

REFORM IN ARMENIA
Assessing Progress and Opportunities for U.S. Policy

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Chairman Hastings, Co-Chairman Wicker and Members of the Commission,

Thank you for the opportunity to join this distinguished panel to discuss Armenia's democratic transformation and steps the United States and other international partners can take to work with the government in Yerevan, along with Armenian citizens and the Armenian diaspora, to strengthen rule of law and transparency in Armenia.

As you may be aware, the German Marshall Fund of the United States and our Black Sea Trust based in Bucharest continue to support democracy, civil society and free media in Armenia and across Eastern Europe. GMF working with international partners has stepped up our efforts following the Velvet Revolution to support Armenians working towards genuine democratic reform, human rights and rule of law.

In an era where we have seen democratic backsliding occurring in too many countries across Eastern Europe, Armenia stands out as a nation bucking this disturbing trend, despite enormous economic, political, security and geostrategic challenges. Those challenges are particularly acute when you consider closed borders, Armenia's delicate balancing act between Russia and the West, and what had up until recently been weak democratic progress since independence in 1991. I know the Commission has followed Armenia's progress closely from the referendum in 1991 that led to independence from the Soviet Union to the dramatic events that led to the Velvet Revolution in 2018.

Armenia has undergone a truly historic transformation following its Velvet Revolution in the Spring of 2018, led by civic activists and now Prime Minister Pashinyan, that has ushered in an unparalleled environment for democratic and judicial reforms that had been stymied by previous governments. Parliamentary elections last December where the My Step Alliance, which includes Prime Minister Pashinyan's Civil Contract Party, won over 70% of the votes have created unprecedented conditions for the Armenian government to act on the Velvet Revolution demands.

Notwithstanding this remarkable transformation, Armenia's reforms are incomplete, and the country faces some serious challenges. The United States has an important role to play in helping Armenia face these challenges and carry out transformative democratic reforms. Helping Armenia succeed is also important to overall U.S. and European efforts to advance democracy and combat kleptocracy across Europe and Eurasia.

Armenia's revolution, which no one could have predicted -- is an opportunity for Armenians to break free of entrenched corruption that has held back this nation politically and economically. This is one reason why it is incredibly important for partners of Armenia, including the United States, the U.S. Helsinki Commission and Congress, to support Armenia's transformation, including by providing necessary assistance and resources, and working with the Armenian people and government. U.S. policy toward Armenia should also include a strategy that greatly enhances Armenia's independence and expands its political, economic, security, and energy options.

Chairman Hastings and Commissioners, your leadership in this effort is critical and two-fold. First, your leadership is needed to ensure that legislation and assistance for Armenia currently making its way through Congress is passed and assistance is funded appropriately. If we support a deeper bilateral relationship with Armenia it should come with more robust diplomatic engagement and overall assistance. Second, it is essential that you continue to press the Armenian government, in Washington and through OSCE efforts in Armenia, to carry out expeditiously judicial, rule of law and anti-corruption reforms that it has prioritized and to take additional steps to improve human rights, gender equality and security reforms. Armenia's democracy reforms are a work in progress today and the Helsinki Commissions sustained attention, encouragement and engagement is exactly the support needed to spur progress.

I want to take a step back to look at Armenia's reform progress and challenges. This past February, the new government led by Prime Minister Pashinyan announced an ambitious five-year plan of the government focused on economy, trade, security, and other top priorities including democracy, rule of law and transparency.

The government's plan, which is to be commended, focuses on the "key importance of democracy, development of democratic institutions, rule of law, and equality before the law for all, the existence of an independent judiciary, and introduction of an effective mechanism of checks and balances. The plan also focused on accountability and transparency of the government, public rejection of corruption, and corruption-free society."

I will touch briefly on judicial and electoral reform that are critical to continued democratic and economic progress in Armenia.

Judicial Reform

Armenia's judiciary still lacks independence, despite several high-profile arrests of former officials demonstrating the government's commitment to the issue. This factors into the ability of the government to effectively carryout democratic reforms, combat corruption, and create an economy that is attractive and transparent to domestic and international investors. Prime Minister Pashinyan has said the lack of judicial independence was the "number one threat to the country."

The leadership of the Armenian judiciary includes holdovers from previous governments that were not committed to an independent judiciary upholding the rule of law. This is a pattern in countries that seek rule of law reforms but are blocked by judiciaries. For example, this is a problem in Moldova and Ukraine where the judiciaries represent the priorities and thinking of previous governments and entrenched economic and political interests.

While judicial and rule of law reform is moving forward, the pace of reforms is still not as advanced as many thought it would be under the Pashinyan government. That is not to say that action is not taking place. For example, the draft anti-corruption plan laid out by the government includes “three main directions including prevention of corruption, the exposing of corruption crimes, and anticorruption education and awareness.”

This month we are seeing progress, including the government’s recent announcement by Armenian Justice Minister Badasyan, on the provision of greater detail on rule of law, judicial, and constitutional reforms. Minister Badasyan has spoken specially about to e-justice tools to expand access to justice throughout the country and reforms in Armenia’s prosecution system and investigative bodies.

The Venice Commission responded positively last week to the Armenian governments judicial reform package. The Commission said that the proposals are “in line with European standards and contribute to combatting corruption without encroaching on the independence of the judiciary.” The Commission stressed, however, that the offer of early retirement to some justices of the Constitutional Court made in a draft law is not objectionable only if it remains strictly voluntary and if it does not hinder the effective functioning of the Constitutional Court.

Elections and Electoral Reform

Prior to the local and national elections in 2018, Armenians elections were not seen as free, fair, or transparent. There were deep concerns about the misuse of administrative resources, the independence and professionalism of the Central Election Commission, undue influence on opposition parties, and lack of independent media.

The 2018 elections, including local and national elections, were an improvement on the status quo. The Organization for Security and Co-operation in Europe (OSCE) found that “the general absence of electoral malfeasance, including of vote-buying and pressure on voters, allowed for genuine competition.” The Pashinyan government has adopted legislation that would criminalize vote buying.

Internal and External Challenges

Although there has been progress there are several internal and external challenges that impact the progress of Yerevan’s democratic reforms. Despite the deep desire of the public, Prime Minister Pashinyan, and his government, transforming a country like Armenia that was scored as a semi-consolidated authoritarian regime by Freedom House’s Nation in Transit in 2018, is a monumental task under the best of circumstances.

The government infrastructure, administration, and judiciary left in place for the new government, along with security and economic challenges, makes true reform an uphill battle for the Armenian government. The Prime Minister tried to compel changes to a Judiciary in the spring with limited effect. Many Armenians are concerned the Judiciary is not independent or up to the task of democratic and rule of law transformation in Armenia, but affecting change is difficult.

The entrenched political elite that controlled Armenia's legislative and executive branches may be gone but resistance to changing a corrupt system remains. Partners of Armenia should understand that reform, and its implementation, will take time.

Beyond domestic challenges, Russia is a key external factor in Yerevan's reform efforts. Moscow continues to play a significant role in Armenia and pulls strings in key sectors. What complicates this relationship is that Pashinyan and Putin are on opposite sides of the spectrum on democracy and combating corruption and rule of law.

Despite substantive differences on democracy between the two leaders Moscow refrained from interfering in the 2018 antigovernment demonstrations or the subsequent power transfer, which is one reason that Pashinyan pledged to maintain close ties with Russia. But Moscow can ratchet up pressure and instability through different mediums if Putin believes his interests are threatened. Armenia has a deep relationship with Russia, which has many economic, energy, and security sources of leverage.

PM Pashinyan has been careful to maintain good relations with Russia and desire for greater engagement with the West. In a recent Pashinyan post on Facebook following a meeting of the Eurasian Economic Union, he hosted in Yerevan, he posted that: "Armenia-Russia relations are on a reliable and positive track."

China is an emerging external actor that could impact Armenia reform efforts present and future. Beijing has a growing political, economic, and technological relationship with Armenia. Positive relations with China have become a top foreign policy priority for Yerevan. In turn, China has expanded its diplomatic and soft power footprint in Yerevan, including a face to face meeting between Pashinyan and Chinese President Xi Jinping in May focused on Belt and Road and development cooperation.

United States-Armenia Bilateral Relations

The United States continues to be an important partner for Armenia. This connection has taken on added significance recently after twenty-eight years of support, given the new government's focus on democracy, rule of law, and countering corruption. The bilateral relationship is deeper than it has been in years. However, there is opportunity for greater U.S.-Armenia cooperation.

The Pashinyan government's democratic reform efforts align closely with the values of the United States, European Union and other Western partners in supporting rule of law, human rights, and a transparent market-oriented economy. U.S. and EU officials have been quick to point out important reform progress carried out by the Armenian government. The European Union, through the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA), matches Washington in assistance support for democracy reforms, economic growth, and other issues.

The increased focus and appreciation of new political dynamics in Armenia have led to changes in the bilateral relationship. The U.S. has signaled an increased willingness through the U.S.-Armenia Strategic Dialogue (USASD) to discuss "cooperation on strategic reforms and

promoting shared democratic values and deepening cooperation across all areas of the bilateral relationship.”

Having served as a co-chair of the U.S.-Armenia Task Force in 2016 I can see an expanded, current level of engagement between the United States and Armenia. The U.S. government clearly now has a whole of U.S. government approach and a widening of areas of potential cooperation compared to previous U.S.-Armenia bilateral dialogues. For example, two important USAID projects, focused on economic growth and good governance, totaling \$16 million dollars, were signed during the USASD in May 2019. This represents and supports increased cooperation of the United States with Armenians. The good governance program is funded with \$6 million dedicated for its first year of funding in 2019.

Beyond the USASD, however, the United States should continue to strengthen diplomatic and assistance coordination and make every effort to find opportunities for high-level engagement. The level of requested funding from the administration over the last several years, including \$6.8 million in Fiscal Year 2018 and \$6 million in Fiscal Year 2019 is not enough and sends the wrong message about the U.S. commitment to Armenia and its reform.

The role of Congress as mentioned earlier in my testimony remains essential to strengthening the bilateral relations between the United States and Armenia. I agree with bipartisan calls from the Hill to strengthen and upgrade the strategic partnership with Yerevan and the Armenian people. This could include increasing funding levels, encouraging high level engagement between U.S.-Armenian leaders, advancing additional avenues of support, for example through the Millennium Challenge Corporation and the new U.S. Development Finance Corporation, and ensuring the sustainability of resources over multiple years.

Congress has repeatedly filled the gap ensuring that assistance levels remains appropriate. According to the Congressional Research Service, the U.S. Embassy in Armenia stated that FY2018 assistance would amount to more than \$26 million – despite the Administration’s initial request of only \$6.8 million. Going forward, Congress has had to step in to ensure that funding levels remain sufficient.

Congress should also work with the State Department and USAID and other partners to expand U.S. support for civil society and independent media in Armenia. It is critical that both independent media and civil society remain robust to hold accountable the Armenian government as it moves forward on reforms, especially related to anti-corruption and rule of law efforts. In turn, it is critical that the Armenian government respond appropriately when civil society is attacked. The U.S. can help to support these principles.

Conclusion

There is an historic opportunity for Armenia to transform and become a deeper, more democratic partner for the United States and the West. The United States and Europe have a strong interest in supporting Armenia’s democratic and rule of law reforms. The Armenian government has made important strides, but it needs time and support, both domestic and international, to root out the vestiges of an old, corrupt system that benefited a few at the expense of many.

Thank you again for the opportunity to testify at the U.S. Helsinki Commission. I look forward to answering your questions.