

posture is modernized to some extent, but here it has strong rivals in the face of the RPA and Hovhannisyan's Heritage as well. The Dashnaktsutyun has a small faction in the National Assembly, which co-operates with the other members of the opposition in specific cases. It didn't receive the minimum of 5% of votes at the City Council elections. Since it has a system for leader elections and rotation inside the party, it will remain in Armenia's political life, and perhaps the new generation leaders will help it to restore its ideological identity and social basis.

### Conclusion

The main problem of Armenian political life still remains unsolved: the construction of a democratic state, i.e. the return of the majority of the citizens to an active political, economic and cultural life, and the release of all these spheres from the monopoly of the minority, exemplified by the RPA. It is obvious that, on the one hand, the leading party cannot satisfy this demand, as the party is based on the minority, and its being in power is based on fundamentally illegitimate actions of rigging elections several times; and, on the other hand, the temporary defeat or retreat of the political opposition does not mean that the society will give up this demand. This means that oppositional political unification is unavoidable. It is impossible to predict when this will happen: we can only enumerate some of the priorities for future opposition's success or failure, judging by the experience of Armenia's social-political struggle.

#### *About the Author*

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Success requires a large social movement, a coalition of political forces, and encouragement of the creation of new activist groups, public creativity, identities and factions during the movement. It also requires institutional growth, formation of procedures and formats. At the same time, it demands great responsibility. Additional factors are: presence of a clear political text without nationalistic, populist and elitist deviations; awareness of the fact that the struggle is for the majority and for the restoration of everyone's rights; localization of the movement to the communities level; involvement of different social groups (lawyers, ecologists, students, small and big businesses, etc.) into the process, permission for them to speak on the podium. The successful movement should declare itself a successor of the previous public movements, which means to examine and evaluate the past movement, involving the participants of the previous stages. The new movement should not be allowed to privatize the struggle as it doesn't belong to the parties and their leaders: they are only instruments for the struggle that belongs to the society. But the society, in its turn, should understand its leaders and be grateful to them, for they are also members of the society and have done everything in their power, perhaps much more than the rest.

If all these conditions are met, the establishment of a republic in Armenia is unavoidable.

*Translated from the Armenian by Tatevik Mkhitarian*

## Oligarchy in Armenia

David Petrosyan, Yerevan

### Abstract

This article provides a history of Armenia's oligarchs with the intention of defining ways to reform the system to end the country's stagnation.

### Introduction

Oligarchs in Armenia are individuals who live in the country and hold exceptional financial power (in comparison with the majority of inhabitants) and quite often a monopoly of power over a particular economic sphere.

Since the mid-1990s they have penetrated into government structures in order to maintain their power. At the same time, some state figures often turn into oligarchs making use of their possibilities in the government. Many experts consider Armenia a country ruled

by oligarchs. The clan nature of the oligarch “empires” and the role of those clans in politics (e.g. in the process of elections) of the recent years has led some researchers (e.g. Gayane Shaghoyan) to the conclusion that, due to the blood-related ties, clans in Armenia have become the main political unit holding greater significance than political parties.

There is a widespread view in the society as well as an in mass-media that Armenia is an oligarchic country. However, there are few publications on the structure, composition and history of oligarchy in Armenia available. One of the few researches of that kind has been published in Nelson Shahnazaryan’s 2012 book “The Meaning and Strategies of a Nation’s Development,” (p. 102–132 in Russian). The research was done in 2003 and draws the conclusion that oligarchs have no long-term vision of the future and don’t consider themselves responsible for the fate of the country. There are also some media publications (referred to later in this article) which mainly dwell on what is owned by each oligarch. Some information about oligarchy has penetrated into the social discourse thanks to Wikileaks.

Articles seldom describe the business-schemes used by oligarchs for making money. One such case is the famous scandal about the offshore company opened in Cyprus, one of the co-owners of which, according to the journalist-researchers from the Internet-publication “Hetq”/“Trace”, was the Prime-Minister of Armenia Tigran Sargsyan. The story about the company appeared in May 2013 and led to discussions in the National Assembly at the beginning of June 2013; however, at the time of publishing this article, Sargsyan denied his complicity in the offshore scandal and the company’s operations (connected with diamonds from Sierra Leone). Another very important publication about oligarchs was the extensive interview with one of the most well-known Armenian oligarchs, Ruben Hayrapetyan, the president of the Football Federation, taken by Seda Mavyan in September 2012 for the French–Armenian magazine “Nouvelles d’Arménie”. The interview was published in Armenian in full. For it, Seda Mavyan was awarded the prize for the best journalist-researcher by several authoritative media organizations in Armenia, in May 2013. The prize was notable as it was the first time in the course of its long existence that it was awarded to a journalist from the diaspora. The interview, surprisingly sincere for an oligarch, gives a deep view into the processes which contributed to the development of Armenian oligarchy from the times of the Karabakh conflict up to the present day.

The present article attempts to analyze several aspects of oligarchy in Armenia in the light of the second term of Serzh Sargsyan’s rule, hoping to discuss a phenome-

non that is necessary to understand in order to undertake the kind of reforms which could help Armenia to exit its economic, political and social stagnation.

### **The Beginnings: Unrealized Programs and Projects**

As a result of the elections of the Supreme Council (parliament) in Armenia in May 1990, the Armenian National Movement (ANM) party came to power. It was historically the first time that the opposition won the elections. The pre-election program of ANM focused on the necessity for political reforms. As for economic reforms, there were general statements as to the need of some free market reforms, privatization, etc.

ANM came to power at a time when Armenia was going through the hardest period of the planned economy’s collapse. The country suffered from a crippling shortage of goods, a blockade of land transport and Soviet Prime Minister V. Pavlov’s confiscatory money reform.

The first non-communist government of Vazgen Manukyan and the First Vice Prime Minister Hrant Bagratyan initially lacked a clear plan for extensive structural and other kinds of economic reforms. However, the government had the political will to carry out such reforms, and the parliament supported it.

The most significant reform was the privatization of land. As a result of this effort, in the mid-1990s, Armenians were able to save their compatriots from hunger during the war and the blockade by Azerbaijan and Turkey. Alas, the privatization of land remained the only notable achievement of the agrarian reform. There was a need for some programs and means of their realization in order to continue the reform. But there were none. The credits allocated by international organizations, according to widespread popular views, were essentially “pilfered” in the second half of the 1990s and in 2000s, i.e. pocketed by individual members of the government with no positive consequence for the population.

Long before the collapse of the Soviet Union, in December 1989, a year after the great earthquake in Armenia, the project “Europolis” was first presented. It had been initiated by a well-known businessman from the Netherlands, Robert Nieland, who was the president of the project. He was supported by two vice-presidents, Hans Schloemer, a citizen of both Germany and the Netherlands, and Grigor Badalyan, a Soviet, then an Armenian diplomat (the first representative of Armenia in NATO).

The authors of “Europolis”, who started cooperating with V. Manukyan’s government in 1990, meant to build a city in the region of Yeraskh, in the context of the international assistance to Armenia. The city was to

have factories based on modern technologies. The project took into account the fact that Soviet Armenia was one of the most technologically-advanced countries in the Soviet Union, and had a high scientific-technical potential. That potential was supposed to be preserved and heightened.

Almost at the same time, H. Schloemer, who had the experience of reforming the planned economy of Hungary into a market one, offered the government of Armenia the CARE (Committee for Armenian Reconstruction of Economy) program of reforms.

The CARE program of systemic transformational reforms provided a clear plan of transiting the Armenian economy into a market one, relying on its scientific-technical and intellectual potential and its resources. The plan also provided for the preservation of significant state packets of stocks in the enterprises of the key branches of economy.

There were world-famous experts, some of whom were Nobel prize winners in the sphere of economics, who were ready to give Armenia consulting help with the reforms in the framework of CARE. The program received the formal approval of the European Commission headed by Jacques Delors.

After being discussed in the Parliament's Economics Commission (chairman Ruben Torosyan), the CARE program was approved and sent to the government. Despite the opposition of the ambitious First Vice Prime Minister H. Bagratyan, who had his own views about carrying out reforms in Armenia, the program was supported by Prime Minister Manukyan. It also had the support of Levon Ter-Petrosyan, then the Speaker of Parliament.

However, after the protocol allowing the CARE program to start was signed in the summer of 1991, a series of events took place preventing its implementation. Manukyan resigned, the August Putsch failed in Moscow and the Soviet Union started to collapse. In September 1991 Armenia held a referendum on independence, and in October 1991 the president was elected. In December 1991 the Nagorno-Karabakh conflict grew into a bloody war and the Government of Armenia had no time for CARE.

In April 1992 the First Vice Prime Minister H. Bagratyan offered the Parliament his own program of reforms which was based on gradual privatization and systemic structural changes. He chose the branch that was supposed to become a unique locomotive of the economy and an axis for the whole transition process of painful reforms: the mining industry and non-ferrous metallurgy. However, the Parliament, where ANM had no constant majority, blocked Bagratyan's program. The criticism of the program, which promised the preser-

vation of Armenia's technology potential, was based on political rather than economic arguments. The opponents of the government claimed that it was unnecessary to adopt a program of such large-scale economic reforms while the political line of the country was not fully determined yet.

In this way, political collisions prevented the realization of those market reforms in Armenia which would better take into account the country's peculiarities and potential.

In our view, if the reforms suggested by CARE or by Bagratyan's program in 1992 had been implemented, the possibility for the rise and dominance of oligarchy in Armenia would have dropped to a minimum.

### **First Generation Reforms and the Formation of Armenia's Oligarchy**

Real large-scale and systemic reforms under the patronage of the IMF began when H. Bagratyan became Prime Minister (February 1993). Bagratyan had to control the situation in the country during the war, a difficult energy crisis, the blockade of land transportation and Armenia's forced exit from the ruble zone (Autumn 1993). Making economic reforms during wartime (or an armed conflict of middle intensity) is Armenia's unique experience.

However, these were no longer the reforms designed by Bagratyan, but to a great extent the standard reforms of the IMF. The international financial institution had carried out similar reforms in almost all post-Soviet countries as well as in some countries of Eastern Europe. For instance, the IMF program implemented voucher privatization in contrast to what CARE and Bagratyan's program proposed.

The voucher privatization resulted in the concentration of Armenia's almost entire national wealth in the hands of 45–50 families. According to different evaluations, these families now control 54–70% of the country's national wealth (according to *Forbes*, 44 families in Armenia control 52% of the GDP).

The economic reforms of the IMF took place in parallel with the war in Nagorno Karabakh (1991–1994). The situation resulted in the formation of oligarchy at the beginning of the 1990s and during the 2000s. The oligarchy is a corrupt administrative system in which at some point both names and party affiliations cease to matter, and the power of an individual or a group is decided by its financial might. It is a very simple system: if you have money, you solve your problems independent of your party affiliation. If you don't have money, you do not solve your problems even if you are a member of the ruling party. That is why the former representatives of the Soviet party nomenclature, who were able to preserve their financial assets accumulated during

the Soviet years, are still, in many cases, the masters of the country. Hence, the presence of former Communist party nomenclature representatives or their children in the government. This means that, in analyzing the origins of oligarchy in Armenia, it is necessary to analyze the system of corruption during the late Soviet period.

Still, the first generation reforms, and particularly the privatization of land, led to the formation of a class of small and medium proprietors. The latter were interested in continuing the reforms, forming a competitive and civilized market, adopting and executing laws, limiting the power of functionaries and contributing to the fight against corruption.

Voucher privatization became the first and major means spurring the rise of oligarchic structures in some former Soviet countries. In Russia, such structures were formed around the financial streams of export-import operations. Some of these operations involved the production and export of hydrocarbons (oil and gas), non-ferrous metals (aluminum, copper, nickel), high-electricity production (urea, ammonia) and the import of food, consumer goods, advanced technology products and humanitarian aid. The large sums, accumulated by Russian oligarchs, and their direct link into the highest level of the state, guaranteed that they could control the new state and social structures.

In Georgia, such oligarchic structures formed around President Edward Shevardnadze, and were bound to big business and transit. During Mikheil Saakashvili's rule, following some redistribution of property, apparently new oligarchic structures started to form around the large financial streams entering the country. Corruption that had been common, ill-structured and non-centralized under Shevardnadze became elite corruption under Saakashvili.

In Azerbaijan oligarchic structures formed around the oil sector and on a clan basis. The leading and most important clan was Heydar Aliiev's Nakhchivan clan, the dominance of which is now promoted by his son Ilham.

Armenia is neither a natural resource producer, nor a transit country. During the Soviet era, its industry was focused on manufacturing and was close to the military-industrial complex. Experts claim that in Soviet times Armenia produced up to 40% (in monetary terms) of Soviet military electronics. It seemed that the potential for forming oligarchic structures in the country was not great. However, oligarchy in Armenia formed through connections with the existing geopolitical situation, particularly, the Nagorno Karabakh war and to the blockade by Turkey and Azerbaijan.

Oligarchic groups in Armenia were structurally based on power ministries (first of all, the Ministry of Defense and Ministry of Home Affairs) and on the

state agencies which controlled the transportation (to the North and South, as well as the airport "Zvartnots"). During wartime, colossal (by Armenian standards) financial streams passed through the power structures of Armenia.

The oligarchic structures were at first oriented towards export-import operations. Export operations were based mainly on the export of non-ferrous metals, scrap, consumer products and equipment. Import operations included the import of oil products (the total capacity of the domestic market for oil products in Armenia comprises no less than 100 million dollars in monetary terms, which is a significant sum for Armenia), industrial goods, processed food, as well as humanitarian aid. Due to the limitations imposed by the blockade, several groupings, supported by official structures, took almost monopolistic control over the most important transportation routes, which provided them with excess profits since the blockade blocked all other shipments.

Here is an example of how the power structures influence the economy of the country. In 1994, the then Interior Minister Vano Siradeghyan gave an order requiring fire extinguishers to be stored in all kinds of motor vehicles in Armenia. The price of fire extinguishers was 20 US dollars. The mandate of importing them was given to only one company, which was headed by one of Siradeghyan's relatives (Khachatour Sukiasyan, the present head of "SIL Group" concern). Newspapers wrote about what was going on, but the deal was successfully implemented.

Another example is the oil products market. As the capacity of the market is not large, oil products traders usually stake on the turnover. In today's domestic market of oil products in Armenia (despite the comparatively small capacity, one of the most profitable in the country) the optimal turnover of the capital takes 10–12 days. By extending that term for even one more week, the supplier dealing with the business of oil products will encounter serious problems. If the term of the turnover extends to four weeks, the company will simply collapse. This system in the oil products market of the country developed spontaneously, but it is regulated quite skillfully by the oligarchic structures which control the greater part of that market. It allows, on one hand, to maintain quite high and profitable prices on oil products, and, on the other hand, to keep the prices on such a level that consumption would not be reduced and the term of the turnover would not be extended. But how do they manage that?

According to media reports, the import of oil products into the country is monopolized. The owner of the company "MIKA" Mikhail Baghdassarov, according to the media (and Wikileaks as well), is one of the big-

gest business partners of president Sargsyan. Reports refer also to the company “FLASH”, whose owner Bar-segh Beglaryan, enjoyed the benevolence of former president Kocharyan.

We find that actually there is no monopoly in this sphere: instead, there is a shadow cartel agreement between several big groupings each of which has the support of this or that official structure. This confirms the findings published in the above-mentioned book by Shahnazaryan: they indicate that oligarchic businesses are short-termed, based on continually renewed oral agreements (which increases their chaotic nature and makes it impossible to work out a long-term strategy), have a cartel character and are attached to the political system, especially at the higher levels of government.

Thus, oligarchic structures in Armenia lack the necessary financial-economic stability compared with Russia, for example, and their influence to a greater degree depends greatly on their intimate closeness with power structures.

The rising and successfully functioning oligarchic groupings of the 1990s needed another government that would serve their business interests and guarantee their superprofits. That is why they had little interest in President Levon Ter-Petrosian who, in contrast to the majority in his surroundings, did not take bribes. His cleanliness explains the fact that the rising oligarchic structures only welcomed his removal.

Minor and medium proprietors were not able, or didn't want, to support President Ter-Petrosyan as they were not politically organized. Besides, they hoped that the new government would protect their interests better. Thus, the widespread opinions of many political analysts about the reasons behind Ter-Petrosyan's resignation are apparently incomplete. They refer, on one hand, to his unwillingness to govern after rigged elections, and, on the other hand, to his “soft” (if not “defeatist”) position towards the Karabakh conflict settlement. Economic, financial and business factors in his removal are usually not discussed. It was the financial-economic restructuring of the government that played a great role in Robert Kocharyan's rise to power. The latter, in his turn, brought to an end the construction of the oligarchic system by 2003, the second term of his rule.

### **Failure of the Second Generation Reforms. The Flourishing of Oligarchy.**

As should have been expected, the end of the war and continued blockade, as well as various domestic developments led to the arrival and strengthening in the government of Armenia of former state and military leaders from Nagorno Karabakh, who had dealt with huge financial streams during the war. Most promi-

nent among these were ex-president Robert Kocharyan (1998–2008) and the current president Serzh Sargsyan (since 2008) who used to be the minister of home affairs and national security, as well as the minister of defense of Armenia.

Kocharyan's personal business interests became apparent quickly and he started to take an active part in the economic and financial processes in the country through his men. During Kocharyan's rule, the second generation economic reforms (such as favorable conditions for small and medium businesses) were first slowed down, and then essentially blocked. However, the economy grew due to the effect of the first generation reforms despite the fact that they had been carried out with several mistakes.

Armenia started to demonstrate double-digit GDP growth and a rapid pace of economic revitalization. Kocharyan's propaganda machine even called Armenia a “Caucasian tiger”. However, there were other parallel processes going on: big enterprises were privatized and dissected very cheaply, and the government started to take part in the privatization and large-scale commercial transactions. The details of these processes were described in a series of articles entitled “Robbers of Armenia”, published in the Russian electronic press in 2010. More than three years have passed since the publication of these articles (they stated in particular that Kocharyan's personal property is worth 4 billion US dollars, and Sargsyan's property is comparable to it) but their content has not been contested in any court. None of those mentioned in “Robbers of Armenia” has demanded that the publication be retracted, and no one mentioned in the series has ever sued in court to protect their honor and dignity.

During Kocharyan's rule, a peculiar tax appeared that benefitted him in his position as president. In the middle of the second term of Kocharyan's rule in 2005–2006 some groupings connected with import operations took the lead. Afterwards, as described in “Robbers of Armenia”, the present Prime Minister Tigran Sargsyan, then head of the National Bank of Armenia, made an agreement with the importers, evidently with Kocharyan's approval. According to the articles, the essence of the agreement was to make the Central Bank raise the dram rate artificially relative to the bi-currency basket of dollar-euro.

The artificial rise in the dram rate and, correspondingly, reduction of dollar and euro rates took root in Armenia. Several pro-government experts, who could not avoid commenting, called this the “Dutch disease” of the Armenian economy, the cause of which was not the inflow of petrodollars but... construction. According to the official statistics, construction activities were

responsible for the main part of the growth of Armenia's GDP in the mid-2000s. It became the locomotive of Armenia's economic growth.

Indeed, the capital accumulated due to the discrepancy in currency rates was reinvested in the sphere of construction, as that is where the highest level of profit was registered (about 100%, even more in the centre of Yerevan). Independent experts tried to draw the government's attention to the disproportion of investment policies, pointing to the necessity of diversification of investments and to the low quality growth of the country's GDP. Only the economic crisis of 2009 confirmed their anxiety. The consequence of it was the lowering (though by no means drastic) of real estate prices and especially the skyrocketing amount of unfinished construction.

Construction in the center of Yerevan, the most lucrative area, led to the demolition of historical buildings, illegal resettlement of the population and buying-up very cheaply the land belonging to them. The government used the Law on Eminent Domain to make many people homeless. Thirty five cases of these people are currently with the European Court of Human Rights (ECtHR). The ECtHR declared a violation of the applicants' rights in fifteen out of the fifteen cases submitted and reviewed, with various reimbursements ordered. Only two cases have been refused a hearing by the Court. The other cases are still in the process of review. The construction continues without taking into consideration the opinion of the society and of independent ecologists and architects, violating the existing standards and town-planning norms. This stimulated the rise of public movements for the protection of Yerevan and, more widely, the strengthening of the ecological movements.

Considering that housing constructed in 2000–2012 is still unutilized, often unfinished, and the prices are mostly frozen towards the expensive end, there is reason to suppose that the capital invested in the construction came from the black or gray economy, and the entire project is about money-laundering.

The artificial raise of the dram rate and the drop of the dollar and euro rates helped the importers who, by means of converting their income from the local currency to cheap dollars/euros, made much more profit exploiting the difference in the real worth of the commodity versus its worth as determined by the rate set by the Central Bank. This difference resulted in a sharp increase in the importers' income and a sharp decrease of exporters' income: the latter fell into a difficult situation after the collapse of the USSR, for the export from Armenia dropped to a very low level after economic relations with other parts of the USSR had been broken. This was a strong blow for Armenian commod-

ity producers who had just started to expand the possibilities of export.

Among such importers we can emphasize the name of Samvel Aleksanyan, the biggest importer of food products, who has been in the center of public attention during the last year: he has privatized the building of the Covered Market, a part of Yerevan's architectural heritage, and is building a modern mall on its basis, destroying and modifying the existing building despite public outrage.

The scheme discussed above started to bring more profit, besides other reasons, due to the increased number of transfers by Armenian guest workers to their families (no less than 2 billion dollars a year). The greater part of these transfers were, and still are, spent on public utilities, food, mostly imported, and essential goods. Some experts think that the high rate of the dram is explained by the above mentioned factor. However, considering that the Armenian economy is politically "skewed", i.e. importer oligarchs are supported by the government, export is monopolized, and the local manufacturer is controlled, transfers themselves would be insufficient to provide for such a high rate of dram.

Eventually the dram rate gradually dropped, besides other reasons, because of the financial-economic crisis of 2009 (GDP fell approximately 15%). As many Armenian experts suppose, today's dram rate is also artificially increased regarding the dollar-euro. This rate is a compromise between the importers supporting Sargsyan and the exporters of non-ferrous metals (mostly copper and molybdenum). That kind of export started to develop (or recover after the collapse of the USSR) during the last 10 years and has raised a great anxiety among the society as the development of the mining industry has harsh ecological consequences. According to several sources, the mining industry is mainly backed by the interest groups close to ex-president Kocharyan. In addition, the manufacturers of alcohol and tobacco products, included in President Sargsyan's pool, are also interested in keeping the "compromise" dram rate.

The manipulations with the dram rate demonstrate the dependence of the economic and financial systems on the highest echelons of the state who therefore should be considered the main oligarchs of Armenia.

The strengthening of Sargsyan's positions in the mid-2000s and eventual arrival to the presidential post in 2008 can be explained by several factors. The first is his close alliance with his predecessor. In addition, in contrast to other oligarchic groupings, Sargsyan and the members of his clan made massive investments into politics and media. This resulted in a situation where, during the first half of President Sargsyan's first term in power, the financially independent media in the country

practically disappeared. As the opposition states, 90% of Armenian mass-media are controlled by the president's son-in-law, Mikayel Minasyan. The control is carried out, among other means, through the monopoly in the market of advertising. Perhaps the number is exaggerated. The rest of media is financially dependent on, and controlled by, other financial-economic groupings, as well as by the political opposition, those these are relatively small outlets. Despite the rapid development of the internet media, the population still receives most of its information from the traditional media: more than 90% of the population watch the main "public" TV channel, fully controlled by the government: H1.

In these conditions, the attention of the "independent" media (outlets whose ownership is not clear to the public) focuses on MP and oligarch Gagik Tsarukyan, who is also the president of the National Olympic Committee and the leader of the Prosperous Armenia Party (PAP). The "independent" media presents him as the main oligarch of Armenia and also as a member of the opposition, in order to divert the public's attention from the understanding that the true oligarchs are the most high-ranking officials of the country.

It is obvious that Tsarukyan has always been Kocharyan's biggest business partner. His business interests are mainly in gas stations, the agrarian sector, food, alcohol, as well as construction materials. Besides, Tsarukyan is an exporter. He, of course, made most of his capital under Kocharyan's patronage and during his rule. It is also worth mentioning that he owns a comparatively large-scale businesses outside the country, in several former Soviet countries, in Eastern Europe and in the Middle East. According to the series of articles "Robbers of Armenia", his wealth is equal to one billion dollars.

A question arises: are there indeed any contradictions between Tsarukyan and the ruling elite and, if any, what are they about?

In our view, these contradictions are the following:

- Today's ruling elite in Armenia, headed by S. Sargsyan and T. Sargsyan, represents and promotes the interests of the comprador capital, while G. Tsarukyan promotes those of the national capital.
- Tsarukyan and his partners in the PAP represent, as a whole, capital uncontrolled or relatively uncontrolled by the government. The natural desire of the latter is to take total control over that capital; the natural desire of its owner is to secure it and reduce the government's influence as much as possible.

In this respect, Tsarukyan's real political goals might be the following:

- either to bring to power some political force which will protect the interests of the exporters and the representatives of the national capital,

- or to change "the rules of the game" so that political and economic changes will occur in the country that will make it possible to protect successfully the interests of the exporters and the representatives of the national capital.

Since Tsarukyan's goals and interests are different from those of the administration in power, it is not surprising that the "independent" media should present the former as the main oligarch and the main evil in the country. However, we should not forget that de facto and officially Tsarukyan and the PA party headed by him have ceased to be members of the government in recent years, namely after the parliamentary elections of May 2012. It is quite another matter that being bound to his large capital, Tsarukyan cannot afford the role of a radical oppositionist. Thanks to all these factors, the real oligarchs, those who have high positions in the government, are hidden from the eyes of the public, particularly due to their quite masterful use of modern information and PR-technologies.

### A Way Out?

The government of Armenia supports the comprador capital and the importers with a persistency that could serve better aims, and its financial-economic policies are under the influence of oligarchic groupings occupying high positions in the "power party" system. This is not a unique case: many developed countries with highly effective market economies have gone through the era of oligarchic capitalism.

In the political-economic discourse of Armenia at the moment, there is only one program the realization of which might bring Armenia out of the vicious circle of the oligarchic economy. The program is called "100 steps" and it was presented by ex-Prime Minister H. Bagratyan and his companions from the Armenian National Congress (In 2012 Bagratyan left the party but remained in its parliamentary fraction) in 2010. Paradoxical as it may seem, this social justice-oriented program is developed by the very technocrat who implemented the painful reforms of the first generation. Apparently, he would like to have a chance to "correct mistakes". The program has received positive reviews by some international experts. It proposes relocation of the tax burden from the small and medium businesses to the large ones; application of a simplified tax equally among all economic operators; a progressive scale and a highly progressive scale for extra-high income; tax on elite construction; prevention of capital freezing in construction; prohibition of tax prepayments; tax deferrals for innovation businesses; public decision-making on natural resources; taxing of large landowners; higher taxes on large property; progressive taxes on inheritances; taxing the export of capital, and other measures.

For a drastic change in the situation, politics should change in the first place. Today's presidential administration of S. Sargsyan and the government of T. Sargsyan have no desire to carry out any reforms aimed at regulating the situation with the oligarchy. Moreover, they do not even try to hide this. After the presidential elections of February 2013, when according to official data Raffi Hovhannisyán won a large number of votes, the representatives of the government made rhetorical announcements about defining a new policy. But after receiving the "mandate" from the people at the City Council and mayoral elections of May 2013, they actually declared that the changes would be minimal and cosmetic. Of course, there were some vague promises about the change in the system of government after January 2014. Armenia is likely to sign the Association Agreement with the EU by then, if the process goes as planned.

The unwillingness to change the policy and the structure of the government can be explained also by the decision to finish the negotiations on the Association Agreement by the team that started them. However, the government's low quality action plan presented to the Parliament does not give much hope that the government has a strategy or a wish to make any changes related to the endemic problems of Armenia: oligarchy, emigration and poverty. Whether the reforms promised to the EU on paper can take these problems seriously or not, considering also the local distrust towards the government, will be clear very soon. But the hope is weak.

Armenia needs a series of reforms with or without the conclusion of the Association Agreement. Below are some directions to which, we think, attention should be drawn:

- adoption of a serious package of changes in relation to the Law on Civil Service, which will contribute to the separation of business from the government. Similar legal and clearly regulated acts exist in the

legislation of many EU member countries. Official Yerevan should make use of the rich legal experience of European countries, adopting transparency laws fit for the conditions of Armenia.

- adoption of a package of anti-corruption laws. It is surprising that Armenia, unlike, say, its neighbor Georgia, actually lacks any serious anti-corruption legislation. The new anti-corruption policy of Armenia, positively evaluated by the Organization of Economic Cooperation and Development (OECD)<sup>1</sup>, suggests including a series of anti-corruption elements in the general governance reform instead of having a separate legislative package on anti-corruption. We find this insufficient. Despite the new symbolic changes in the new Law on Civil Service, high-rank officials, functionaries, law enforcement officers, and MPs are allowed almost everything. The government and the community have no control over them, their accounts and their property. The same holds for the members of their families. The semi-governmental Ethics Commission, which was announced as an important achievement by the OECD, during the year of its existence demonstrated its ineffectiveness, as could have been expected.
- adoption of serious amendments to the anti-monopoly legislation that would accelerate competition in all spheres of the economy. The legislation against natural monopolies should be strengthened. The reforms should be accompanied by real actions to guarantee support to SMEs.
- adoption of serious amendments to election legislation, namely on the post-election publication of the voted people's lists, as well as a temporary move to fully party-list proportional representation elections since the majoritarian system is used by the oligarchy.

*Translated from the Armenian by Tatevik Mkhitarian*

#### *About the Author*

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<sup>1</sup> <http://www.oecd.org/corruption/acn/48964985.pdf>