the parties and political figures who boycotted, given their association with the ANM, are discredited today. To judge by the election results, the ANM itself has very little influence among voters.

Nevertheless, in several important respects, reservations remain about Armenia’s democratization and whether the country has really turned a corner. As all the international observer delegations pointed out, the serious problems with voter lists on election day raised questions about the fairness of the process, even if nobody expected Unity not to do well or the election to be perfect.⁹ The complaints by ordinary citizens and political party leaders alike about the lists and their charges that inaccuracies were not merely accidental or due to incompetence indicate substantial residual distrust towards the authorities—whoever they may be.

⁸ IFES (International Foundation for Election Systems): *Europe and Asia Report*, June 1999.

⁹ On February 23, the previous chairman of the CEC asked President Kocharian to delay the election, citing, among other reasons, the poor state of the voter lists. Kocharian refused. (Noyan Tapan, February 24, 1999)

Above and beyond these considerations, perhaps the most disquieting factor in gauging Armenia's progress is the paramountcy of Vazgen Sarkissian in the country's political system. A typical, if unfortunate, feature of political development in the post-Soviet space is the predominance of the president over all other branches of government and state institutions. Armenia is unique in the CIS in that its president, despite all his constitutionally mandated prerogatives, is not the most powerful political actor. Sarkissian, while Defense Minister, had already accumulated a remarkable degree of control over the military, the executive branch and even the legislature, by heading his own party which had an effective majority after Levon Ter-Petrosyan's resignation. Sarkissian's pervasive influence may be understandable, considering Armenia's decade-long involvement in the Nagorno-Karabakh hostilities. But it does not augur well for democratic development that an unelected minister of defense, who also leads an organization of war veterans -- Yerkrapah -- and chairs a political party, should have become the country's leading politician. Those who disagree with him may be less inclined to express their views than they would if he did not control most of the guns in the country and head an organization whose members run most local offices. As the newspaper *Aravot* pointed out last November 24, "a political party led by a defense minister can in no way contribute to the establishment of civil society...in the conditions existing in our country a party wielding such force and military levers can *a priori* be considered the winner of parliamentary elections. Parties without those levers cannot compete with it."

Although most political parties have accepted the results of the election, many people felt the pre-election alliance of Vazgen Sarkissian and Karen Demirchian was designed as a ploy to determine the outcome in advance without having to resort to falsification. Indeed, some Unity spokesmen acknowledged as much to the OSCE/ODIHR observation mission. Despite the obvious technical improvements over 1995 and 1996, a sense remained of forces controlling the election process from above.

Even more worrisome, Sarkissian's acceptance of the most basic democratic notions is in doubt. In September 1996, protesters stormed the parliament, convinced that Levon Ter-Petrosyan and his cohorts had rigged his re-election. Then-Defense Minister Sarkissian sent in troops to disperse the throng, but more important, said: "After this, even had Vazgen Manukian won 100 percent of the vote, we would not have let him become president." On February 1, 1999, addressing the first congress of his Republican Party, Sarkissian said "in the Armenian reality, what is known as elections can never be absolutely fair because we are a small state. Every member of our nation knows almost everyone else, and therefore personal influences, sympathies and antipathies are extremely important."¹⁰ In a word, Sarkissian's record raises deep concern about the prospects, under his rule, of the primacy of law over powerful individuals—the bedrock of democracy. It remains to be seen whether he can inculcate this idea by example, even if the interests of his associates are involved.¹¹ Before the election, Sarkissian told observers from the OSCE Parliamentary Assembly that in five or six years, Armenia "would be a totally democratic country and would no longer have to bother foreign observers at election time." For that to happen, he essentially has to overcome his reputation and manage his own transition to a democratic statesman.

¹⁰ *Hayastani Hanrapetutium*, February 2, 1999, as reported by Groong.

¹¹ One early test will be the treatment of those who resorted to violence, including the use of firearms that resulted in injuries, in a by-election in Yerevan on July 11 to replace local officials who had won seats in parliament. According to reports, one of the instigators, who reputedly is close to Sarkissian, was involved in violence and alleged vote-rigging in previous Armenian elections. The results of that July 11 by-election have been annulled. *RFE/RL Armenia Report*, July 14, 1999.

Vazgen Sarkissian: On June 11, President Kocharian named Sarkissian Prime Minister. As the constitution forbids holding two ministerial posts, he gave up the Ministry of Defense to Vagharshak Harutiunian, who formerly served at the Armenian embassy in Moscow, as Armenia's representative to the Russian Defense Ministry and the CIS Military Cooperation Staff. The appointment emphasizes the close military relations Armenia has developed with Russia during Sarkissian's tenure as Defense Minister. In the post-election rearrangement of power relations, Sarkissian also struck at rival Serzh Sarkissian (no relation), the Minister of Internal Affairs and National Security, when that ministry was split into two, with Serzh Sarkissian remaining Minister of National Security but ceding Internal Affairs—and its cohort of armed employees—to Suren Abrahamian, Mayor of Yerevan, an ally of Vazgen Sarkissian. His cabinet, unveiled on June 15, featured nine ministers from the previous cabinet. Demirchian's People's Party got only the Ministry of Post and Telecommunications, and the ARF lost the Education Ministry, retaining only the Ministry of Culture. Foreign Minister Vardan Oskanian, reportedly an ally of Robert Kocharian, kept his job. Former Prime Minister Armen Darbinian is now Minister of Economics, and the privatization minister also remained at his post, indicating Sarkissian's intention not to change radically the bases of economic policy.

Vazgen Sarkissian's appointment as Prime Minister consolidated his grip on Armenia's political system. Though he gave up his position as defense minister, clearly he retains *de facto* control of the armed forces. Sarkissian now has the chance to prove he can govern a country, manage budgets and resolve the difficult strategic problems facing Armenia, as well as build and field an army and win military victories. On the other hand, he also has the primary responsibility for Armenia's economy, and if conditions do not improve, he will be blamed.

While Levon Ter-Petrossyan was president—until he lost the support of the power ministries in early 1998 and his allies in parliament deserted him—his wide-ranging constitutional prerogatives let him dominate Armenia's political system. Opposition critics decried the executive's excessive powers and called for reforms that would create a parliamentary system. Ironically, the ascent of Vazgen Sarkissian to Prime Minister has transformed Armenian politics. The presidency, at least under its current occupant, Robert Kocharian, has been effectively weakened, making the government, if not the parliament, at least as powerful.

Robert Kocharian: Armenia's President came to Yerevan from Nagorno-Karabakh to be prime minister in 1997. Upon arriving, he lacked the local ties and clan connections native politicians had nurtured. In early 1998, Vazgen Sarkissian and other powerful figures supported his successful bid to replace Levon Ter-Petrossyan. Since becoming President, however, Kocharian has not developed any real institutional support. He heads no party, does not control the army, has no obvious source of money and remains in a fundamental sense an outsider in Yerevan. Moreover, the post-election splitting of the Ministry of National Security and Internal Affairs diminished the power of Serzh Sarkissian, generally seen as an ally of Kocharian.¹²

Conventional wisdom holds that Kocharian, Sarkissian and Demirchian constitute the three pillars of contemporary Armenian politics, with each needing the other to ensure continued stability. Nevertheless, the balance of power among them is uneven; rumors and expectations of an impending, if not inevitable, confrontation between the institutionally weak Kocharian and an overweening Sarkissian

¹² Presumably for this reason, Kocharian had previously resisted legislative attempts to split the ministry, warning in November 1988, for example, that he would not sign such a law if it was passed. RFE/RL *Newsline*, November 18, 1998.

persist, though both men deny there are tensions. Sarkissian has publicly vowed that he “will never oppose” Kocharian and recently described the troika of Kocharian, Demirchian and himself as “a nice combination and seems to have a long way to go.”¹³ On the other hand, Sarkissian also previously said he wanted only to remain defense minister and did not seek any higher posts. More fundamentally, Kocharian was necessary in 1998, once the decision was taken that Ter-Petrosyan had to go, and the most influential government leaders wanted him to replace Ter-Petrosyan. Today, Kocharian may not be as indispensable to powerful individuals.

The theoretical pre-term departure from office of Armenia’s second elected president would be very awkward, especially after the precedent of Ter-Petrosyan’s ouster. Indeed, for this very reason, Vazgen Sarkissian has ruled out any such turn of events, stating on February 1, “Forget about having another special presidential election [which] may be disastrous for Armenia.” Still, even if none of these scenarios comes to pass, Kocharian, while not a figurehead president, is overshadowed by his prime minister, and undoubtedly well aware of his relative weakness.

Some analysts in Yerevan privately speculated to Helsinki Commission staff that Kocharian might be willing to take some risks to change the balance of power in his favor. One way to do so would be to press the campaign against officials of the previous regime, particularly Vano Siradeghian. To judge by conversations with numerous residents of Yerevan, Siradeghian—despite his acknowledged achievements in getting rid of armed groups in the early years of independence and his contribution to the building of Armenia’s armed forces—is extremely unpopular. Kocharian told a delegation of OSCE Parliamentary Assembly observers that he expected the new legislature, once elected, to lift Siradeghian’s immunity again even if he retained his parliamentary seat and that he would face trial.¹⁴

Pursuing the case against Siradeghian, however, could put Kocharian at odds with Vazgen Sarkissian, who has openly acknowledged that he considers Siradeghian a close friend. Many believe he has no interest in seeing Siradeghian tried. A frequently heard explanation, apart from the pair’s long association, is that Siradeghian has compromising information on everyone in Armenia’s political elite, including Sarkissian. In addition, a jail sentence for Siradeghian—even if he incriminates nobody else—would strengthen Kocharian and be widely viewed as the president’s victory not only against a compromised former official but against his own prime minister. Conversely, if the Siradeghian accusations go nowhere, or if the parliament—where Sarkissian and Demirchian have a decisive voice—refuses to lift Siradeghian’s immunity, even if many other factors come into play, it will be seen as confirmation of Vazgen Sarkissian’s dominance.

Karen Demirchian: Demirchian’s alliance with Sarkissian and their ensuing electoral victory allowed him to return to power, instead of heading an opposition party, as he did after the 1998 presidential election. His People’s Party would probably have done well in any case, but he might have been only one parliamentarian among 131, as opposed to Speaker. With the real responsibility for Armenia’s economy resting on Sarkissian and the government, Demirchian will not take the brunt of the blame if conditions do not improve and will win some credit if they do. Still, many voters have pinned their hopes on Demirchian and he runs the risk of being unable to meet overly high expectations.

¹³ *Aravot*, July 1, 1999.

¹⁴ Siradeghian, having won his race, apparently has regained parliamentary immunity, although the government is pressing ahead with the charges.

Demirchian remains popular despite the fact that, after all, he left office in 1988 in disfavor, swept away by a nationalist wave. He has never been associated with the Karabakh movement and played no role in Armenia's military successes—the defining events, along with attaining independence, in contemporary Armenian history and politics. The standard view is that voters associate Demirchian with the better life they enjoyed during his tenure and that nostalgia translates into support now in the expectation of higher living standards. Still, it is implausible to suppose Armenian voters do not see how the world has changed since 1988. It would seem the military victory has already come to be taken for granted and the longstanding cease fire in Nagorno-Karabakh has dimmed memories of Demirchian's behavior ten years ago, whereas his absence from politics while the population's living standards plummeted lends him credibility other politicians lack.

The ascent of Karen Demirchian—especially considering that his former colleagues Eduard Shevardnadze and Heydar Aliiev have become Presidents of Georgia and Azerbaijan—has also excited comment about his ambitions beyond the Speakership. Though Demirchian finessed the issue during his meeting with the OSCE Parliamentary Assembly observer delegation, he never actually accepted his second-round defeat by Kocharian in 1998. Should Kocharian not serve out his term for some reason and if Vazgen Sarkissian is not yet prepared to seek the office, everyone knows the grand old man of Armenian politics is standing in the wings. To judge by conversations with officials in Tbilisi and Baku, neither capital would have a problem with “President Demirchian,” who is known neither as a nationalist nor an ideologue, and with whom Shevardnadze and Aliiev could easily renew working relations. Apparently, the notion that personal ties could help—or even suffice—to resolve a problem as knotty as Nagorno-Karabakh, despite all the objective difficulties involved, not to mention the meddling of outside powers, maintains a hold on the popular imagination.

Government-Opposition Relations: The collapse of the ANM and the departure of Levon Ter-Petrosyan in 1998 not only altered the balance of power in Armenia, but also changed the tenor of government-opposition relations. Levon Ter-Petrosyan used to call opposition figures “fascist” and they responded in kind. Robert Kocharian, though hailing from Karabakh and not a “local” politician, was not a polarizing figure and did not elicit the intense antipathy that his predecessor did among opposition forces. He invited defeated candidates to join his government and in general implemented an inclusionist policy, even if key opposition parties like the Communists, the NDU and Demirchian's People's Party did not participate in the consultative body Kocharian established. Before the May 30 election, Kocharian told a delegation of election observers from the OSCE Parliamentary Assembly that his greatest success during his year as president had been the creation of a “better atmosphere” in the country.¹⁵

For the time being, the outcome of the May 30 elections does not threaten this state of affairs. Most major parties have been included in the political process, even if they are unhappy about the number of their members in parliament, their overall impact on decision-making or Sarkissian's decision to exclude most of them from his cabinet. The NDU's Vazgen Manukian met with Kocharian after the election and though they did not announce any agreement about a possible role for Manukian, he has

¹⁵ Indeed, the Yerevan Press Club noted in its March-April 1999 issue that “1998 was indeed very scant in violations against journalists' rights and freedom of the press in Armenia. There were practically no cases of terrorizing media representatives...[or] new cases of ungrounded suits against journalists for slander or dissemination of libelous information.”

been restrained in his remarks. The Communist Party, too, has maintained reasonable working relations with the president and government. Only the former governing party, the ANM, especially the wing that boycotted the May 30 election, has been loudly critical, refusing to accept the legitimacy of Kocharian or the new parliament.

In any case, Sarkissian's government will have a certain honeymoon period to address pressing problems. If no progress is made, however, especially on the economy, scapegoats will be needed and the gentlemanly atmosphere of Armenian politics may revert to past patterns.

Parliament: Armenia's new parliament has a four-year term and is a professional, full-time legislature. Its composition reflects the influence of power structures and the interests of newly wealthy businessmen, while leaving room for traditional political forces to consider the game, though skewed against them, still worth playing. Unity's victory was even greater than many had forecast. Its 63 seats are less than one-half of 131, but with the backing of independents, the bloc can count on an effective majority. The Communist Party is the leading opposition party in parliament. Right and Accord, the party backed by Nagorno-Karabakh Defense Minister Samvel Babayan, may also join the opposition, considering the post-election confrontation between Babayan and President Kocharian (see below). The ARF still backs Kocharian but the Dashnaks have testy relations with Vazgen Sarkissian, whom they consider deeply involved in the banning and suppression of their party and the crackdown following the 1996 presidential election. Country of Law deputies, considering their reputed close ties to Minister of National Security Serzh Sarkissian, can probably be relied on to support Kocharian. Despite these personal and possibly political differences, in keeping with the overall policy of maintaining workable relationships among the leading political parties, the NDU, the Communist Party and the ARF have been given one committee chairmanship apiece.

Though Unity is dominant in parliament, it is unclear whether the coalition, born of tactical considerations, can endure. Its two leaders had little in common except a desire for power, and Demirchian's People's Party received fewer benefits of victory, in terms of parliamentary seats and ministerial posts, than did Sarkissian's Republican Party. Moreover, Demirchian apparently is planning to strengthen the role of the legislature he now chairs. Armenia's constitution, as mentioned above, accords the president far more power than parliament. In 1998, President Kocharian formed a commission to consider constitutional reforms, but its members did not recommend any serious dilution of the president's authority. He disbanded the commission in July 1999, saying a new, smaller body would submit reform proposals by October. Demirchian, however, intends to set up his own constitutional commission, which presumably will offer suggestions enhancing parliamentary authority.¹⁶ His gambit may bring him into conflict with both Kocharian and Vazgen Sarkissian.

One of the more striking aspects of the election was the active participation of businessmen, who previously had pursued their interests by supporting other candidates but now sought to become legislators themselves. Cynics ascribed their dash to the political arena to the desire of dishonest individuals for parliamentary immunity. While that factor may certainly have influenced their decision, more interesting is what legislation they will back. Two weeks before the election, at the second congress of the Union of Entrepreneurs and Industrialists, the organization's chairman said, "wealthy Armenians are running for parliament to protect business from bureaucratic red tape and put in place a legal framework that would spur economic activity."¹⁷ These interests, which the international financial institutions might

¹⁶ *RFE/RL Armenian Report*, July 21, 1999.

¹⁷ *RFE/RL News Briefs*, May 15, 1999.

well support, may conflict with the policy goals of parties and candidates who stressed social issues and the need to raise the living standards of impoverished Armenians. In March, for example, parliament voted to repeal rate hikes for electricity, prompting Kocharian and then-Prime Minister Darbinian to condemn the decision for putting at risk a World Bank loan to Armenia's energy sector. On July 20, however, Vazgen Sarkissian said he would not yield to IMF demands to impose higher rates on poor Armenians, though his refusal put in jeopardy future loans. His dilemma may be reflected in future parliamentary debates as well.

Economy: Vazgen Sarkissian's most important task is improving Armenia's difficult economic conditions. In fact, according to official figures, Armenia's economy grew 7.2 percent in 1998, with only single-digit inflation, despite the Russian financial crisis. The international financial institutions have largely supported Armenia's tight fiscal policy and economic reforms: in December 1998, the World Bank approved a new \$65 million loan to Armenia to help finance the 1999 budget deficit.

On June 18, 1999, however, in his first address as Prime Minister, Sarkissian told parliament the socioeconomic situation in Armenia was "grave." In the first half of 1999, budget revenues were 20 percent lower than projected, due mainly to poor tax collection, and spending would have to be cut if the money is not collected. Compounding these problems, next year Armenia is supposed to pay \$57 million in foreign debts and \$79 million in 2001.

Sarkissian threatened "unpopular measures" to raise tax collection and warned he might send the taxman after factory owners, to get idle enterprises working. He argued that owners of privatized factories would want at least to maintain production levels or would sell out to more efficient investors. In general, though Sarkissian criticized the privatization campaign of 1993-1998, he said there was no alternative to continuing reforms, while making them more socially oriented to alleviate their impact on the population. He stressed that his government will crack down on corruption through tougher penalties and working more efficiently.¹⁸

Armenia depends heavily on loans from the World Bank and IMF, and Sarkissian promised to intensify cooperation with international financial institutions. But in early July 1999, the IMF put off release of the final \$32 million tranche of a \$154 million loan, citing the government's over-optimistic projections of anticipated growth rates and budget revenues for 1999, and underestimating the effect on Armenia of the Russian economic crisis. The World Bank has also delayed a \$15 million payment. On July 6, Armenia's Finance Minister told business leaders Armenia was in a recession¹⁹ and on July 13, the national labor and employment service said unemployment had risen to 11.1 per cent from 8.9 per cent at the beginning of the year.²⁰

Sarkissian told parliament that economic growth is impossible without foreign investment. At the same time, efforts to attract investment may be undercut by lawsuits the government has launched against some foreign firms (Trans-World Telecom and the Hellenic Telecommunications Company, which owned ArmenTel Telecom) over disputes about taxes on profits.

¹⁸ *RFE/RL News Briefs*, June 18, 1999.

¹⁹ *Shark*, July 7, 1999.

²⁰ *Noyan Tapan*, July 13, 1999. To judge by conversations on Yerevan streets, the actual figures might be much higher.

In late July, Sarkissian and the IMF agreed on a deal that would release the last tranche of the loan. To cope with a situation he called “extremely difficult but not hopeless,” Sarkissian promised to bring the budget deficit under control by raising some taxes, hiking excise duties on cigarettes and gasoline, and intensifying the hunt for tax evaders. He pledged, however, that these austerity measures would not affect the poorer strata of society.

Levon Ter-Petrosyan had argued before his ouster that Armenia could not hope for economic development without a resolution of the Nagorno-Karabakh conflict that would normalize Armenia’s relations with its neighbors and allow the country to concentrate on regional integration. Robert Kocharian and Vazgen Sarkissian rejected Ter-Petrosyan’s assumptions and conclusions, and still do. They are trying to pursue regional integration but contend that Armenia’s economy has potential that does not depend on a peace deal. They have the opportunity now to prove their point.

Council of Europe: All three south Caucasus countries had special guest status until Georgia’s admission in January 1999 as a full member. Council representatives had frequently and publicly conditioned Armenia’s chances primarily on the conduct of the May 30 election, which left their observers little leeway for excessive criticism. Like other international observer delegations, they deplored the condition of the voter lists but the headline of their assessment proclaimed, “Armenia’s Commitment to Democracy Confirmed.” Even such validations, however, will not solve the underlying political problem: admitting Georgia before Armenia and Azerbaijan was possible, considering Tbilisi’s ongoing, if unproductive, negotiations with Abkhazia and South Ossetia, and Eduard Shevardnadze’s sterling reputation in Europe. Inviting Armenia to join before Azerbaijan, however, would be problematic for the Council of Europe, considering the OSCE’s efforts to negotiate an end to the Nagorno-Karabakh conflict and the desire of various European states for Azerbaijan’s oil and gas.²¹

Ideally for the Council, Azerbaijan would soon hold better elections than it has in the past and could be admitted along with Armenia. But Azerbaijan will not hold parliamentary elections until November 2000. On July 27, Azerbaijani President Aliev set December 12 as the date for the long-delayed local elections. But there is little reason to assume Azerbaijan will hold better elections than it has in the past: the law on local elections recently passed by parliament ignored suggestions made by international organizations and opposition parties, some of which have threatened, once again, to boycott.

Armenian Foreign Minister Oskanian has publicly said he expects Armenia to enter the Council of Europe by the end of 1999 or early 2000. It remains to be seen whether he has reason to be optimistic or was engaging in wishful thinking. Any move to admit Armenia first will cause difficulties with Baku, possibly with several European capitals and perhaps Washington as well.

Nagorno-Karabakh: If necessary, the Council of Europe could decide not to admit either Armenia or Azerbaijan because of the unresolved Nagorno-Karabakh conflict. Unity’s success in the May 30 election presages no substantial change in Armenia’s approach to the conflict or in prospects for a settlement. Unity Bloc co-leader Vazgen Sarkissian was instrumental in ousting Levon Ter-Petrosyan

²¹ It had traditionally been Yerevan’s stance that the three south Caucasus countries should enter the Council of Europe together, as repeated by former Speaker of Parliament Khosrov Harutiunian on February 25. But with Georgia already in, Yerevan has presumably modified its view.

in March 1998, among other things, for his relatively moderate line on Nagorno-Karabakh, so there is little reason to expect major concessions from him, or from Robert Kocharian, former President of Nagorno-Karabakh. Karen Demirchian has not spelled out any peace plan except to hint that his long acquaintance with Heydar Aliiev could help resolve the conflict, but as Parliament Speaker he will not be playing a key role in the process anyway, and Sarkissian and Kocharian will presumably continue to call the tune in Yerevan. The presence of Rights and Unity, the party backed by Karabakh Defense Minister Samvel Babayan, in Armenia's parliament strengthens the influence of Stepanakert in Armenian politics, rendering concessions even less likely.

In mid-June, the longstanding cease fire looked shaky, as the most serious skirmishes in years erupted. But the OSCE negotiations, as Armenian Foreign Minister Oskanian said in a June 1999 talk at the Center for Strategic and International Studies (CSIS) in Washington, are deadlocked. He elaborated that the negotiators were working on a compromise plan between the 1997 and 1998 versions, which would eliminate the formulation "common state" if Azerbaijan categorically rejected it, and that the idea of horizontal relations between Baku and Nagorno-Karabakh was the only critical component of a plan.

It would appear, though, that Azerbaijan sees nothing of value in the latest OSCE proposals. State Secretary Vafa Guluzade has castigated U.S. negotiators for sticking with the "common state" approach, even accusing them of not understanding the essence of the problem. Such undiplomatic language signals frustration with the perceived lack of American assistance in the face of what Baku considers a Russian-devised peace plan and Moscow's continuing supply of arms to Armenia. Guluzade has effectively discounted the possibility of any progress in the OSCE negotiations, pointing not to the outcome of Armenia's election but to Russian malevolent obstructionism. Azerbaijani leaders have generally seen Moscow's hand behind events in Armenia, which they portray as a tool of Russian neo-imperialism and a *place d'armes* for Moscow's aggression in the region. Guluzade has warned that Baku might even reconsider whether Russia should continue to be a member of the Minsk Group Troika.

Azerbaijan's Government strongly supported NATO's military campaign in Kosovo, convinced that only a strong United States can counter Russian intrigues, subversion and possible aggression. But Baku's satisfaction over the victorious outcome of the war was tempered by the concern that a Russia frustrated by its weakness in Europe and globally will try to regain lost ground by impeding conflict resolution in the Caucasus and intensifying efforts to keep Western and especially U.S. influence from spreading in the region. Indeed, Kosovo has generated an interesting, if unfortunate, development in the rhetorical war between Armenia and Azerbaijan: drawing the lesson from NATO's campaign that the international community will resist and reverse ethnic cleansing, each side has portrayed itself as the sole victim of the Nagorno-Karabakh conflict. Thus, Guluzade has called for NATO involvement in settling the conflict and punishing Armenia militarily for expelling Azerbaijanis from Nagorno-Karabakh, à la Slobodan Milosevic in Kosovo. During his talk at CSIS, Oskanian retorted that if NATO were to get involved, it would target Baku, not Yerevan, for trying to repress violently the self-determination movement of Karabakh's Armenians—à la Slobodan Milosevic in Kosovo.

With the OSCE process stalled, any hopes for a settlement are now focused on bilateral talks between Yerevan and Baku. All sources agree that the meeting between Kocharian and Azerbaijani President Aliiev in Washington during the ceremonies commemorating NATO's 50th anniversary in April was productive, stirring hopes that further encounters could lead to a breakthrough. But questions about Aliiev's health soon clouded the horizon. In January 1999, he had required medical treatment in

Ankara, allegedly for “bronchitis.” When he came to Washington in April, doctors had to perform a bypass operation on him in Cleveland. After leaving the hospital and the United States, Aliev went to Ankara for extended recovery, returning to Baku only on June 10. The long absence of the 76-year old president, his uncertain health and prospects for full recovery have complicated the negotiating process. On the advice of doctors, Aliev did not travel to Luxemburg in June for a planned meeting with Kocharian and Georgia’s Eduard Shevardnadze to formalize cooperation agreements with the European Union.

Still more problems arose on the Armenian side soon after: on June 24, Arkady Gukassian, president of Nagorno-Karabakh, sacked his Prime Minister, Jirair Pogossian and his entire cabinet. The original official explanation was poor economic performance but it was also revealed that Gukassian had found a listening device in his office, which he apparently blamed on Pogossian. A serious scandal erupted, as Nagorno-Karabakh’s powerful Defense Minister Samvel Babayan reacted angrily to his protege’s dismissal. The military elite backed Babayan, demonstratively returning military honors to Gukassian. On July 10-11, Robert Kocharian, along with his ministers of defense and internal affairs, visited Nagorno-Karabakh to avert what could have turned into an outright clash. Kocharian clearly stated Yerevan’s support for Gukassian over Babayan, announcing that Armenia would not remain indifferent to events in Nagorno-Karabakh. His intercession calmed the situation, without having actually resolved it—Babayan will remain commander of the Karabakh Defense Forces, but a new defense minister will be appointed.²²

It appears the showdown in Nagorno-Karabakh was primarily a power struggle, rather than a reflection of serious differences between Yerevan and Stepanakert over the peace process. Robert Kocharian and Vazgen Sarkissian are not less devoted to Karabakh’s security than Babayan, though they may be more willing than he to negotiate away occupied territories for an acceptable peace accord. More likely, Kocharian was defending his own protege Gukassian from an over-reaching defense minister—ironic, considering Kocharian’s own predicament—with the tacit or explicit approval of Vazgen Sarkissian, who apparently welcomed the chance to clip Babayan’s wings, after the latter backed a party that won seats in Armenia’s parliament. Still, some commentators have wondered whether Yerevan might have seen Babayan as an obstacle to progress in the negotiations.

On July 16, the bilateral track took another step, when Robert Kocharian met Heydar Aliev in Geneva. They issued no joint statements and revealed nothing about their discussions, except to say they would continue meeting. Kocharian said he was satisfied with the meeting but warned “If some think that conflicts like Nagorno-Karabakh can be resolved with one or two meetings, and that normal bilateral relations can be established, they are mistaken.” Clearly, despite the working relations the two heads of state have established, very serious problems remain. Most interesting, perhaps, Kocharian said Nagorno-Karabakh officials might take part in the next round of talks with Aliev.²³

²² Pogossian was arrested on July 9 on charges of illegal weapons possession and the “loss of documents containing state secrets.” He has since been released but will apparently face trial in the next few months. *RFE/RL Newslines*, July 13, 1999.

²³ *Agence France Presse*, July 17, 1999.

Such a direct, high-level meeting among all three parties would be major change in Azerbaijani policy. If so, perhaps Aliev's willingness to make what the Armenians and Azerbaijan's opposition would consider a large concession has become tied up with the looming succession in Azerbaijan. Given his age and shaky health, Aliev's desire to safeguard his own legacy and his presumed wish to ensure that his son, Ilham, comes to power must influence his calculations about a settlement. Resolving the dispute would bolster Aliev's reputation and enhance his son's prospects to succeed him, but accepting terms that Azerbaijanis would consider a defeat—i.e., would condemn as effectively ceding control of Nagorno-Karabakh—would tarnish Aliev's image, probably doom his son's chances and could even lead to instability in Azerbaijan.

Armenia and Nagorno-Karabakh, for their part, presumably know that among Azerbaijan's current and potential leaders, Aliev clearly is least likely to renew military hostilities, most likely to seek a compromise and best situated—even after his poor showing in last October's highly criticized presidential election—to implement a compromise plan. On the other hand, should chaos ensue upon his demise, Armenian forces may be able to secure even better terms from a weakened Baku.

For years, the peace process has stalled because—apart from meddling by outside powers—both sides believed they could get a better deal by waiting. Perhaps they will view the current set of circumstances as the best chance they have.

U.S.-Armenian Relations: Echoing the judgement of OSCE observation missions, the State Department had expressed concern about serious problems in the 1995 and 1996 election.²⁴ Despite claims in Yerevan that President Ter-Petrosyan's departure and his replacement by Robert Kocharian in 1998 took place in accordance with Armenia's constitution, the precedent evoked concern in Washington. It was therefore all the more important to Yerevan that reviews of the 1999 parliamentary election be better than assessments of previous elections, and that official Washington would recognize Armenia's progress.

In the event, the State Department's June 7 statement was based on the assessments of the OSCE and NDI, and emphasized the need for further reforms, rather than praise for a job well done. "While acknowledging the progress Armenia has made, the U.S. Government believes the OSCE and NDI preliminary reports make important and valuable recommendations for further improvement in the electoral process. We encourage Armenian authorities to act promptly on these recommendations to correct the legislative and procedural shortcomings identified by the OSCE and NDI. We call on the Armenian authorities to publish promptly precinct-level protocols in order to increase the public's confidence in the results and transparency of the electoral process. We also urge Armenian authorities to investigate all specific charges of election abuses to ensure just electoral outcomes."

Since assuming office in March 1998, President Kocharian has been to the United States but not on an official state visit. With the May 30 election at least having gone better than previous elections, Yerevan can now try to arrange one. Presumably, chances will improve if the Kocharian-Aliev bilateral talks on Nagorno-Karabakh make headway, or if Washington thinks that direct U.S. involvement at the highest level can help.

²⁴ The Department issued its relatively positive appraisal of the 1998 election before the release of the OSCE's final report, which flatly stated that the election had not corresponded to OSCE standards.