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## DOMESTIC POLITICAL SITUATION IN ARMENIA AND PROSPECTS OF DEVELOPMENT

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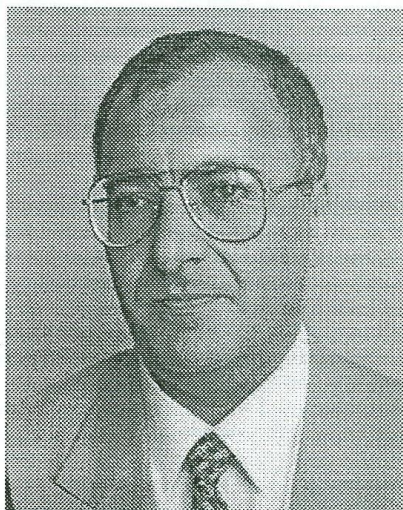
*Chairman of the Standing Committee on  
State and Legal Issues of the National Assembly  
of the Republic of Armenia*

Had I spoken on the domestic political situation two years ago my presentation might have been closer to the subject and more circumstantial. I would have listed the political parties with their approaches, I would have criticized them at length and pointed out their role in the nation building. Today I adhere to a slightly different point of view since it is quite a challenge for me nowadays to try and differentiate between domestic and foreign politics, the lines that are drawn here are a mere convention. I do not believe in decent foreign policy while domestic policies are at a mess and vice versa. At least such a discrepancy can not last long. A foreign policy that does not get seriously involved with, say, legislative issues, is hard to conceive. There are virtually no laws today that have no foreign policy reverberations and do not affect the international standing of a nation and its investment prospects.

A purely domestic issue such as the elections also has a tremendous impact on foreign policies. It is equally impossible to conduct domestic policies without taking into account the foreign policy.

Drawing a clear line between purely political versus economic issues is also problematic today. I maintain that modern politicians are not reserved the right to do so and may not claim their status unless they at least have a grasp on the economy at a macro level. Imagining that pure politics may be isolated from economic policies defies reason. I think that the recent elections have provided ample proof for the point, their

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results and the ensuing tension have a great deal to do, among other things, with the economic policies implemented throughout the preceding year. I attach great importance to the wavering of the middle class prior to the elections due essentially to the poor resolution of an economic issue - the assurance of free competition. This had lead the middle class, the entrepreneurs and the like to alter their orientation.

Thus an economic factor outgrew into political confrontation or instability. Therefore everything is relative and any such division is bound to be of conventional nature.

I should like to add here that it is virtually impossible to try and assess the domestic political situation in complete impartiality. My assessment will most probably be rather subjective - based on certain premises. I can't help here but outline the premises that my assessment of current situation departs from.

This is asking for some background. We have first to determine what are the fundamental issues from the perspective of state policies of Armenia. These are of course numerous. I would conventionally set aside three that I ascribe paramount importance to. They are: the development of Armenia, its security and Karabagh.

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This way or other it is hard to define which of these issues supersedes over the others. Possibly the issue of Karabagh outweighs others by its solemnness. But to proceed further in our judgements we must identify the core, the axis that could become the key to the resolution of other issues. I think that the development of Armenia is probably the axial issue among these. It would be quite problematic to discuss Armenia's security or the resolution to the Karabagh issue without ensuring development first.

Nevertheless development in itself is not yet the whole deal. The rate of such development is a decisive factor. The latter shall lend us the necessary political weight as well as the material basis for resolving the issues of security and Karabagh. We shall at least get a break to resolve them. I do not claim that it would be sufficient, but development and its rate are crucial for the eventual resolution of the mentioned issues.

I am against isolating these issues and, let's say, assigning priority to the Karabagh issue on the expense of development issues. This would be a methodological error with possible dire political consequences. Therefore such isolation is impermissible with the core issue remaining that of the development.

I have to revert to simplification again and point out a core matter in the development issue as well. I am a politi-

cised person and therefore this might seem strange but I still maintain that ensuring the economic growth of the country is a key factor in its development. A system must be put in place that would ensure the necessary economic growth rate. I shall dwell later on how the issue of ensuring economic growth transforms into a major political domestic factor.

I shall outline the principal conditions and factors contributing to economic growth, the way I see them. The

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first is the political openness of the system. In other words our rate of integration with the rest of the so-called civilized world. To be more specific this constitutes our bias towards the WTO. This is the perhaps the clearest landmark on our way to integration, the parameter with which to gauge our progress in this direction. This would signify our entry into the domain of open trade, the establishment of open trade relations with over a hundred members of that organization.

The second issue that we face is that of ensuring the freedom of domestic competition. A lengthier paraphrase would be - establishing equity before the law and ensuring the human rights. Economic development is impossible

without these two preconditions. How can this be proven?

It would be safe to say that recent studies and especially the World Bank data accumulated over decades empirically prove both points. Especially with relation to countries that lack raw resources. Although, if you ask me, these two conditions that determine economic growth may also be considered proven for countries with substantial raw material resources.

I would also describe the second issue as democracy, since that is what equity before the law and ensuring human rights means. According to some studies the world is divided into four categories. There are countries in pre-industrial stage of development, where the national income per capita is about 300 USD. If this indicator exceeds 5,000 USD, the country may be conventionally considered a developed one and there are also countries in-between, where the situation is volatile. These are classified as countries on their way to industrialization.

The developed countries number 24, 20 out of this number are unequivocally democratic countries. The remaining may be described as undemocratic, three of these are oil exporters, one is Singapore. Whereas among countries still in the pre-industrial stage there is not a single democratic state. According to estimates, about half of the

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**Eduard Egoryan** was born on November 5, 1953 in Yerevan. In 1970 graduated from the physics/mathematics college in Yerevan. Graduated from the Department of Physics, Yerevan State University, in 1975. Between 1975-79 pursued post-graduate studies in Moscow at the Steklov Institute of Mathematics of the Academy of Sciences of the USSR. Defended a thesis of a candidate of sciences in 1979. Between 1979-90 worked at the Institute of Physics, promoted to lead researcher in 1989.

In 1988 at the onset of the popular Karabagh movement was elected a member of the Karabagh Committee of the Yerevan Institute of Physics, later became the chairman of the Institute's ANM organisation and later still a member of the republican Board of the ANM.

In 1990 was elected to the Supreme Council of the Republic of Armenia to be followed by election as the Chairman of the Standing Committee on the Establishment of Independent Statehood and on the Issues of National Policy of the Supreme Council of the Republic of Armenia. Has been a member of the Constitutional Committee of the Supreme Council.

Has authored the initial drafts of the Declaration [of Independence] and the Constitution of the Republic of Armenia.

In 1995 was elected to the National Assembly of the Republic of Armenia. Currently is the Chairman of the Standing Committee on State and Legal Issues of the National Assembly of the Republic of Armenia.

Mr. Egoryan is married and has two children.



intermediate countries are democratic, while the other half is not. Ergo democracy accompanies economic growth and vice versa, which is quite natural. There would be no development otherwise.

What is the secret? It is impossible to ensure the freedom of competition without democracy. The authorities, whatever they may be, can not ensure the freedom of competition if they are not aware of the need to solicit popular approval in order to stay in office within another four or five years. Democracy provides the kind of oversight that ensures the exercise of human rights. Democratic elections make the authorities respect the rights of constituents, ensure free competition among entities, pursue anti trust policies etc.

The legislative framework is one of the components of democracy that I am involved with. But even if we imagine that a legislation conforming with the criteria of European law is already in place, its implementation mechanisms will not deliver unless we secure the utmost transparency of exercising the election rights. In this respect it is crucial for the further development of the domestic political scene to have an exceptionally transparent election code. The election results, even if they are accurate, but were obtained with a lack of transparency, shall raise constant complaints and provide grounds for instability. A question may arise here as to whether I have personally done my best to ensure the transparency of the legislation currently in effect. Perhaps not, I have to admit. Not only by virtue of underestimating the importance of it, but also because one learns to appreciate the relevance of certain things only through hands-on experience. This is the only practical way. I cannot maintain now the same approaches I had three years ago, since it is impossible for life not to develop them, for us not to draw conclusions from past experience, thus adjusting our approaches.

How do we ensure democracy? Is it limited solely to a multiparty system? I claim that it is insufficient. Unfortunately today, as a legacy of our past life, we have substantial problems of intra-partisan democracy on our hands. It can be said that in order to arrive at a multiparty system we have essentially repli-

cated the former communist party. Sadly we, the political elite, have more often than not viewed the parties as tools of the political elite, called to disseminate their bright ideas among the population. Whereas the parties in a contemporary democracy are rather reserved an opposite role. They should provide the feedback to the authorities on the situation, the status of the people. Today all parties are parties of leaders, but, as opposed to foreign ones, that are also parties of leaders, here they cater to channeling the ideas of the leaders down to the masses and not vice versa. Let our parties forgive me if I am wrong, but I think this refers to all of them.

Even provided we have many parties, provided they adhere to internal democracy and are normal, civilized parties, their sheer number shall not ensure the operation of democratic mechanisms. The people can not have

**“Democracy accompanies economic growth and vice versa.”**

the opportunity to choose between a dozen or two parties. I do not think there is a single nation in this world capable of making a right choice from among a dozen parties. In this respect I attach great importance to the establishment of, roughly speaking, a bi or tri-partisan system. In other words, to the emergence of unions and blocs. The general development goes along this way, but the legislation is also important here, especially the election code, that should encourage the formation of such blocs. Our legislation has attempted at attaining this, inasmuch as I and my Committee were concerned. A similar attempt was made in 1995 and it was included in the law, resulting in the formation of the union that year, which was a positive development. The biggest secret of the 1995 elections was the fact that one wing came up with a union whereas the other did not. Whereas the election law stated approximately the following: whoever receives the most votes gets in. The significance of this being that a second round was almost ruled out. This in turn meant that those who merged received a great advantage.

Parties had to unite in advance to get a competitive edge.

With respect to the presidential elections I positively appraise the emergence of the second union. I maintain that it will serve as a basis for serious progress in the nation's political life. Irrespective of whether we like it or not, whether the ideology of that other union appeals to as or not, it signifies tremendous headway on the road to democracy. The people essentially have been given the right to choose. This, I think, compensates for the emergence of instability. Of course the availability of choice brings along a certain degree of instability. Still, if we manage to to resolve our issues without reverting to revolution or repression, let us cherish this new opportunity, this venue open to all parties to engage in politics, this will greatly encourage development in the future.

I also view as one of our accomplishments the fact that both blocs (provided we consider both of them already established) are basically right-wing. I maintain that the countries where each one of both blocs (most of the countries essentially have a two-bloc composition) is right-wing enjoy the most opportunities for development. If conventionally there are a social-democratic and a right-wing orientations in operation in Europe, and two right-wings in the USA (at least the democratic party is more right wing than the social-democrats), we in Armenia, if caution is exercised, dispose of serious possibilities for the existence of two right wings. Of course it is possible that one of these possesses a leftist tinge. This is convenient inasmuch as upon the change of power, with certain divergences, approximately the same line shall be maintained, ensuring continuous upward development. A solitary right wing is exceptionally dangerous. Two are better, since a single one means there's no alternative, no choice. In which case the rule of law and the protection of human rights are excluded. Therefore we have to cherish this accomplishment. I have to remind here that one of my proposals involved the calling of pre-term elections to the National Assembly, granting our blocs a

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new opportunity to compete, to provide for the maturing of a two-bloc system. I considered this quite an acceptable compromise in order to avoid the extremes, to ensure the establishment of our democracy and our further development without extremities and concussions. This should answer the best interests of our country.

It is quite problematic to predict the future developments. The existence of forces that do not adhere to either of the wings is very important. The emergence of such mentality, establishment of such a bloc that would resolve issues by way of compromise is welcome. And, which is more important, we should have elections in the near future that would be utterly transparent and would thus set the standards therefrom. As to what elections that could specifically be, I think is of minor relevance. What matters is the incontrovertible establishment of the respective mentality, which shall provide for the establishment of democracy.

I dwelled on democracy in great length since it essentially offers the only possibility for ensuring economic growth. I emphasize this because if two years ago the political elite was unanimous and the issues were simple - Karabagh and the like, now we face far more complicated issues, and naturally the same kind of unanimity in the approaches can not carry on. There are differences in opinion on the rate of establishment of democracy and on other issues. I think that this rate is of utmost importance. I often ascribe our initial success in Karabagh to the fact that in the main direction, whether it is the formation of institutions: the ministry of foreign affairs, the armed forces, or the parliament we were ahead of our neighbors, which allowed us to put up a more organized front. That is priority, the rate of change is extremely important in determining success, in getting somewhat ahead of the neighbors.

Lastly, I would like to offer the following analogy. The success of bolshevism was perhaps inevitable in this region at the turn of the century. We then opposed the establishment of bolshevism, of Soviet Russian domination here. In some sense it was psychologically proper that we opposed it, since the incoming system was alien to the people. Nevertheless I maintain that at that time it would have been more expedient to surrender, so to say, somewhat earlier. We would have gained more that way. The delay resulted in territorial loss for us. Nowadays it looks that the prevailing wind in the region is closer to the heart of our people, the wind of democracy. In this matter, I think, it is permissible to give up earlier, not to miss the train one more time. If we do not embark on this road fast and on time I fear that we won't enjoy economic growth or development, and, quite possibly, shall suffer territorial losses.

## QUESTIONS AND ANSWERS

*Q. What is your share of responsibility as a political figure in the current domestic political crisis?*

A. What are the criteria to gauge it? It is hard to measure.

*Q. What is your attitude towards the accession of Armenia to the Russo-Belorussian union.*

A. I recall the period of introducing the dram, when there were substantial debates whether it was worth introducing our own currency into circulation. The popular sentiment then was that Russia was willing to disburse funds to everyone, to underwrite a common rouble zone whereas the republics, and our authorities in particular, for some reason are unwilling to cooperate. I remember that there was an understanding that we ratify the agreement and the government goes to Moscow, and we introduce our currency only upon the failure of immediate acceptance. We were told upfront then - if you want good advice, go back and introduce your own currency, it has a more proper political significance.

I think that the merger of Belorussia and Russia will not give the former a single rouble. It will simply deprive it from the possibility to act independently. Maybe this is not as bad for Belorussia, since I think that it does not look like the Belorussian authorities have any desire to act independently. Now that a democratic system is getting rooted in Russia, when the government is for the reforms, perhaps it won't do any harm for the Belorussians to join in, that would perhaps encourage their own reforms. But Belorussia will lag behind in the reforms, will develop as a province. Russia

will never (this is where it will be decided who becomes the Russian president) send over its retirement or any other funds to Belorussia. I think it will be about the same arrangement as it was last time. Maybe this is a good opportunity for the current government to ensure the necessary political stability in Russia, thus containing the openly nationalistic sentiments that prevail in the country and in the Duma. This will allow them to push them back in this issue for a while and to proceed with the reforms. The current Russian government shall be seriously advancing the country on the road towards reforms, and the rest shall remain derivative. I think that Russia shall become a factor in case the reforms unfold fast enough. Russia is bound to succeed in this, whereas the issues associated with Belorussia joining it are not serious. Within two or three months when Belorussia does not receive the funds it expected, the situation shall change drastically.

I think that Armenia need not engage in such games, it should rather pursue its own onward development. If we are not going to develop, can not mobilize ourselves to take Armenia ahead, then it might be better to tail Russia. It is better to be a province of a reformist state than a sovereign undemocratic non-developing country. I still think that we are in a position to create a rapidly developing, flexible country. At least we have an opportunity for it and should take advantage of it.

*Q. The opposition is predicting a hot, Belgrade-style spring in Armenia. What will be the outcome of such direct confrontation?*

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A. In case it happens, direct confrontation shall lead to disaster. We must work to avoid direct confrontation.

*Q. You frequently speak about the need for finding a formula for national accord. President Ter-Petrosian has attempted to meet with the representatives of the ARF bureau. What is the key to such accord, is it solely the pre-term parliamentary elections, or are there other possibilities?*

A. This is a most direct and drastic mechanism, there are also others. I think the president has met not only with the representatives of ARF, but also of others, in particular he invited the NSDU and the NDU to similar meetings. There were also other possibilities. For example an opposition figure could be nominated Prime Minister, I do not think this problem is out of this world. Frankly speaking I am not informed whether the president has come up with such proposals during those meetings, I know he has pursued solutions. Of course this is not the only possible solution.

I think that we need the National Assembly, except as a compromise solution, as a professional entity and as soon as possible. With the parliament as we have it, which is also a product of a compromise (taking into the account the situation with the parties, that are less of organisations acting independently) it has become very difficult, if not impossible, to conduct precise, coherent fiscal and economic policies.

A professional parliament is of course not the ideal solution, but it at least be more helpful in combatting the monopolization or the clan takeover that I have already referred to. There is no denying that professional MPs are also to some extent susceptible to lobbying, but indirect lobbying is one thing, and direct lobbying is another.

*Q. What is your last word on the establishment of economic courts in Armenia?*

A. I am against the introduction of such courts. Europe has dropped that practice in the XVII and XIX centuries. Economic disputes are civil disputes. There is going to be a uniform law, we shall have a Civil Code and it makes no sense to create a court that shall litigate pursuant to one part of that Code and yet another for the remaining part. Material relations are regulated by the Civil Code and the judges administering civil litigation should effortlessly resolve economic disputes. An economic dispute is essentially the same civil dispute with some specific features arising from the differences between legal and natural persons. If the matter of the dispute is the same, what is the sense in establishing one court for legal persons and another for natural persons.

While at this I want to mention that I also oppose the military courts and military prosecution. The ministry of defense disposes of all means to maintain law and order in the army and it needs absolutely no dedicated courts or prosecution. We should allow civil courts and prosecution to take those cases and establish civil oversight in the armed forces. In that case the people will be reassured of the existence of civil oversight in the army, which shall in turn contribute to the strength of the army. I support a uniform, rational judicial system.

*Q. At least 52% of the population in Yerevan has voted against present authorities. Do you have regrets over the development of the current mechanism of appointment of marzpets?*

A. Perhaps some other system will be introduced as time goes by. Why do I maintain that the present system of appointment of marzpets is right? What is its significance that is currently perverted and is in fact left without implementation? The purpose is in reducing the number of ministries to not more than fifteen. These have to involve themselves with regulation, policy-making and the definition of normative instruments. The marzpets are essentially to be on-site cabinet members. If the executive functions of the state are exercised on location through the ministries in Yerevan, it is hopeless for the people to try and access these ministries. Greater efficiency could have been attained by moving the persons with purely executive functions, the ministers, into the locations. They were called to be the local ministers. If this does not deliver now, the office of the marzpet is mostly stripped of its significance. If this fight goes along the same lines, if the marzpets struggle to take over power from others, if an attempt is made to assign them the functions of local self-administrations rather than those of governance, if we spend a couple of more years on that struggle, maybe this institute is senseless after all.

As for the City of Yerevan, if the people go through one or two sportsmanly elections, this will become a national tradition, and I think the elections to the National Assembly, of the president, not to mention of the local self-administration bodies would be sufficient. It does not make much sense to revert to too many elections. It would be misleading to hope that if we can elect an inadequate National Assembly, we may all of a sudden elect a decent mayor. If we are going to hold good elections and elect a good president and a good National Assembly, then we can leave the resolution of the remaining issues to their discretion. This is true especially with respect to Yerevan, where we have 80% of our industrial potential. Otherwise we'd have better elected a mayor rather than a president, and assigned the former also the administration of rural areas.

*Q. Don't you detect a certain danger in accelerating the democratic processes, in view of the fact that the self-regulatory mechanisms in the society are apparently still nascent?*

A. I think that the danger is exaggerated. I shall illustrate with an example from the energy sector. Already in 1920-93 it was clear as to what structural transformations were necessary, but everyone was scared - are we ready for it? We embarked on the reforms and we're halfway through, but the results are already apparent. Who is to prepare the ground? Democracy and liberty themselves prepare the people. There will be no *deus ex machina* to prepare the people, and then hand them the keys to a democratic state. We will have problems, we should overcome them and the sooner, the better.

*Q. Is membership in the EU essential for democracy in Armenia or not? If it is, can it become a controversy between the two blocs and affect domestic politics?*

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A. Becoming a member of the EU is in line with the policies that I have referred to earlier. The landmark is the WTO, to be followed by the EU and so forth. This is the road to integration, that shall essentially provide us with an opportunity to develop. I do not think that accession to the European Council should give rise to any problems. In order to be accepted into the EC one must further accelerate the democratic processes. It is a different issue that there will always be forces that shall stall or advocate delays. This is determined by specific interests: the darker it is, the easier, the more light there is, the harder to take advantage of certain things.

*Q. All of our former Prime Ministers remain involved in politics to this or that degree. How do you see the political future of former Prime Minister Hrant Bagratian?*



A. Political future? Frankly speaking I haven't given it a thought. Hrant Bagratian is now the advisor of the IMF on Russia and Ukraine. I meet him frequently and I have a high opinion of him. I consider that he has done a great job and managed to maintain the line. Of course it is difficult, people do not always correctly understand those who maintain the line, sometimes one has to be tough on the expense of one's credit. Bagratian has done a great deal in maintaining the general line of reforms. I would say that in some sense we are going through a moment of stagnation now, there is no clear-cut fiscal and monetary policy. Bagratian had more or less managed to combine on a macro level the banking policies with the fiscal policies of the state. I do not claim that it was ideal, but a principle, a consistency was preserved. I would say that it was to some extent a loss for us.

*Q. Is not the parliamentary system more applicable for Armenia than the presidential one?*

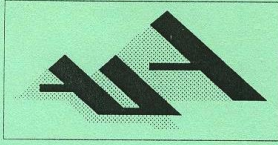
A. To be frank I think that it is a collateral issue. It is very important that two or three really modern political parties or blocs establish themselves and transparent elections take place, after which the people would be assured that there are no more problems. This really outweighs the importance of what kind of representation we have elected or how have we distributed the powers among them. Here's where we have to look for a solution. After all both systems deliver in a democratic country and none of them works in a non-democratic state.

*Q. How do we attain democracy in a country where the authorities are maximally penetrated by the clans, and the prodigious bureaucracy is concerned solely with its petty interests?*

A. I do not think we should overdramatise the situation. If we look at history all countries halfway through industrialization have shared these problems, almost none has managed to avoid them. There are countries that have overcome them and moved on, and countries where the transition period has led to an increase in the income discrepancy, resulting in a socially explosive situation. There are two alternatives in this case, one is to overcome this and carry on with the industrialization, the other is a socialist revolution. This is when Marxism emerged, claiming that capitalism eventually culminates in socialism. Of course a lesser number of countries reverts to revolution as opposed to natural evolution. I think that our reason will suffice to overcome the challenge.

<b>FRIDAY, MAY 9</b>			<b>THE SPEAKER</b>
<b>MR. VAHRAM AVANESYAN</b>			
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հանձնաժողովի նախագահ

## Էդուարդ Եգորյանը

ներկայացնում է

«Հայաստանի ներքին  
քաղաքական իրավիճակը և  
զարգացման հեռանկարը»

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Ժամը 18:00

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Փոքր դահլիճ, 5-րդ հարկ

Մուտքն ազատ է

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