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WAR, BUSINESS & POLITICS

Informal Networks and Formal Institutions in Armenia
WAR, BUSINESS AND POLITICS: INFORMAL NETWORKS AND FORMAL INSTITUTIONS IN ARMENIA

Alexander Iskandaryan, Hrant Mikaelian and Sergey Minasyan

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The volume presents the results of a study of formal and informal groups and mechanisms within Armenia's political, economic and military elites, aiming to reveal trends in formal institution-building and the changing role of informality in Armenia's power system since its independence from the USSR. The study relies on data from over 50 interviews with elite actors, backed up by archive materials, media stories, and expert opinions. A separate case study looks at the emergence and evolution of the Armenian army.

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CONTENTS

Introduction ............................................................................................................................................................................... 5
Methodology ...........................................................................................................................................................................15
Political Elites in Armenia: A Change of Generations ...........................................................31
   The Ideological Groups in the Armenian Elite ..................................................................................31
   Continuity and Discontinuity in Post-Soviet Armenian Elite ......................................................42
   Armenia’s Informal Economy and Economic Elites .....................................................................60
   Clientelism and Institutional Sustainability in Armenia .............................................................74
Military Reform in Armenia: From Network to Corporation ....................................................99
   The Armenian Army: The Initial Stage of Development .........................................................99
   Informality in the Armenian Military ............................................................................................111
   Institutionalisation of the Armed Forces of Armenia ..............................................................118
Conclusion ............................................................................................................................................................................ 129
List of Tables ....................................................................................................................................................................... 141
List of Figures .................................................................................................................................................................... 142
About the Caucasus Institute ..................................................................................................................143
INTRODUCTION

THE CONCEPT OF INFORMALITY IN POLITICAL SCIENCE

All major political scientists have included informality in their theories, albeit without setting it apart as a separate field of study. In *Economy and Society*, Max Weber proposes the concept of patrimonialism (Weber 1978). In describing three types of legitimacy — legal-rational, traditional and charismatic — Weber argued that patrimonialism characterizes the traditional type of legitimacy. Patrimonialism implies the use of political and economic power for private purposes and to build mutually beneficial relationships within the elite. United around a leader whose power has legitimacy of the traditional type, the ruling elite, according to Weber, consists of either traditional ‘mates’ or ‘subjects’ who have personal loyalty to the leader. At the very top of this elite, we expect to find the ruler’s family members, direct dependents, such as clients, vassals or favorites, and possibly some independent officials who have personal loyalty to the ruler.

A wave of decolonization and establishment of new states in the 1960s created a need for new insights into informality within other social sciences as well as political science. In 1968, *World Politics* published a paper by Günther Roth called “Personal Rulership, Patrimonialism, and Empire-building in the New States” (Roth 1968); five years later, Keith Hart wrote a paper on informal practices in the economy of Ghana (Hart 1973). Both studies examined data from newly established and developing countries where informality manifests more vividly.

Roth believed that patrimonialism is not necessarily endemic to archaic forms of political regimes. According to Roth, some pre-modern forms of social organization can survive to modern times even though the traditional legitimacy on which they rely gradually disintegrates. The development of Weber’s ideas by Roth and, subsequently, by Robin Theobald (Theobald 1982) and their adaptation to modern conditions has become known as neo-patrimonialism.
Interest in informality among political scientists grew significantly in the 1990s when it became clear that the politics of developing countries could not be fully understood using existing scholarly concepts. A new approach was summarized in a working paper by Helmke and Levitsky called “Informal Institutions and Comparative Politics: a Research Agenda” (2003).

In the areas of social, ethnic and cultural studies, informal practices and informalities have long been scrutinized on a case-by-case basis, chiefly at the micro level. Now, however, informality is being treated as an important concept in political science and other social sciences, including economics, management and urban studies. It has also become the object of multidisciplinary research and is currently one of the main concepts used to study elites and group interactions, especially in middle- to low-income countries and newly independent countries. The concept of informality is closely linked to the problem of institutional sustainability.

Formal institutions are governed by rules set down in forms such as laws, regulations, constitutions, and agreements. However, written regulations do not guarantee the efficiency of an institution and are not, as a rule, the only basis for its functioning (Carey 2000). In a study of the origins and effects of institutions, Knight views institutions as the formalization of informal orders and norms (Knight 1992). Informal institutions are thus viewed as cultural phenomena. Economic historian Douglass North considered informal institutions to be the products of informal rules that form part of the cultural code. In contrast to formal rules, North considers informal rules to be much more inert, although subject to change under the influence of formal rules (North 1990).

In political science, informality has become a framework concept tied to other key concepts, such as patronage, clientelism and fuzzy legality. The power of informal institutions is in inverse proportion to the extent of democratic consolidation. In many cases, authoritarian, especially totalitarian states, try to suppress informality. In modern societies, informal institutions become particularly powerful and widespread in hybrid regimes or those characterized by electoral authoritarianism (Stokes, Dunning, Nazareno and Brusco 2013).

Transition economies and hybrid political regimes do not, as a rule, have sufficient institutional capacity to practice rule of law consistently, especially when the individuals in question belong to the first generation of the political and economic elite. The weakness of formal institutions leads to the phenomenon of fuzzy legality; Margit Cohn described six types of fuzzy legality that are all, in one form or another, present in newly established and developing states (Cohn 2001).
Informality in the Former Soviet Space as an Object of Study

Alongside the type of political regime, poverty and economic depression are strong predictors of the emergence and development of informal institutions. The size of the informal sector and the spread of corruption are inversely proportional to the welfare of a country (Schneider, Buehn and Montenegro 2010). Poor countries are caught in a vicious circle: lacking funds for reforms, they cannot improve formal institutions and combat corruption, and they cannot grow richer until they combat corruption. Many scholars also study informality in politics and economics as a survival strategy.

INFORMALITY IN THE FORMER SOVIET SPACE AS AN OBJECT OF STUDY

The study of elites, institutions and interactions between individuals now has the post-Soviet world in its sight. Post-Soviet and broader post-communist informal institutions provide useful data informing the concept of informality. However, the number of studies describing informality, particularly in post-communist countries, is limited, perhaps with the exception of studies on Bulgaria (Ganev 2007), Ukraine (Polese 2008; Polese 2009) and Russia (Gel’man 2012). In his work on informal institutions in Russia, Vladimir Gel’man emphasizes ‘subversive institutions’ that can overlap with or partially take over the functions of modern democratic institutions, thereby undermining the rule of law in the country. Gel’man sees the essence of this phenomenon as a neo-patrimonial core of formal institutions that has a decisive subversive effect on their functioning, to the extent of making them do the opposite of what they are intended to do. Gel’man notes that neo-patrimonialism in Russia is partly the result of Soviet legacy and partly of decision-makers intentionally abusing the weakness of institutions. Given the strong institutional links between Russia and Armenia within the USSR and the specificities of informal governance in the Soviet south compared to the center, Gel’man’s concepts apply to Armenia with reservations.

A volume analyzing informal institutions in the post-communist world was published in 2013. Called Informality in Eastern Europe: Structures, Political Cultures and Social Practices (Giordano and Hayoz 2013), this volume includes

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1 Based on our calculations, there is a correlation of -0.66 between the size of the informal economy for 162 countries (assessed in 2007 by Friedrich Schneider, Andreas Buehn and Claudio Montenegro) and their GDP per capita (according to the World Bank’s World Development Indicators).
papers that provide new theoretical insights into informality based on factual material from various post-communist societies in Central and Eastern Europe and the South Caucasus region.

INFORMALITY AND GOVERNANCE INSTITUTIONS IN ARMENIA

Informality, tightly linked to corruption, found itself in the sights of politicians and scholars during the global recession of 2008, when shortages of resources made reforms a matter of survival for many post-Soviet countries. Every one of these countries reacted differently.

In Armenia, following independence and again during the global recession, the institutional environment underwent significant changes. Of all external players, the European Union has played a significant part in the way Armenia went about reforming its governance institutions, especially during the 2010-2013 period of negotiations over a potential association agreement with the EU.

The implementation of new legal standards and technical regulations has been, from the very start, an integral part of state building in Armenia, simply because the political and economic system of Soviet Armenia disintegrated so quickly that no significant foundation remained on which to build a new polity and economy.¹ Armenian statehood was built from scratch, so most of its formal and informal governance institutions developed after independence. Armenia, therefore, represents an interesting case study of informality. At the formal level, Armenian authorities have prioritized the fight against corruption and clientelism for over two decades; however, since the institutions in charge of fighting corruption and clientelism are also permeated with informality, and are therefore subversive, the efficiency of this fight is in question.

From a longer-term perspective, the gradually unfolding reforms have not upset the foundations of the political regime and have not eradicated fuzzy legality, merely localizing it in some areas. By narrowing the possible areas for

¹ As of 1988, of all Soviet republics, Armenia had the strongest dependence on exports and imports within the USSR (i.e. amongst Soviet republics), a fact that caused its economy to collapse in the early 1990s following the disintegration of the USSR and economic blockade (State Statistical Committee 1990, 233-281). The new economic elites were built from scratch, as was the army, with the start of war immediately after independence. Armenia’s political elites were also recruited from a new pool, since the Nagorno-Karabakh movement in the late 1980s led to the ousting of Soviet elites from power.
existing research on informality and elites in armenia

Relatively little has been published about the emergence and operation of Armenia's formal and informal elites. As in other post-Soviet states, the study of Armenia in political science is new, and although it has grown in the last decades, it insufficiently covers the range of areas and topics. To date, the study of informality among the elites of independent Armenia leaves much room for the application of modern theoretical concepts, the collection of new empirical data, and overall increases in both scope and depth. Ironically, narratives about political and economic elites and informal practices are central to the Armenian media and public discourses, but as often happens, journalists and policy analysts gravitate toward simplistic perceptions of the work behind political and economic decisions and interactions. The circulation of fact-based and theoretically sound visions first and foremost within the scholarly community would also inform a more realistic public perception of the elites and of politics in general.

The first study in the field was conducted in the mid-1990s by Mariam Margaryan, who published several papers on the topic, including The Political leader in elite relations (1997), Governance system of Armenia: Institutional order and main challenges (2001), Political Choice and Problems of Democratic Transition in the Republic of Armenia (2006). An essay entitled Political Elite: Socio-Political, Ethical and Publicist Reflections was published by Mikael Minasyan (2005).

Starting in the mid-2000s, the Caucasus Institute (CI) began researching informality and elites in Armenia. Some of this research was published in an English-language collection, Identities, Ideologies and Institutions: A Decade of Insight into the Caucasus (Iskandaryan 2012), including a paper by Ludmilla Harutyunyan, “No-War-No-Peace Society and the Prospects for a Peaceful Resolution of Nagorno-Karabakh Conflict” (Harutyunyan 2012) and Suren
Zolyan’s “Armenia in 2008: Feudal Democracy or Democratic Feudalism” (Zolyan 2011). The CI’s Alexander Iskandaryan also authored an overview of Armenia’s political regime and elites, “Armenia between Autocracy and Polyarchy” (Iskandaryan 2011).

In 2013, the Academic Swiss Caucasus Net (ASCN) began to support research on informality and political elites in Armenia. In 2014, AREG, an Armenian youth association, published an ASCN-supported study called *The Political Elite of Post-Independence Armenia: Characteristics and Patterns of Formation* that collected rich quantitative data on the formal elites and institutions of Armenia (AREG 2014). Starting in 2013, the CI and the ASCN joined forces in contributing to the understanding of informality in Armenia, leading to the production of this volume.

**ABOUT THIS VOLUME**

The present volume is the result of a study of power networks and informal institutions in Armenia conducted in 2013-2016 by the CI with support from the ASCN; this study covers the interval from the beginning of the Karabakh Movement in 1988 to the years in which the data were collected, 2013-2015. The overall objective of this study is the collection and analysis of data on informality in the social and political life of Armenia. The specific goal of this study is to identify the structure and operation of power networks and informal institutions in Armenia and the way these networks and institutions both influence and are influenced by the change of elite generations.

This study fills significant gaps in factual data while placing these data in a theoretical paradigm. It identifies and categorizes the types of patron-client networks existing in post-Soviet Armenia, and it applies the concepts of fuzzy legality, subversive institutions, clientelism and neo-patrimonialism to Armenia’s changing political environment.

The research questions explore the ways in which informality affects state building, democratization, rule of law, political stability and the operation and reform of Armenia’s formal governance institutions. A separate research question concerns the extent to which informality in Armenia is a manifestation of neo-patrimonialism, because the centuries-long absence of independent statehood begs the question whether political power in Armenia even has quasi-traditional legitimacy. It is therefore one of the goals of this study to understand whether
informality in Armenia is a manifestation of neo-patrimonialism stemming from limited rationality and the quasi-traditional legitimacy of power or is perhaps a side effect of building institutions while surviving in a stressful environment of constant economic and political shocks.

For the purposes of effective information gathering, we have anonymized most of our field data, protecting the privacy of the persons involved in the creation and operation of informal institutions who agreed to talk to us. This enabled us to gather detailed information on the functioning of informal networks and institutions in Armenia and to draw conclusions concerning general trends and characteristics.

With the change of elite generations and individual leaders, coalitions and networks also changed, as did formal and informal institutions. There is a clear need to understand these changes and the underlying causes. The present study contributes to the understanding of the functioning of the political elite and of the informal power mechanisms that affect decision-making in Armenia and, on a larger scale, in post-Soviet, post-communist and other transition societies. While informality in Armenia has many unique features, it also shares many characteristics and trends with other post-communist and hybrid regimes.

The main research hypothesis is that every generation of the Armenian elite has used its own strategies to build and maintain a clientele and elaborated different mechanisms of co-optation into informal networks and formal governance bodies. Every generation evolved its own practices concerning the operation of formal institutions and their interaction with informal institutions. Soviet practices also left a trace, including the cultural legacies and personal experiences of some leaders. Regarding the experiences and practices of the leadership of independent Armenia, they overlapped and evolved as the generations changed, leading to today’s mosaic layout.

CASE STUDIES

This study consists of two separate but interconnected case studies. The first has a broad focus on various manifestations of informality among the political elites under the working title Political Elites in Armenia: a Change of Generations. The other case study is narrower, focused on a specific, albeit very important sector – the army – under the working title Military Reform in Armenia: from Network to Corporation. The choice of focus for the second case study stemmed from the
conditions under which Armenia developed following its independence. An armed conflict broke out at the very start of independence and became a full-scale war in 1992-1994; Armenia still has not signed a peace treaty with neighboring Azerbaijan, and the 1994 ceasefire is regularly violated by cross-border shelling and clashes leading to loss of life. Under such conditions, the military plays a special role in the emergence and functioning of elites and institutions and thus deserves separate scrutiny.

The first case study aims to describe the operation of informal power networks in Armenia over the various generations of the political elite. Its goals are to identify the elite structures that emerged with Armenia’s independence, the influence that informal networks and practices had on governance, the ways in which this influence changed with each new elite generation, and the effects that efforts to formalize the elite and its institutions have had on client-patron networks in Armenia. Though focused on the political elite, this case study also aimed to identify any linkages between informality in politics and in the economy given the strong relationship between politics and economics in Armenia, which often makes it difficult to distinguish between political and economic actors. This study proves, among other things, that many influence networks in Armenia are manifest primarily in the economic sphere, with political involvement being secondary to economic interests.

The second case study aims to understand how informal ex-combatant networks operate within the Armenian military elite and engage in economic life and how military reform affected these networks and their involvement in political and economic activity. The specific goals of the case study were to analyze the impact of domestic political change on the military environment and, consequently, the influence of politics on the army as a whole, as well as the influence of external factors on military reform in Armenia. The external factors assessed in this study include the Nagorno-Karabakh conflict, the arms race with Azerbaijan, and military cooperation with NATO and Russia.

It is logical to expect informal practices to differ at the national and regional levels and to consider a set of special characteristics for Nagorno-Karabakh. These differences were taken into account in both case studies. However, a deeper understanding of the operations of formal and informal regional elites will require a new dedicated study of a much broader scope given the strong differences across Armenian regions.
References


Polese, Abel. 2008. “If I receive it, it is a gift; if demand it, then it is a bribe.” Anthropology in Action, 5(3): 47-60.


METHODOLOGY

The same methodology was used in both case studies to gather, categorize and analyze data on political and military elite actors. It included the following steps:

- making a list of prominent political and military actors from which to choose respondents/targets of the study;
- collecting background information on the actors from media and official websites;
- prioritizing actors based on the open-source information and making a final list;
- conducting in-depth interviews with the respondents to gather detailed data and test our hypotheses;
- conducting expert interviews to systematize data and fill gaps;
- collating and processing data gathered from all three types of sources (open sources, in-depth interviews, expert interviews).

When collecting official and personal biographical data, we prioritized the most influential elite actors. We were particularly interested in the actors’ professional biographies, starting from the moment the individual had been co-opted into the elite, but we also recorded their activities before Armenia’s independence, their social status and their educational backgrounds. One of our goals was to identify differences across the regions of Armenia.

Key data were obtained from in-depth interviews with current and former elite actors, while expert interviews chiefly served to fill gaps resulting from factors such as the lack of access to some actors or the actors’ reluctance to divulge data on their professional and personal ties.

Data analysis consisted of collating biographical and sociological data and applying theoretical approaches to the study of informality now prevailing in social sciences.
LISTS OF ELITE ACTORS: SELECTION CRITERIA

In the first stage, we defined the scope of the study. To define the scope of biographical and personal data to be collected, we made a list of 200 elite actors (current and past prominent figures in politics and the army). We studied their biographies and prioritized some of them for the purposes of the study. After analyzing these 200 biographies using open source data (media and official websites), we finalized two lists that included 93 political actors and 37 military actors. Ten actors were included on both lists; there were thus 120 actors on both lists.

*Figure 1. Overlap between political and military actors

The lists included the following political elite actors:

- all acting and former presidents, prime ministers and speakers of parliament over the last 25 years;
- ministers of foreign affairs, defense, economy, territorial administration, energy, education and justice; the heads of the police and the Central Bank; the mayors of the capital city of Yerevan; the heads of the presidential staff; and leaders and speakers of major political parties/blocs;
- some deputies of the officials listed above (e.g., deputy prime ministers, deputy ministers, deputy mayors) and some prominent MPs and heads of government agencies.
We analyzed the biographies of the elite actors on our list in order to test the main hypothesis of the study, which can be loosely phrased as follows: the elites of Armenia went through several stages (we also called these ‘generations’), with each stage characterized by its own co-optation method, distinct style of building formal and informal institutions, and decision-making procedure. The *modus operandi* typical for each successive stage affected operations at the next stage, so the process of generation change thus involved the accumulation of experience, starting from the very first generation of politicians that came to power in Armenia during the post-Soviet transition. Given the nature of this transition, the first generation had neither experience in public administration nor elite relationships. The few actors that held senior positions in Soviet Armenia and made it into the post-Soviet elite had little use for their previous experience, since the new environment of independent Armenia required a different skill set.

The following criteria were used to prioritize the political actors included on the original list:

- the number of years of belonging to the elite;
- the amount of economic/financial capital;
- two or more senior political positions held successively by the same actor;
- the number of years of staying in the same senior position;
- having dropped out of the elite;
- having dropped out of the elite and made a comeback.

With the exception of the last two, the list includes criteria that reflect the power/authority of an actor within Armenia’s elite system. The last two criteria were used to establish a baseline for qualities and skills needed to survive within the elite environment at a particular stage of development. While the success stories of prominent long-serving officials allowed us to collect the bulk of the data, the reasons some people dropped out helped us elicit the boundaries of this group and understand the rules of the game. Dropout was sometimes caused by poor performance in a particular job; in other cases, it reflected the weakening of the patron-client network that had co-opted that particular official. Some players left as a result of informal undercurrent changes, such as the dismissal or weakening of an actor’s patron, and some as a result of formal shifts of power following elections, such as a political party losing seats in parliament or stepping out of a coalition.

Based on the selection criteria, our list included the most influential players in Armenia’s recent history. To these, we added a number of less influential and
less senior figures for the sake of collecting baseline data and investigating the boundaries, as described above. Despite all our efforts, it is likely that we failed to include some individuals who may have played key roles in informal power systems, simply because we were unable to accurately estimate the informal influence of a particular agency at a particular moment.

We continually revised the lists of political and military elite actors. Some actors who had no direct ties to politics or public administration, e.g., major business operators, were on the original lists. However, we later eliminated them, as we realized that at the current stage of Armenian political life, involvement in business can become a multiplier of political influence but cannot fully replace it. In other words, one needs to be involved in politics in order to have weight in politics. Business activity alone, however large-scale, does not suffice. This may be why many Armenian business operators pursued seats in legislative bodies or jobs in the executive branch at the turn of the century. This tendency still exists, but it is decreasing.

We used similar principles to populate the list of military elite actors for the second case study, *Military Reform in Armenia: From Network to Corporation*. We began by compiling a list of military leaders and prominent combatants; indeed, most of the actors on the list are current or past military commanders. However, since the Armenian army was built in the 1990s from the grassroots, from the bottom up, it was essential to identify the crucial actors in the first stage when the army was just emerging. Moreover, we needed to account for the effect of the conflict over Nagorno-Karabakh and the emergence of local military elites. Whereas it is possible draw a line, most of the time, between the politics of Armenia and Nagorno-Karabakh, even though the two often overlap, doing the same for the armies is a much more challenging task. The two armies are strongly interconnected. Another aspect to bear in mind is the economic and political activity of combatants and military, a phenomenon that expands the framework of the study of military elites to the wider context of the role played by the army and individual military players in the society and politics of Armenia and Nagorno-Karabakh.

This study of networking within the military elite and the biographies of military actors was expected to answer the following research questions:

- How and to what extent did military reform affect the role played by informal combatant networks within the Armenian military elite;
- What was the influence of the military, at various stages, on the society outside the army system, particularly on political and economic life;
• To what extent was military reform in Armenia caused by domestic political changes, and how well does it ensure the non-involvement of the army in domestic politics, including organizing coups d’état or extending its support to political groups and actors;
• How is military reform in Armenia affected by the regional and international environment, including the ongoing conflict over Nagorno-Karabakh, the arms race with Azerbaijan, and cooperation with NATO and the CSTO.

The hypothesis of this study is that ongoing military reform in Armenia is leading to the creation of a formally institutionalized military corporation that replaces and ousts the informal or semi-formal veteran networks that had been so influential immediately after the 1992-1994 war. The veterans of that war who continued to serve in the army are following the same trend, gradually leaving the informal networks and becoming integrated into the professional military institution.

Based on the hypothesis, we used the following criteria to populate the list of military elite actors:
• Having held senior military office in Armenia at any point in time;
• Having taken part in the establishment of the Armenian army as an institution in the early 1990s and later;
• Having served in the command of the army of Nagorno-Karabakh;
• Being a former combatant in the Nagorno-Karabakh war who became a prominent actor in the politics or economics of Armenia.

The involvement of Karabakh war veterans in Armenian politics at senior levels, and their success as major business operators indicates the ways in which being a war veteran affects one’s career prospects, in terms of both social capital and the weight of veteran patron-client network. Right after the war, this weight was sufficient for veterans to become widely involved in public administration and political decision-making regardless of their professional experience or individual capacities.
BIOGRAPHICAL DATA: CONTENT AND SOURCES

Based on the list of elite actors, we created a database into which we entered data on each actor and then filtered it in order to identify links and build interaction graphs. Three types of data were entered into the database.

Table 1. Data entered into the database of political elite actors

<table>
<thead>
<tr>
<th>Type of data</th>
<th>Items</th>
</tr>
</thead>
</table>
| Biographical | • Name, surname  
• Date of birth  
• Birthplace  
• Education (school, university, post-graduate) and army service, in the format “years of study – place of study – educational institution – department”)  
• Profession (by education)  
• Marital status  
• Other data (including data marked ‘low reliability’) |
| Professional | • Career before 1988  
• 1988-1991  
• 1992-1994  
• 1994-2000  
• 2000-2007  
• 2008-2013 |
| Additional   | • Highest post held  
• Current job  
• Accessibility for interviewing  
• Status of interviewing |

Using these types of data, we assemble an analytical table. Analytical data were used to categorize political actors, and for sorting and filtering data on individual actors. The following items were included on the list of analytical data:

- Career, by origin;
- Career, by advancement;
- Year entering politics or administration;
- Year leaving politics or administration;
- Reason for leaving politics or administration;
- Comeback to politics (if any);
- Number of years in power;
Biographical Data: Content and Sources

- Original sphere of activity;
- Secondary sphere of activity;
- Education in the same sphere as career (if any);
- Place of birth (grouped);
- Involvement in public administration in the USSR;
- Business activity.

For the second case study, we also built a database of military actors including the same types of data gathered for politicians (biographical, professional and additional). To the actors’ educational background, we added military education, including short-term military training and enrollment in military academies. We replaced the political career timelines with military service timelines, dividing them into three intervals: before 1992, 1992-2000 and after 2000. We also added a section describing participation in the Karabakh war.

The list of analytical data on military leaders is shorter than that for political actors. It included the following categories:
- Military career, by origin;
- Current status of military career;
- Year of enrollment into military service;
- Year of discharge from military service;
- Experience in the USSR military;
- Volunteer experience;
- Participation in the Karabakh war;
- Business activity;
- Political activity.

Biographical data were chiefly collected from open sources, including the official biographies of political and military actors. In the course of research, we found open sources to be detailed and reliable, and we were able to base many conclusions on the data gleaned from them, including some indirect conclusions. Since Armenian law stipulates the publication of biographical data on prominent officials, we found most of the information we needed on the websites of state agencies and in official publications.

To fill gaps in official publications and answer questions that arose in connection with them, we used news media publications that are available online and in the archives of the media outlets. Some data collected from these sources are insufficiently or completely unverified, especially those obtained
from the yellow press. We marked these data as ‘unreliable’ and crosschecked them against other sources.

While researching media publications, we found interviews with the military and political actors on our list or with people close to them. We considered such sources reliable and used them to supplement our data. We also used data from collections of materials, such as “Movement 1988” (Gasparyan 2013), the “Directory of Soviet Officials” (Republican Organizations 1987; National Organizations 1989), and an online directory, “World leaders” (Chiefs of State... 2015).

The final and most important source of data was fieldwork that included interviews with the actors on our list and with experts.

SOCIOLOGICAL RESEARCH: ACCESS TO THE FIELD

We assembled three questionnaires, one each for military actors, political actors and experts. The interviews with actors were semi-structured, with the order of questions changing over the course of the interview. For the expert interviews, we used the questionnaire as a set of guidelines for the time intervals. We also created a list of unreliable data from various sources that we double-checked with the experts.

The final list of political actors included current and former members of the political elite, some of whom had died or moved abroad. Of the 93 actors on the list, 7 were deceased and 7 were not currently in Armenia (most were ambassadors stationed abroad, and one was a fugitive). Of the remaining 79, our researchers were able to contact 39, 20 of whom were interviewed. We also interviewed several political actors who were not on our list but could provide information that we needed.

As a result, we interviewed 25% of the accessible politicians on our list. Of our interviewees, 5 were former prime ministers – exactly one-half of all living Armenian prime ministers. We also interviewed former ministers of foreign affairs, national security, economics, education, and defense.

Altogether, the fieldwork with politicians was successful, allowing us to collect sufficient first-hand data. We did experience some setbacks, the largest of which was our failure to interview any of the large business operators involved in politics, a group often described by the Armenian media as the oligarchs. We were able to contact some of them, but none agreed to an interview. Another
smaller setback was the poor availability of active politicians, especially the current leaders of Armenia. However, we were still able to interview several of them. We observed that the longer an actor had been retired from politics, the greater our chances to obtain an interview. We hypothesize that this pattern was affected by the status of the politician and generational differences in Armenia’s elite.

The scarce first-hand data on major businesspeople and current political leaders had to be supplemented by data from open sources and expert interviews. Since the published biographical data on the current elite generation is most abundant and most detailed, this largely compensated for the insufficiency of first-hand information.

For the second case study, access to interviewees was simplified by the openness of Armenia’s defense ministry, which agreed to cooperate and helped us gain access to the country’s former and current military leadership. Of the 37 military elite actors on our list, 3 had died by the beginning of the study, and one was living abroad. Of the remaining 34, we interviewed 12 (35%), a good result given the nature of the group. Our interviewees came from various groups of combatants and military leaders, allowing us to collect consistent data without significant gaps.

Military interviewees included three current and former defense ministers from Armenia and Nagorno-Karabakh, two deputy defense ministers, a number of senior officers (generals and above), and well-known wartime commanders from Armenia and Nagorno-Karabakh.

Altogether, we conducted 34 interviews with political and military elite players from Armenia and Nagorno-Karabakh, of which 18 were included only on the political elite list, 2 were on both lists, 10 were only on the military elite list and four were not on any list.

We did not use any personal data after finishing transcription and analysis, and we did not include it in the analytical report, since collecting individual data was not a goal of this study. We used these data to identify trends in the emergence and evolution of the elites, but we did not store them in order to protect personal data.

We also conducted 19 interviews with experts, with the goal of filling gaps in the data on actors to whom we did not have access and in the data obtained during interviews. We were also able to double-check our hypotheses and preliminary conclusions with the experts. The experts on our list were chiefly journalists who have been writing about domestic politics, military issues and economic
activity over the last fifteen years or longer; we also included political scientists, economists and former politicians. Due to the Caucasus Institute’s strong ties with the media and experts, this part of the study was the most efficient and took the least time.

CATEGORIZATION OF THE ARMENIAN MILITARY AND POLITICAL ELITE

The data collected by the team was used to categorize the Armenian elites into the nine groups described in the table below. The categories were used for attribution during analysis of the data and for identification of the ties between individuals and groups within the elite. We also determined the characteristics of each category, for example, the number of years the group was involved in politics.

The 93 political elite actors in our list were categorized based on the ways in which they had been co-opted into the elite and progressed to the top of the bureaucratic ladder.

The categorization requires some explanation. A functional categorization would have been more consistent; it would have yielded seven groups, merging revolutionaries with dissidents and professionals with technocrats.

We used the nine categories because we were interested in career strategies, which varied within functional categories. The biographies of revolutionaries are quite distinct from those of dissidents, as will be detailed in subsequent chapters. The difference between professionals and technocrats is that professionals were recruited from outside the public service directly into senior positions based on their education and work experience, whereas technocrats started from the lowest levels of the hierarchy and worked their way to the top. It is important to reflect this difference in the categorization in order to provide a realistic estimate of vertical mobility in the Armenian elite.

We applied the nine categories in a two-stage process, first categorizing each actor by the co-optation process that brought them into the administration and second by their subsequent career within the administration. This allowed us to follow elite dynamics over time and to separate the qualities needed to enter politics from those necessary to remain in politics. Three of the nine categories, revolutionaries, dissidents and professionals, only apply to the co-optation stage, whereas the other six apply to either the co-optation or the career building stages.
Categorization of the Armenian Military and Political Elite

Table 2. Categories of the Armenian political elite

<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dissidents</td>
<td>Persons who had, prior to entering Armenian politics, been engaged in undercover political activities against the Soviet regime before early 1987. This category includes persons who were jailed on political charges before that date</td>
</tr>
<tr>
<td>Combatants</td>
<td>Actors who had been involved in Nagorno-Karabakh’s secession from Azerbaijan, had been military commanders in Armenia or Nagorno-Karabakh or leaders of volunteer fighter groups before entering Armenian politics at some point</td>
</tr>
<tr>
<td>Revolutionaries</td>
<td>Politicians who had also been players in the 1988-1990 movement that led to the independence of Armenia, including members of the Karabakh Committee and leaders of the independence movement</td>
</tr>
<tr>
<td>Businesspeople</td>
<td>Major business operators affiliated with political parties. This category includes actors who began as businesspeople and used their business weight and contacts to enter politics and build a career in the public service</td>
</tr>
<tr>
<td>Professionals</td>
<td>Persons who were co-opted into senior positions in the Armenian administration by virtue of being recognized as professionals in a particular area</td>
</tr>
<tr>
<td>Technocrats</td>
<td>Professional administrators whose political affiliation is secondary or non-existent who have built careers in public service within their main sphere of competence</td>
</tr>
<tr>
<td>Protégés</td>
<td>Persons co-opted into the administration by individuals or bodies without direct relevance to competencies based on personal ties. The patron can be a relative, friend or someone more remote who recommended the nomination</td>
</tr>
<tr>
<td>Social capitalists</td>
<td>Actors co-opted directly into a senior position in the administration due to their social capital, e.g., being a popular public activist or journalist</td>
</tr>
<tr>
<td>Party functionaries</td>
<td>Actors who built political careers as a result of their political parties (including the Soviet Communist Party) being in power or part of the ruling coalition at some point</td>
</tr>
</tbody>
</table>

As in the study of political elites, one of the tools used to analyze military reform in Armenia was a categorization of Armenian military leaders. To
categorize the Armenian military’s elite players, our team began gathering biographical and sociological data. We divided the 37 military and political elite representatives on our list into four categories:

- Militiamen;
- Volunteers;
- Military officials;
- Professional officers.

The militiamen category includes civilians from Nagorno-Karabakh who joined self-defense units following the start of clashes there during the last Soviet years or during the 1992-1994 war and later became military leaders of Nagorno-Karabakh and Armenia.

The volunteers category consists of persons from Armenia and the Armenian diaspora who volunteered for the Karabakh war in the 1990s, rose to commander positions and later held senior offices in the military or in politics.

The military officials category includes civilians who did not fight in Nagorno-Karabakh but worked in spheres such as state security and the police, rising at some point to senior positions in the military service of Armenia.

The professional officers category includes representatives of the Armenian military elite who have military educations and experience, including in the Soviet army.

We have distinguished between militiamen from Nagorno-Karabakh and volunteers from Armenia and the diaspora in order to reflect their differences in motivation. In Nagorno-Karabakh, where the fighting occurred, most men joined the militia, which later became the army of Nagorno-Karabakh. Volunteers from Armenia or the diaspora made personal decisions involving high motivation. Later, servicemen moved between the armies of Nagorno-Karabakh and Armenia, and it is not always possible to distinguish between the two categories.

The four categories above were used to analyze the military elite, reveal ties between individuals and groups, identify the characteristics of these groups, find common episodes in their pasts and understand the institutional dynamics of the military in terms of its leaders’ backgrounds. The categorization was based on the type and timing of the players’ engagement in military action or military bureaucracy.
TIMELINE OF ELITE TRENDS IN ARMENIAN POLITICS AND ARMY

We used a chronological approach to describe transitions of elite generations and trends within the political elite of Armenia. Identifying the milestones of elite rotation enables us to understand the logic of elite transformation, a logic that is obvious neither to participants nor to observers of this process. To identify generation change within the elite, we registered significant changes in the relative and absolute numbers of representatives of a particular elite category.

Representatives of all nine categories in our categorization have been present in the Armenian political elite since 1988 – our starting point for public politics and democratic transition.

One indicator we considered was the post-Soviet career trajectories of members of the old Soviet elite, i.e., persons who held senior offices in Soviet Armenia. These persons represent the local communist party organization, i.e., the only consolidated political elite group that existed in Armenia until 1988. Since former communist actors can also be categorized using the same criteria that we used to build our categorization, we applied these criteria and placed them within our nine categories. We decided against including them in a separate category on the grounds that it would complicate the picture without adding meaning, since in the post-communist area, former Soviet officials played by the same rules and were affected by the same trends as all other elite players.

In an ideal model of a neo-patrimonial power system, the main qualities required for entry into the power hierarchy and to maintain one’s status within it are personal ties and complete loyalty to the leader. Professional competencies are seldom criteria for co-optation and can be altogether lacking. The extent to which an appointee meets the criteria (personal ties and loyalty) can be seen as an indicator of patron-client relationships in the elite and of the influence of neo-patrimonial relations on the co-optation and career advancement of public officials.

To create the timeline, we identified the years during which elite relations underwent significant changes. Important milestones are marked by presidential terms in office because the president has the authority to strongly affect elite ties and trends. However, we needed to ensure that we did not overestimate presidential power to affect elites. In Armenia, elections have, apart from an apparent public component, a significant non-public component (Iskandaryan 1 The situation is likely to change as a result of the ongoing constitutional reform.)
2012); accordingly, the presidency is largely a reflection of an elite consensus and the manifestation of such a consensus. Moreover, a president’s recruitment policy depends on the country’s economic and institutional development. While making appointments to senior positions in the administration, presidents try to meet the expectations of elites and the public, as well as their own concerns in view of current political needs and goals. While the terms in office of Armenia’s presidents can be regarded as indicators of policy changes and directions, they alone cannot be used to define the elite timeline, since a wide range of external factors affects a president’s decisions, including decisions to nominate or dismiss senior officials.

**Table 3. Main stages in the political history of post-Soviet Armenia from the perspective of elite trends**

<table>
<thead>
<tr>
<th>Interval</th>
<th>Characteristics</th>
<th>Main Elite Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-1991</td>
<td>Perestroika and Glasnost. The Karabakh movement and Armenia’s independence from the USSR</td>
<td>Revolutionaries co-opt themselves to replace the Soviet technocratic and communist bureaucracy</td>
</tr>
<tr>
<td>1992-1994</td>
<td>Early stage of independence, the war in Nagorno-Karabakh</td>
<td>Revolutionaries dominate politics. Combatants are on the rise. Professionals are appointed to some public offices requiring expertise, especially in the economic sphere</td>
</tr>
<tr>
<td>1995-2000</td>
<td>Military and law enforcement increase their power, diarchy</td>
<td>The influence of revolutionaries decreases, that of combatants increases until the revolutionaries are altogether excluded from senior offices. The power of combatants peaks and abruptly decreases</td>
</tr>
<tr>
<td>2000-2010</td>
<td>Reinforcement of presidential power</td>
<td>Businesspeople build up economic power and acquire political leverage. The numbers of professionals and party functionaries in the administration rise significantly</td>
</tr>
<tr>
<td>2011-2013</td>
<td>Institution building and consensual crisis management</td>
<td>The power of businesspeople becomes limited; the presence of technocrats in power increases</td>
</tr>
</tbody>
</table>
While constructing the timeline, we made an effort to avoid personalizing it (e.g., by tying it to the rule of particular presidents or prime ministers) or making it too detailed. We chose milestones from among key events that changed the course of Armenian politics. This does not imply that the influence of individual players on Armenian political life was insignificant or that the prevailing trends invariably determined the events in Armenia’s history. However, excessive detail would have marred the overall picture and made it difficult to understand.

**Table 4. Timeline of military reforms in Armenia**

<table>
<thead>
<tr>
<th>Period</th>
<th>Military trends</th>
<th>Political trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-1991</td>
<td>The army consists of volunteer guerrilla units (militias). An institution coordinating them is established. The most influential groups are volunteers and militiamen.</td>
<td>The Karabakh movement culminates with the declaration of independence of Armenia. The PANM rises to power.</td>
</tr>
<tr>
<td>1992-1999</td>
<td>Professional officers operate alongside militia leaders; conscription is gradually introduced. The most influential groups are volunteers, militiamen and professional officers.</td>
<td>The Karabakh war begins; the military exerts increasing influence on politics and the economy. Political elites and combatants clash and then begin to cooperate.</td>
</tr>
<tr>
<td>2000-2007</td>
<td>Combatants’ importance for and influence on the army and politics decreases; they lose standing in domestic politics. The most influential groups are volunteers, militiamen and professional officers.</td>
<td>Political elite clashes with the counter-elite. The president’s power is strengthened.</td>
</tr>
<tr>
<td>Since 2008</td>
<td>The army continues institutional development; the first elements of civilian control over the armed forces are introduced. International cooperation grows. The most influential groups are professional officers and military officials.</td>
<td>The focus is on consensual crisis management and strengthening institutions.</td>
</tr>
</tbody>
</table>
The political timeline stops at the end of 2013 when we began our fieldwork, as analyzing political data requires maintaining some distance, including distance in time.

Trends in the army largely coincide with political trends but are less convoluted given the relatively small number of military actors and elite groups and reflect, with some fluctuations, the institutionalization of Armenia’s armed forces, the basis for which was not the Soviet army deployed in Armenia but the volunteer movement that began before the collapse of the USSR and continued in the first years of independence.

Starting with the volunteer movement, the development of the army unfolded from militias that were entirely guided by informal rules to a conscription-based professional army in which the influence of individuals was minimized. The armed forces were thus created almost entirely from scratch: even a prototype of today’s army did not exist in early 1988.

References
The dissidents
In Armenian politics, the revolutionary movement of the late 1980s was preceded by the dissident movement by at least two decades. Political protest was imminent in Armenia by the mid-1960s when the first mass rallies began to commemorate the Armenian Genocide (Manukyan 2006). In 1965, Yerevan became the site of one of the first mass rallies in the USSR to be organized independently from its authorities. Perhaps bearing in mind the negative experience of dispersing mass protests in Tbilisi, Georgia in 1956, the Soviet authorities refrained from using force against the protesters in Yerevan.

The 1965 events inspired Armenia’s youth. By that time, the Soviet state no longer engaged in the systemic persecution of citizens for political dissent unless it was publicly expressed. Young people began to establish clandestine political groups; political campaigning being strictly banned, the groups were chiefly based on familial and friendly ties and remained small, closed communities. Even groups with similar ideologies did not necessarily know about each other’s existence. Until the decline of the USSR, the structure of Armenia’s dissident movement remained unchanged: they were small, isolated and clandestine groups that did not network with each other. Comparatively speaking, Armenian dissidents were better structured as a community than those in other Soviet republics whose movements consisted of separate individuals but less networked than Moscow’s dissidents. Overall, Soviet dissidents did not have common interests or views, although some sub-groups did.

Members of the Armenian diaspora also affected the formation of dissident ideologies and groups in Soviet Armenia. Like the Ukrainian, Jewish and Baltic

1 Persecution on political charges was at least as widespread in the Stalin era, but the mass arrests of those times interrupted political continuity and thwarted new types of informal activity.
diaspora communities, a significant Armenian diaspora community existed outside of the USSR. Quite a few Armenians immigrated into Soviet Armenia during the post World War 2 campaign to repatriate Armenians. With them, the repatriates brought novel ideas: the Armenian Diaspora already had a rather detailed historiography, a set of ethnic myths and ideologemes. Moreover, the repatriates did not share the Soviet Armenians’ ingrained fear of the secret police (Iskandaryan and Harutyunyan 2003).

From the 1960s to the 1980s, a typical dissident group in Armenia had up to several dozen members (usually around a dozen). Most members were young men, some of whom were related and some connected via study or work (e.g., fellow students). Neighborly ties also played a part. Many Armenian dissidents came from a particular district of Yerevan, Nubarashen. Originally, most groups had a nationalistic bent, but over time, human rights appeared on their agendas (Markedonov 2007). Many activists were eventually uncovered and jailed, although some chose to cooperate with the regime or leave the dissident movement.

The first documented clandestine group was the Armenian Youth Union, which had 38 members. The union distributed fliers in the cities of Yerevan and Kirovakan (now named Vanadzor). Established in 1963, the Armenian Youth Union operated until the 1966 crackdown. Some of its members later joined another dissident group, Shant, which proclaimed its goal to be the restoration of Armenia’s territorial integrity. Shant published newspapers and fliers, which were subsequently traced back to them by the KGB.

In 1966, a group of dissidents established the National Unity Party (NUP), which soon merged with Shant. Their activities were similar: the NUP published newspapers, fliers and even a magazine. Unlike other groups, it considered itself a political party, a bold move in the time of the Communist Party’s undivided rule in the USSR. The NUP’s declared goal was to initiate a UN-led referendum on the independence of Armenia. One NUP leader, Paruyr Hayrikyan, a legendary Armenian dissident, spent a total of 17 years in jail for undercover activities. He was first arrested in 1969 for a radio broadcast from the Genocide Memorial in Yerevan. Another NUP member, Azat Arshakyan, who burned the portrait of Soviet icon Lenin that hung on the wall of the Intourist Hotel, was arrested and also spent years in prison camps. Many NUP members were tried in 1969 and 1973-4 (Ovsienko 2011; Ovsienko 2013).

The NUP became known in dissident circles outside Armenia. In 1976, at the suggestion of Paruyr Hayrikyan’s fellow inmates, poet Vasyl Stus and writer
Michael Heifetz, many other political prisoners joined in the demand for a referendum, including Ukrainians, Jews, Latvians, Lithuanians and Moldovans. In 1985, Mikhail Heifetz wrote a book about Hayrikyan, which was published in London (Heifez 1985). In Armenia, the NUP was essentially the center of the movement, but there were a number of relatively isolated, independent groups.

In 1977, the Armenian Helsinki Group was established based on a fusion of human rights and nationalism concerns. The Helsinki Group monitored breaches of human rights in Soviet Armenia, advocated for the unification of Nagorno-Karabakh with Armenia and for independence from the USSR (Payaslian 2011, 90). The first arrests took place just a few months after the group’s founding, and the final crackdown took place in 1979 (Bilinsky and Parning 1980).

Despite the authorities’ efforts to marginalize the dissident movement and make it look like the work of poorly socialized losers, in reality, many dissidents came from privileged social backgrounds. Some were active members of the Komsomol (the official Soviet youth organization), and some came from families that were part of the Soviet intellectual elite or were Communist Party members. For example, dissident Alexander Manucharyan, who was arrested in 1980, was the son of an Armenian communications minister who served in the 1930s and suffered from political cleansing under Stalin. Manucharyan was a senior research fellow at the Academy of Science, was published in the USSR and internationally and was even allowed to travel to international conferences, a privilege enjoyed by few Soviet scholars (Alexeeva 1984, 86).

By USSR standards, Armenia’s dissident movement was active; there were quite a few Armenians in the ranks of Soviet political prisoners after the 1960s. Counting only NUP members, over 80 persons had been tried for political offenses by the mid-1970s.

Given the nature of the Soviet regime, dissident movements were restricted to a small social and political niche. The dissident movement remained mostly underground; mere membership in a particular group sometimes qualified as grounds for arrest.

By the start of Perestroika, some dissidents had emigrated and some had died in jail, but the majority were released from prison camps in 1987 and returned to Armenia right before the start of the Karabakh movement. Armenia’s dissidents had significant moral capital in society; however, they did not lead the Karabakh movement.

A full list of prominent dissidents is available on the website of the Memorial, a Russian historical and human rights society, http://www.memo.ru/history/diss/perecen/alphind.htm
movement that later became the independence movement. Some of them took part but none became a leader.

The revolutionaries
A key role in the revolutionary movement that began in Armenia in 1988 was played by a rather diverse social stratum: the Soviet Armenian intelligentsia. They were perceived by society as moral and intellectual leaders. Inclusion in this stratum could be based on formal terms such as having higher education and being employed in the academic, artistic or technical spheres. Informally, the intelligentsia came from or identified with the social circle in central Yerevan (and, to some extent, in Armenia’s second and third largest cities, Gyumri and Vanadzor) and with trying to make Armenia a better place (this could imply opposition to the Soviet regime, human rights advocacy, truth seeking in Armenia’s history and present situation, or denunciations of xenophobia). Other informal criteria included being erudite, with an especially strong knowledge of classical literature and history, and being driven to disseminate one’s ideas.

As a stratum that emerged in the Russian Empire, the intelligentsia were not officially a social class or group in the USSR. They were usually categorised as white-collar workers, although the term “working intelligentsia” was sometimes applied to rural intellectuals, whereas village teachers and doctors would sometimes be described as the “rural intelligentsia.” In reality, the intelligentsia played a special role in Soviet society. As a community of professionals active in the arts and in academia, the intelligentsia were perceived as a separate social stratum and were constantly in the limelight: the attention of both the authorities and society at large focused on its activities and values. Within the intelligentsia, social status was based on the informal criteria described above; moral standards and practices were especially valued. From without, the formal criteria were seen as more important (scholarly or artistic achievements, degrees and awards).

Following Stalin’s death, the number of Soviet citizens that could be considered part of the intelligentsia grew significantly across the USSR. In Armenia, special features of the intelligentsia included more active social contacts within the community and with other social groups. Given its relatively small size and marginal location in the USSR’s political geography, there were fewer restrictions on freedom of expression in Armenia than in Russia and many other republics.

In the mid-1960s, mass marches commemorating the Armenian Genocide gave new impetus to the development of the Soviet Armenian intelligentsia. While only the most radical youth created political groups and clubs and
The Ideological Groups in the Armenian Elite

became dissidents, the majority of intellectuals felt inspired; a social and cultural awakening was taking place. Interest in Armenian history and culture grew; more people applied to universities to study Armenian history as one of the few areas allowing a focus on social and political issues (there was no political science in the USSR). In 1960, Armenia’s history museums (excluding those of the communist revolution of 1917) had a total of 96,000 visitors. This number grew to 323,000 in 1965, 525,000 in 1970 and 577,000 in 1976 (State Statistical Committee 1977, 204). Technical professionals and natural scientists also became more interested in history; arguably, this was a manifestation of concealed interest in politics that could not be expressed except at high risk given the harsh persecution of all political activity and thought.

In the late 1960s, a group called the Armenian Culture Club was established in Yerevan. Its members were young people who discussed history of revolutionary movements, and the past, present and future of Armenia (Malkasian 1996, 75). Many future members of the Karabakh Committee and of the wider revolutionary movement were members of the Club at some point. In the early 1970s, Soviet Armenian authorities learned about the Club and forced it to stop regular meetings. However, irregular and clandestine Club meetings resumed after a hiatus.

At first, Armenian Culture Club discussions were held within a small circle of students who knew and trusted each other. Over time, professors and students started attending its meetings. The social status of its founders grew as Club discussions became a prominent social phenomenon. The Armenian Culture Club is said to have created one of the shrjapats (social circles) in Yerevan. The social circles played an important role in the city’s social life, enabling the cultural adaptation of Yerevan’s numerous heterogeneous social groups given post-WW2 immigration of Armenians from abroad, migration of Armenians from other Soviet republics to Armenia, and migration from Armenia’s villages to its capital (Lourie 2016).

The participants of debates at the Culture Club could not fathom Armenia’s independence from the USSR. They merely wished to promote cultural and intellectual values among Armenia’s educated youth. The authorities of Soviet Armenia neither supported nor curtailed the activities of the Culture Club. Judging from their actions, in those years, the leaders of Soviet Armenia saw sustaining the legitimacy and stability of communist rule in Armenia as their main goal; one method for achieving this goal was ensuring economic growth. A possible side effect of their effort to maintain stability was the relative
liberalization of the political and economic life of Soviet Armenia. One way to avoid bothering the center with political issues in the republic was to simply ignore them. The reduced scope of political persecution starting in the 1960s also inspired loyalty to the USSR.

Members of the Culture Club grew in number and variety, leading to the emergence of a network of alternative clubs. These loosely structured, informal public organizations attracted many intellectuals, including people who were also members of other informal bodies. The Writers’ House of Yerevan became a center of such informal activity; one of our interviewees, a former member of the Culture Club, called the Writers’ House “the Hyde Park of the Armenian intelligentsia.” With the beginning of Perestroika, informal discussion clubs sprang up at many official Soviet organizations, such as the Architects’ House and the Cinema House. They formed a network of sorts, and the same people would attend debates at various clubs.

Given the Soviet restrictions on freedom of expression, the discussion clubs played a crucial role in forming the young people who attended them. In modern Armenia, with its free access to the Internet and pluralism in the media, public organizations do not even come close to the Soviet Armenian underground clubs in terms of popularity or influence. It is now often difficult to engage people in a debate; during the late Soviet era, discussion clubs were a tightly knit communities brought together by social and often familial ties (including marriages within the community) in which members shared ideas about some things and disagreed about others.

In the late 1970s, a group of young scholars, mostly mathematicians and physicists, started organizing regular retreats in Tsakhkadzor, a mountain resort about an hour’s drive from Yerevan, to celebrate the International Translation Day. Speakers at these events included the moral leaders of the day, including poet Silva Kaputikyan, mathematician Sergey Mergelyan, opera singer Lusine Zakaryan, painter Sarkis Muradyan, art historian Henrik Igityan, members of the clergy and many others (Muradyan 2013).

Starting in the 1960s, Yerevan developed a culture of debates held in public areas, of which the most significant was a triangle formed by three open-air cafés in the city center: Poplavok, Skvoznyachok and Kozyryok (Malkhasyan and Gulmisaryan 2013). These three cafés became public-private spaces where public discourses were formed. The number of patrons was limited but loyalty was high. It was in this café triangle that the future elite of the Republic of Armenia was formed. By the mid-1960s, the mentality of the Armenian intelligentsia was
largely based on opposition to the USSR (Ter-Abrahamyan 2006). Anti-Soviet sentiment was shared by a significant part of the general population. For example, a countrywide poll in 1967 showed that 42% of the urban population of Armenia supported altering the lyrics of the USSR's national anthem mentioning Stalin (Grushin 2006, 219). The intelligentsia generated these discourses, and the populace supported them.

By 1987, Gorbachev’s Glasnost policy enabled the free expression of opinions and circulation of information. The Armenian intellectual community used the new policy as an opportunity to reach a wider audience. Public opinion was also generally critical of Soviet authorities and therefore prepared for mass protests. The scope of the protests, however, was a surprise to the organizers themselves: tens, even hundreds, of thousands hit the streets of Yerevan when the occasion arose in 1988.

The majority of individuals who led the Armenian revolution in 1988 had been active members of the discussion clubs and the intellectual retreats for Translation Day. The organizers of the clubs and Translation Day events included the future prime minister of Armenia, the speaker of the parliament, and a number of ministers. Co-optation into leadership appeared to happen casually. Public speeches were one of the criteria for inclusion: the more convincing and inspiring the speaker, the greater his popularity and his chances to become a leader. In reality, the process only looked random. Co-optation occurred from within a small group of activists who were all from a circle of nationally minded intellectuals. The most successful and prominent members became the leaders, i.e., the members of the Karabakh Committee (described later in this chapter). The experience was cathartic: as one of the founders of independent Armenia and leaders of the revolution told us in an interview, “I had the feeling that my whole life had been about preparing for this day.”

As a result, the backgrounds of the first revolutionary elite of Armenia were strikingly homogeneous. Their educational levels were above average: all held university degrees and many held doctoral degrees, including ones obtained from the USSR’s best universities in Moscow, Leningrad and Novosibirsk. Almost all revolutionaries were scholars; most had backgrounds in natural sciences or engineering. This means that the liberally minded intellectuals who led the Armenian revolution were chiefly from the Soviet scientific research institutes, most of which served Soviet military industry needs. The formation of this social stratum was thus an indirect and delayed effect of Soviet industrialization and long-term investment in science and technology. The prevalence of people
with backgrounds in natural sciences and technology rather than humanities and social sciences allows one to surmise that the military industrial institutes at which they worked until the late 1980s had become breeding grounds for revolutionary sentiment. One possible explanation is that since the Stalin era, ideological supervision and control of engineers and natural scientists in the USSR had been much more lax than that of researchers and professors of humanities and social sciences.

Originally, all members of the Karabakh Committee came from technical and natural science professions. After the mass protests had begun, a few representatives from the humanities – philologists, historians and authors – also joined the Committee, mostly due to their public speaking prowess. All members of the Karabakh Committee were among the most active members of their clubs or social circles, and all of them were friends; later, some of them became related through marriages between their children.

With the Karabakh Committee in the lead, Armenia woke up a different country in February 1988. From abroad, no abrupt changes appeared imminent even as late as January 1988. The Communist Party was fully in control and public dissent was restricted to the usual platforms (such as clubs). The Perestroika and Glasnost policies enabled an atmosphere of active discussion of social and political topics and revision of the Soviet past (Hahn 2001). The lifting of restrictions on freedom of speech and the media paved the way for changes, but hardly anyone, including the active participants of the unfolding events, expected them to become so dramatic (Brown 2007).

Armenia’s post-Soviet revolution went through several stages, the first of which was ecological – or at least relied on ecological slogans. For example, a popular slogan at the first rallies in 1988, Fresh Air For Armenia, could clearly be interpreted in more than one way (Manukyan 2016). The first stage lasted approximately one month: in February 1988, without renouncing its original ecological agenda, the protest movement became politicized, shifting its focus toward unification with Nagorno-Karabakh.

The revolution also dramatically increased in size and in the amount of public attention it attracted. Coverage by international media is a good indicator of the scope and importance of those events. The number of international media reports mentioning Armenia increased by a factor of 30.7 from 1987 to 1988. Armenia was mentioned in approximately 0.67% of all news reports, i.e., approximately 10 times its weight of the world’s population.
Once the Karabakh Committee was established in February 1988, it immediately took charge of the protest movement, and its leaders were slated to become the political elite of independent Armenia. Simultaneously, the Kroonk Committee was established in Nagorno-Karabakh, also becoming a nursery for civil and military elites of both Armenia and Nagorno-Karabakh. The conflict that ensued from the irredentist movement in Armenia and Nagorno-Karabakh was a key factor differentiating the political and institutional development of Armenia from that of other post-Soviet states (Furman 2004).

Ethnopolitical conflicts raged across the post-communist realm, most of which were triggered by the reactions of ethnic minorities to independence movements in former Soviet republics. In Armenia, it happened the other way round: the territorial conflict catalyzed the creation of a national independence ideology. The irredentist movement preceded the movement for sovereignty from the USSR. In its first months, the standoff was directed toward Baku, not Moscow. In this respect, the goals of the Armenian revolutionaries of 1988-1991 were similar to those set by Bismarck during German unification.
in the second half of the 19th century or to those of the Italian Risorgimento. Armenian revolutionaries were thus radically different from groups that fought against Soviet colonialism in Eastern European or Baltic states. The Karabakh movement was, at the start, not democratic; nor was it an anti-colonialist one.

Irredentism had largely defined the unfolding of the revolution and the characteristics of its leaders, who were flexible in their loyalties when the cause demanded it. Throughout most of 1988, they stressed the movement’s loyalty to Moscow and the Soviet regime. In the meantime, they were trying to make use of two key opportunities offered by Perestroika: newfound freedom of speech and of the media and weakening of the Soviet state, which was losing its standing and its capacity for mass retaliation against dissenters. At the first mass rallies, “Lenin, Party, Gorbachev” was still a common slogan (Glebov 1989, 66). Demonstrative loyalty to Moscow was expected to calm the public’s fear of breaking Soviet laws by rallying in the streets and to mitigate the potential response from the leadership in Moscow (Mouradian 1990).

However, this approach was doomed due to the discrepancy between form and content. The new political forms – non-sanctioned mass rallies, self-co-opted charismatic leaders, new public organizations, calls for referenda on political issues, public demands for changes to administrative territorial divisions – were in sharp contrast to Soviet practices. It was immediately clear to Moscow that the Karabakh movement went against everything the USSR represented, whereas the leaders of Perestroika were intent on reforming but preserving the union.

For a while, Moscow experimented with personnel changes. Several communist leaders of Armenia were appointed and dismissed over a few months in the hopes that these individuals’ incompetence or unpopularity prevented them from controlling the situation. The first Soviet official to lose his job over the Karabakh movement was Karen Demirchyan, head of the Communist Party of Armenia of 14 years; he was dismissed in May 1988, just three months into the mass movement. His restoration to the elite in an independent Armenia years later would mark a milestone in the co-optation of Armenian politics. Meanwhile, the protests of the late 1980s, gathering up to one million people in the center of the capital city of Yerevan, set a standard for political activism and public protesting in Armenia, including broad engagement, non-violence and high expectations from self-co-opted public leaders.

By the end of 1988, the leaders of the Karabakh Committee had realized that the irredentist goal was not achievable within the USSR, and they started calling for independence. The idea of independence was not very popular among the
population or elites *per se* (Dubnov 2016) but rather as a means to the irredenta (Furman 1995). In December 1988, the now revolutionary leaders were arrested and taken to Moscow, where they were taken into custody and charged with inciting mass breaches of public order. However, by that time, they were popular enough for the arrest to have the opposite of the intended effect: six months later, the revolutionaries were released and triumphantly returned to Armenia where they came to power shortly afterwards.
CONTINUITY AND DISCONTINUITY IN THE POST-SOVIET ARMENIAN ELITE

The power handover: revolutionaries and dissidents
This study does not aim to describe all the events in the public politics of Armenia over the 1988-1991 period. There is sufficient high-quality descriptive work on this topic, including eyewitness memoirs and scholarly research. For the purposes of this study, it is essential to identify the informal mechanisms, social circles and groups involved in decision-making, elite co-optation and elite development in late Soviet and early post-Soviet Armenia.

From the first weeks of 1988, when the mass protest movement engulfed Armenia, local communist authority began to erode. Leadership changed many times at every level; organizations at all levels were losing control. In 1988, by-elections were held for the Supreme Soviet (the legislative body of Soviet Armenia), and a number of revolutionaries were elected, including Ashot Manucharyan, a member of the Karabakh Committee who would later become a key figure in the first independent government of Armenia. Since the communists had a majority in the Supreme Soviet and in the government, the revolutionaries had very little leverage there. However, the authority and popularity of the Karabakh Committee were so high at this stage that it was sometimes referred to as the “shadow government” of then-Soviet Armenia.

Originally, some members of the Karabakh Committee had not planned to become politicians, intending to return to their academic pursuits at some point. By 1988, the Committee had established an informal hierarchy: a large circle of members and an inner circle of leaders who had a say in decision making. The Committee was loosely structured, and its membership and power balance changed over time, chiefly based on members’ capacity for leadership, management and public speaking, as well as their attitudes toward political changes, willingness to take charge, and ability to speak to protesters and understand their expectations. Ties inside the revolutionary movement also mattered; most leaders were closely connected on a personal or professional level.

In the Soviet hierarchy, Armenia’s official leader was the Chairman of the Presidium of the Supreme Soviet (parliament). However, in reality, the leader of parliament had limited power, and the Head of the Council of Ministers was at least as powerful. True power belonged to the Communist Party of Armenia (CPA); thus, the real head of state in Armenia was the First Secretary of the
Continuity and Discontinuity in the Post-Soviet Armenian Elite

Central Committee of the CPA. This system was also in place in other Soviet republics.

By 1990, CPA leadership had eroded as a result of the mass movement, and the formal institutions of Soviet Armenia assumed their formally assigned roles. A relatively democratic election to the Supreme Soviet of Armenia took place in late May 1990 based on the old Soviet majority system in single-mandate constituencies. The CPA won over one-half of the seats; a significant number of seats went to a newly established party – the Pan-Armenian National Movement (PANM) led by revolutionaries from the Karabakh Committee. Since the USSR was still a formal one-party system, the PANM could not be officially registered; therefore, its members ran as non-aligned candidates. Overall, the interplay of political parties in that election was quite unique. Many candidates who campaigned on behalf of political parties were not members; nor did they have other connections to those parties. CPA candidates included some communist officials but also a number of academics, artists, popular public figures and members of the working class who were unrelated to the CPA. Many of the MPs elected as communists were in fact unsure of their politics and supportive of the PANM’s political platform (Petrosyan 2015). Of the 136 MPs who were elected on behalf of the CPA in 1990, only 25 were able to form a Communist Faction in March 1991 (History of Armenian Parliament 2014). The rest – over one hundred MPs – either joined other factions or none at all, as they did not wish to identify with the communists.

The 1990 parliamentary election marked the beginning of a PANM takeover. The leaders of the PANM were members of the Karabakh Committee in the capital city, local activists in the regions, and members of guerrilla bodies that were forming as the war over Nagorno-Karabakh began. All Karabakh Committee leaders were elected or appointed to public offices. The fact that the elections did not use party lists but single-mandate constituencies was not a problem: the leaders of the PANM appointed their supporters to stand for election in the constituencies where the revolutionary movement had better chances to win. Elections to the City Council of Yerevan were also held in 1990 with active PANM involvement.

In addition to the communist and PANM factions, the newly elected parliament included liberal democratic, nationalist, national democratic, traditional Dashnaktsutyun (Armenian Revolutionary Federation), republican and a few other factions, many of which included persons who had been elected
on behalf of the CPA but were never members or who resigned from the party after the election.¹

In August 1990, the informal leader of the Karabakh Committee, Vazgen Manukyan, became the Chairman of the Council of Ministers, i.e., the Prime Minister of Armenia. Another prominent member of the Karabakh Committee, Levon Ter-Petrosyan, known for his inspiring public speaking, became the Chairman of the Presidium of the Supreme Soviet of Armenia, i.e., the chairman of parliament. Although parliamentary chairmanship chiefly involved representative functions, it was formally the highest authority in Soviet Armenia. Thus, an opposition figure became the head of a Soviet republic during the existence of the USSR. Another Karabakh Committee leader, also a brilliant speaker, Ashot Manucharyan, was appointed acting Minister of the Interior, a key position in the Soviet hierarchy. In the second half of 1990, a triumvirate of liberal intellectuals thus came to power in the Soviet Socialist Republic of Armenia.

The second half of 1990 and the first half of 1991 were uncertain, which is typical for periods of political transition. The Communist Party of Armenia was no longer in charge. Its power was not enshrined in Soviet legislation but de facto, that is, built into the Soviet system. The CPA was stripped of all authority, although its de jure power remained unchanged or nearly unchanged. On the ground, the new power layout had been institutionalized in an original way: the new system was actually in line with the Soviet Constitution.

Moscow reacted using its standard toolbox: it replaced the heads of ministries and agencies and invested funds into the regions engulfed by protests. This response actually helped the new authorities to get rid of the old elite, which was by that time disoriented and weakened. The CPA had dismissed its most influential and experienced officials in Armenia back in 1988 in an effort to stifle the mass movement, so in 1990, the final takeover by the PANM went smoothly.

From 1988-1991, many CPA members quit. The heads of some ministries and agencies were not CPA nominees but had risen within their industries. By 1990, the CPA was experiencing serious problems with personnel. The last two First Secretaries of the CPA came from the realms of journalism and propaganda, not from the party bureaucracy. Amidst this decline, the CPA maintained some influence. The old and new powers coexisted in Armenia until mid-1991. The setup was clearly temporary, and practical politics mostly consisted of playing

¹ The Communist Party would put non-aligned candidates as well as party members on its list, positioning itself as a “bloc of Communists and non-partisans.”
down the intensity of the revolutionary changes, preventing violence and ensuring a smooth handover from the CPA to the PANM. This was understood and accepted by most players, although the communists could not help but wonder what had happened to Moscow and why it was not taking charge. By late 1990 and especially by early 1991, Moscow had all but given up on supporting communists in the republics, whereas the local communist elites still had to coordinate all decision making with Moscow. Their situation was precarious.

In many respects, the developments in Armenia in those years were similar to recent ones in Eastern Europe, except that lustration was not on the agenda. The new authorities of Armenia did not entertain ideas of punishing the communists or investigating their crimes. They simply dismissed CPA nominees from leading public offices and replaced personnel at various levels of the administration. The lack of lustration (which is typical of former Soviet republics) may be explained by the fact that Armenia was part of the USSR for longer than the Eastern European countries within the Soviet bloc and was more strongly integrated into the Soviet system as one of its republics. The other explanation pertains to the general direction of the Armenian revolution, which was not intrinsically anti-communist or anti-imperialist but focused on the territorial conflict over Nagorno-Karabakh.

The new elite wanted to replace public officials and change governance methods, being generally critical of the communist project. Members of the Karabakh Committee had put this intention on paper back in 1989. At that time, none of them believed they would actually come to power, but their 1989 program said that if a “true government” were established in Armenia, the Communist Party would only be one of its parts (Parks 1989).

At the middle and low levels of state administration, many, but not all, officials were replaced because the communist bureaucrats were the only people in Armenia with experience in public service, and some of them made themselves useful. In 1990, the retention of a former low- or mid-level official mostly depended on their ability to adapt to the rapid social and political changes and to become involved in the new networks and new type of politics. For a brief period, Armenia had a spontaneous market where a motley array of people shopped for administrative jobs and offices. The shoppers included revolutionary leaders, activists, former mid- and low-level communist officials, heads of cooperatives (enterprises established in the new liberalized economy),

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1 By 1990, with the exception of family stories, Armenians had no ties left to the pre-Communist elite.
so-called “red directors” (heads of Soviet enterprises), commanders of guerrilla units, anti-Soviet dissidents and other actors with sufficient social capital, including mobsters and street gang leaders.

The leaders of the CPA were involved in a public standoff with the new powers and were therefore unable, or mostly unable, to shop for public offices. Some of the communist leaders of Armenia had made their careers within the CPA organization, and some had risen within specific industries, i.e., they were technocrats endorsed by the CPA. The main weaknesses of these groups were their continued reliance on Moscow, which no longer supported them, and their inability to make moves without consulting the failing center. Their social capital lost value as a result of the revolution, and their financial capital was, in most cases, insufficient to pay their way into the new political arena. As a result, very few communist leaders made their way into the new ruling party or otherwise maintained their position within Armenia’s ruling elite. It would, however, be wrong to infer that the political elite of independent Armenia had absolutely no communist heritage because some of Armenia's future leaders were involved in the CPA or its youth organization, the Komsomol, albeit at low levels and early in their careers.

However, as an institution, the CPA was doomed. From 1988-1991, the CPA ran through four First Secretaries of its Central Committee. The first Armenian presidential election was held in 1991, and it did not even nominate a candidate.

By the end of 1991, following the Independence Referendum, a split began to form among the new revolutionary authorities. Until that point, the triumvirate of Vazgen Manukyan, Levon Ter-Petrosyan and Ashot Manucharyan was apparently in charge of all major decisions. However, this governance structure was clearly ephemeral; as the presidential election approached, the revolutionary movement needed to decide who would stand for election on its behalf. Eventually, Ter-Petrosyan was chosen, and the PANM supported him. The power struggle within the movement unfolded as democratically and peacefully as possible at such an important turning point. However, the presidency was an important prize, and ideological and practical disagreements among the three leaders had become evident by that time.

Levon Ter-Petrosyan saw the establishment of a democratic system as the main issue on Armenia’s agenda (Libaridian 1991, 111-118). Compared to the other two leaders, Ter-Petrosyan was more inclined toward compromise in interpersonal relationships within the party and in interactions with elite groups and external actors. This fact may have contributed to his selection as
the PANM’s presidential candidate. The triumvirate was heavily involved in mitigating tensions in Vilnius, Lithuania, where Ter-Petrosyan was in charge of the public aspects of the process, speaking on behalf of the Armenian negotiators (Gorbachev 1995, 507). This may have been the decisive episode leading to his presidential nomination. Ashot Manucharyan dropped out of the race and resigned shortly afterwards. In November 1991, Prime Minister Vazgen Manukyan also resigned from his post. A PANM leader, Babken Ararktsyan, became speaker of the parliament. The structure of the new leadership was set for many years to come, and Armenia’s political system was becoming more stable. Levon Ter-Petrosyan’s victory was possible because of support from the PANM’s leadership. Vazgen Manukyan, an equally popular figure, did not challenge Ter-Petrosyan’s victory and submitted his resignation, which was supported by the majority of the parliament.

Neither Ter-Petrosyan himself nor his group of supporters in the PANM requested or even desired the resignations of the other two members of the triumvirate, Vazgen Manukyan and Ashot Manucharyan. However, if they had remained in their posts, tensions would have been inevitable, potentially undermining political stability in Armenia. Apparently, all the leaders of the revolutionary movement paid attention to these factors; as a result, the split of 1991 did not lead to conflict.

Even though it had been conflict-free, the schism within the ruling elite affected the entire Armenian political system. The revolutionary movement split into several parts at a very early stage of independence. The largest faction was the PANM, which became the country’s ruling party and formed the core of the new political elite. Armenia’s political elite was now centralized around Levon Ter-Petrosyan and the Karabakh Committee leaders who remained loyal to him. The other significant faction became the opposition led by Vazgen Manukyan and the National Democratic Party he founded following this resignation. Interestingly, in the context of this study, most of the revolutionaries with backgrounds in the humanities and social sciences (rather than in the natural sciences and technology) were concentrated in the PANM (Ter-Petrosyan was himself a historian, and an above-average one, with a PhD and many publications, whereas Manukyan was a physicist).

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1 Tensions in Vilnius happened in January 1991 in the aftermath of the Act of the Re-Establishment of the State of Lithuania. As a result of Soviet military actions, 14 civilians were killed and 702 were injured.
The Supreme Council (parliament) of Armenia elected in 1990 was quite peculiar compared to both the preceding and succeeding parliaments. The CPA was still active, and it nominated a list of candidates that included mid-level communists and many members of the intelligentsia. It also included a small number of farmers and members of the working class, as had been traditional in the USSR (although their roles in governance had been purely ceremonial). Most candidates on the PANM’s list came from the intelligentsia. As a result, the 1990 parliament set the Armenian record for the share of MPs with doctoral degrees, a total of 28.9%. It was also the youngest parliament in Armenia’s history: 40.4% of the MPs were under 40 (compared to 25.6% in 2012). Another feature was the high ratio of MPs with backgrounds in the natural sciences and engineering (43.7%). Overall, over one-third, or 35.7%, of the MPs were members of the intelligentsia, compared to 17.6% just five years later in 1995, and 11.8% in 2012 (AREG 2014). The power takeover by the Armenian academic and creative elite in 1990 is even statistically observable.

Revolutionaries vs. war veterans
In the first years of independence, changes in the political elite started to follow a new logic. With independence, Armenia’s governance system changed abruptly from a Soviet entity ruled by communists from Moscow to a presidential republic. In the 1991 presidential election, Ter-Petrosyan came to power on a wave of nationwide revolutionary sentiment. From 1991-1993, having been actively involved in the revolution could still qualify one for a position within the administration. Business operators who supported the revolution financially now expected to be compensated with economic privileges and opportunities or with senior administrative positions. Some of these expectations were met, others were not. During the period of rapid economic decline, the institutional and economic spheres became breeding grounds for patronage and clientelism.

The institutional sphere suffered from poor efficiency and low legitimacy. New public institutions were being quickly established, and some old Soviet ones still survived. The functions of the new and old institutions were defined along the way, leading to a gap between the formal parameters of each institution and its actual functionality. These gaps were rapidly filled by informal relations, since the material insecurity is an environmental condition for the essence of clientelism (Lemarchand and Legg 1972).

The economic sphere was susceptible due to the post-Soviet collapse of the economy. According to official statistics, Armenia’s GDP dropped by 56% from
Continuity and Discontinuity in the Post-Soviet Armenian Elite

1990 to 1993 (National Statistical Service 1999). A total of 491,400 jobs were lost in Armenia over the 1991-1995 period in all sectors, except agriculture (Ministry of Statistics... 1998, 40), amounting to approximately one-third of all jobs in the country. Salaries in the remaining jobs also abruptly declined.

Figure 3. Index of the real average monthly salary in Armenia since 1980

![Index of the real average monthly salary in Armenia since 1980](image)

Notes:

a The figures shown in the chart reflect the size of the real average monthly salary in Armenia in percentage to 1980

b Data for 2016 is incomplete and includes January-June 2016

Sources: National Statistical Service of the Republic of Armenia 2015:167-169, authors’ calculations

Spiralling unemployment increased competition for resources and public offices. Acquiring a job and gaining access to public resources became issues of survival amidst rapidly increasing poverty. Poverty and unemployment caused the recurrence of some archaic forms of social relations and generally created a much more challenging environment in the job market compared to the communist era when employment levels were artificially brought to nearly 100%. Nepotism started to affect business practices and interactions within the administration. With the escalation of the Nagorno-Karabakh conflict to a full-scale war by 1992 and the exacerbation of the energy crisis due to the severing of Soviet ties, the country’s leadership was so busy with crisis management that it left considerable room for informality.
Rapid personnel changes disrupted the administration throughout the early 1990s. A public official would often be dismissed within weeks of taking office. The average term of a senior public official was approximately one year; nominations were sometimes reversed three months later. The ability to maintain one’s position in the ruling elite depended on a range of factors:

- Capacity to handle the problems of the agency that one was appointed to lead,
- Loyalty to the new elite in general and to the president in particular,
- Ability to integrate into existing patron-client networks within the elite or to form new ones,
- Willingness to invest one’s material resources into the war in Nagorno-Karabakh and into the ruling party in Yerevan.

In the first years of independence, the core group revolutionaries controlled most state institutions, including part of law enforcement, and most major cities, including the capital city of Yerevan. However, it was not long before the revolutionaries, still at the peak of their glory, faced the need to share power with other groups.

Staffing the entire nationwide administration was not an easy endeavour. The leadership tried to attract competent professionals to ensure the efficiency of governance and to engage popular public figures to sustain the new authorities’ legitimacy. These concerns were especially topical with regard to the ministries of the interior, justice, defense and economics. Judging from the regular turnover in the government, especially in the economic sphere, the leadership was not successful in its nominations and was constantly looking for figures that would combine competency with legitimacy.

As the war in Nagorno-Karabakh progressed, the appointment of war veterans and field commanders to government offices made perfect sense in terms of both legitimacy (veterans were highly respected in society) and effective governance (veterans were able to command military units). From the very start of the movement in support of Nagorno-Karabakh, combatants became involved in politics, including in the 1990 parliament. This is inherent to the period of military confrontation: military leaders thus enjoyed unprecedentent power in the American society during the World War II (Huntington 1957, 315).

Despite obvious concerns, the new elite of independent Armenia had learned the lesson from the First Armenian Republic of 1918-1920 that armed men pose serious risks to the stability of a country unless they are controlled by the
political system. The only way to control the field commanders was to involve them into political system and share a part of economic pie with them, which is a typical deal for many leaders of emerging states (Marten 2011, 7-8).

As the armed confrontation escalated, with Armenia and Nagorno-Karabakh achieving success on the battlefield, the popularity and influence of combatants grew proportionally. The figures who enjoyed the most popularity during the war was Vazgen Sargsyan, the charismatic commander of a volunteer squad, who later led the nationwide ex-combatant organization and rose to senior offices in Armenia’s government. Two other highly popular figures were the political and later military leaders of the Karabakh movement in Nagorno-Karabakh: Robert Kocharyan and Serzh Sargsyan, whose political careers in Armenia would lead all the way to the presidency.

The influence of ex-combatants in Armenian society remained very high in 1990s. In just a few years, the influence of combatants outweighed that of revolutionaries. It is important to note that, with few exceptions, the combatants who became popular and respected in society were volunteers; professional members of the military with Soviet backgrounds were generally not visible outside the defense ministry or General Staff.

The accession of veterans to power occurred in three stages. The first stage began during the war and continued for a year or two after its end. In 1994, once the war was over, ex-combatants were idealised by society as victors and saviors. It was obvious to players at all levels that the victorious combatants needed to be compensated for their service. It is also important that veterans had strong group identity and were aware of their needs and aspirations as a group. They established the Yekrapah (“Defender of the land” in Armenian), a well-organized, nationwide war veteran network including thousands of former commanders and soldiers. The authorities had to address the Yerkrapah directly, first and foremost, through its leader, the legendary war hero, Vazgen Sargsyan. There was clearly no alternative to sharing power and resources with the veterans.

After a few years in power, the revolutionaries and supporters who established the PANM were less united and loyal to the party than they had been at the beginning. Becoming the establishment undermined the ideological foundations of the party, and the core group of revolutionaries that founded it no longer stood out clearly from the rest. The party could no longer attract new revolutionaries to its ranks: as the ruling party, it perceived opposition activists and street orators as threats. Recruitment was reduced to a bureaucratic procedure. Efforts to reconcile with the National Democrats failed. The PANM became a catchall
party that was no longer limited to one social group (the intelligentsia). Many PANM members were focused on their political survival (this sounds obvious but needs mentioning given the initial revolutionary spirit of the PANM).

By the mid-1990s, the differences between revolutionaries and combatants within the ruling elite were clearly visible. The economic collapse made it difficult for the authorities to reward the veterans for their efforts with economic opportunities; there was growing dissatisfaction. The elite began giving the veterans jobs in the administration and mandates to parliament, causing new patron-client networks to form within the ruling elite.

In the 1990s, top-level decision-making power was not entirely concentrated in the government or in the presidential palace: key decisions were made by the Security Council, a formal body bringing together key members of law enforcement and senior management. Individuals who were trusted by the president led the Security Council, which met regularly and had relatively clear power.

At the same time, an informal body also made some important decisions, a kind of inner circle that included a number of revolutionaries and combatants in senior offices, some of their supporters, and some major business operators whose influence began to grow during the mid-1990s. The inner circle would discuss decisions related to personnel, business and domestic politics. The individuals comprising the inner circle, as well as the scope of its authority, changed over time, but our field data show that this informal body existed in some form under all three presidents of Armenia.

The second stage of the veterans’ ascension to power began in 1995-1996, right after the war, when Armenia held national parliamentary and presidential elections. The two groups of former revolutionaries competed against each other through the two parties – the PANM headed by the incumbent, President Ter-Petrosyan, and the NDP (National Democratic Party) led by Vazgen Manukyan; the competition was especially tough for the presidency. In an effort to prevent a rotation of power from the PANM to the NDP, which appeared a likely outcome, the administrative machine was joined by Yerkrapah, the veteran network.

The PANM and Ter-Petrosyan remained in power but lost most of their legitimacy, whereas the veterans, now largely in charge of electoral procedures and resources, increased their influence throughout the country. After the war, civil authorities began to lose their grip on law enforcement and especially over the army and the veteran organization. All players were aware of this situation. In early 1997, there were rumored plans to dismiss Vazgen Sargsyan, the leader
of the veterans and minister of defense, from his post. President Ter-Petrosyan publically denied having any such plans, stressing that gossip was being spread “with evil intent” and could harm the country, and that Vazgen Sargsyan deserved the title of National Hero of Armenia. However, at that time, Vazgen Sargsyan had no ambitions beyond his current post, and his presence in the government strengthened the incumbent authorities rather than undermined them.

The third and final stage of the revolutionaries’ ousting by the veterans unfolded in 1997-1998. One of our interviewees, a senior political player in those days, called the events a “velvet revolution” that culminated in the stepping-down of Levon Ter-Petrosyan and most of his team. At that stage, the Yerkrapah veteran network was at the peak of its influence.

By late 1997, it had become clear that the president and the defense minister disagreed about how to settle the Nagorno-Karabakh conflict. The president favored a compromise and a quick solution (Ter-Petrosyan 1997), whereas the defense minister and the veteran organization he represented were hardliners who believed a tougher stance would improve Armenia’s prospects in the negotiations.

In early 1998, this disagreement led to a standoff between President Ter-Petrosyan, the speaker of the parliament and their supporters (the revolutionaries) on the one hand and the prime minister, minister of defense and their supporters (the combatants) on the other. Many MPs started shifting their allegiances in favor of the combatants. Some of our interviewees who held senior public offices described the shifting political layout of those days. In purely numerical terms, the Yerkrapah faction, which was originally small, grew day by day; by February 3, 1998, it had reached 72 of 198 MPs, becoming the largest faction in parliament. The competing Republican faction was left with only 53 MPs, finding itself in a minority coalition with another smaller party. A number of key officials resigned, including the chairman of the central bank, the ministers for foreign affairs and territorial administration, and the mayor of Yerevan. The governors of eight of ten provinces sided with the Yerkrapah faction. Over the course of a week, Levon Ter-Petrosyan lost control of executive and legislative power and regional administration. He had no alternative but to resign, which he did.

It is true that disagreements within the government of Armenia had happened before. In 1991-1992, at least two prime ministers resigned over their disagreement with the country’s economic policies, which they could not change even in their capacity as prime minister. However, by 1998, the president had
lost some of his informal power even though his formal powers had increased with the adoption of the new constitution in 1995. The growing gap between the president’s increased formal and decreased informal powers resulted from a long-term trend that made revolutionary leaders weaker, less popular with the public, and less influential in the elite.

Many former revolutionaries were bitter about losing power. Some tried to obtain executive jobs or be elected to parliament. In some cases, this worked. Others joined the opposition. Levon Ter-Petrosyan returned to scholarship for ten years before attempting a comeback. Although he received a significant number of votes in the 2008 presidential election, he did not win. In 2008, support for Ter-Petrosyan was especially strong in the capital city, Yerevan, where his supporters clashed with police during post-election protests. The clashes led to loss of life and mass arrests but did not escalate to the overthrow of the newly elected president, Serzh Sargsyan, a player with a mixed revolutionary/combatant background.

Ter-Petrosyan’s party, the Pan-Armenian National Movement, only succeeded in returning to parliament following a rebranding for the 2012 election during which it won 7% of the votes and established a faction of its own. Despite some electoral support for some of its members, it took the PANM 15 years to make a political comeback as a consolidated group with its own agenda.

Contrastingly, former revolutionaries who made their careers outside political parties did not face major problems. Their success depended on their ability to join patron-client networks; it also mattered whether one was a political or a technocratic nominee. This reflects the weakening of public policy mechanisms and the growing weight of informal relations in the political elite in the late 1990s.

**Political instability and the decline of the veterans’ organization**

The fates of combatants in power were quite unlike those of revolutionaries. In 1997, the year before his demise, a weakening President Ter-Petrosyan made an effort gain control of the situation by appointing the then-leader of Nagorno-Karabakh, Robert Kocharyan, as prime minister. Ter-Petrosyan wanted to use Kocharyan’s popularity as a war leader and his successes in calming the post-war chaos in Nagorno-Karabakh to strengthen both his own standing and that of his cabinet. Kocharyan was chosen because he had been involved in the PANM since 1988, and Ter-Petrosyan’s team knew him well. Kocharyan’s nomination was also important because negotiations to settle the conflict were under way, and the involvement of respected public figures from Nagorno-Karabakh was essential.
to implementing the negotiated settlement and potentially to neutralizing any domestic opposition to the terms. Few people expected Kocharyan to address economics and management or to take over from Ter-Petrosyan so quickly.

Essentially, Ter-Petrosyan’s logic in appointing Kocharyan proved faulty. Rather than strengthen the standing of President Ter-Petrosyan and his team, Kocharyan’s move to Armenia served to reinforce the position of the combatant corporation. Far from becoming instrumental in implementing them, Kocharyan disagreed with Ter-Petrosyan’s planned compromises in Nagorno-Karabakh. His influence grew rapidly as he became involved in economics and management, and gained the support, albeit temporarily, of Defense Minister Vazgen Sargsyan.

Once Ter-Petrosyan and the PANM lost control in 1998, the new authorities under Kocharyan replaced most of the cabinet and some of the governors. A new parliament was elected the next year, with mostly new members. In 1999, the veterans increased their presence in economics and politics, and some were appointed to senior offices in Armenia; overall, the influence of veterans was at its peak in 1999. However, even then, the veterans were by no means the majority in any governance institution or in any area of the economy.

To replace the PANM cadre, Kocharyan started recruiting from among the National Democrats, a revolutionary counter-elite that been the opposition party throughout the rule of the PANM. Most NDP members were recruited into the elite as individuals, often as technocrats. The appointment of some popular NDP figures to leading positions was also beneficial to Robert Kocharyan’s efforts to be seen as a civil leader rather than as someone associated with the war and with Nagorno-Karabakh.

In the early 2000s, the NDP split into several groups with almost identical names that included various forms of the words “national” and “democratic.” In 1999-2000, the veteran segment of the elite also split, falling victim to their growing strength and influence. Members of the incumbent civil administration led by Robert Kocharyan and Serzh Sargsyan, both of whom were part of the Karabakh movement but neither of whom were combatants, found themselves competing against the veterans. This became possible following the 1999 parliamentary election for which the veterans established the Unity Bloc into which they attracted some recycled Soviet politicians and business operators. The Unity Bloc was led by the country’s number 1 veteran, Vazgen Sargsyan, who had served as Ter-Petrosyan’s defense minister and as Kocharyan’s prime minister, along with another recycled Soviet politician, Karen Demirchyan, the communist leader of Soviet Armenia. When the Unity Bloc won the majority of
seats in the 1999 parliament, Kocharyan’s power weakened substantially, and a political crisis ensued. The veterans appeared to be close to complete takeover.

However, the veteran organization’s ascension to power in Armenia was abruptly curtailed by a 1999 shooting in parliament that took the lives of many senior politicians, including some key figures in the veteran network. Among the dead were Vazgen Sargsyan and two other influential veterans, Leonard Petrosyan and Armenak Armenakyan.

Disoriented by the tragic loss of their leadership, the veterans promoted the late Vazgen Sargsyan’s brother Aram to the post of prime minister, who engaged in a direct standoff with the president and lost. Although quite a few veterans and supporters remained in their leadership positions in 2000, the organization had lost power to President Kocharyan, including as the result of some smart nominations. The then-incumbent Yerkrapah leader was made vice minister of defense (thus making him part of the administration), and the post of prime minister went to Andranik Margaryan, an ideal figure for the moment: a former dissident and former revolutionary with good ties to the veterans (the Republican Party, of which he was a leader, grew out of the political wing of the Independence Army, a guerrilla group formed during the Karabakh war). Veteran MPs were still numerous, but the informal veteran caucus fell apart. The splinters formed a patron-client network that integrated into the power system on par with other networks.

During the post-shooting crisis, the impeachment of President Kocharyan was on the table for a while. Parliament began this discussion but stopped once it became clear that Kocharyan was prepared to use his authority to disband parliament in the event of an impeachment bill.

In May 2000, President Robert Kocharyan changed the whole government, which was out of his control, and replaced it with people who were loyal to him personally (Grigoryan 2001). The elites rotated once again: the presence and influence of veterans decreased (Minasyan 2011), and power was redistributed among bureaucrats and business operators. The role of major businesspeople in Robert Kocharyan’s circle increased. This new elite revolution was even narrower in scope than the previous one; in fact, the scope of rotation decreased with each successive way following the demise of the communists in 1988-1991. The government changes in 2000 barely touched mid-level officials and left lower-level administration almost intact. Naturally, changes at the top trickled down to lower levels over time, but on the whole, the new group was much
Continuity and Discontinuity in the Post-Soviet Armenian Elite

more concerned with loyalty and power interactions within the elite than with individuals.

Following in the footsteps of the revolutionaries, the veterans of the ruling elite proved unable to recruit a new cadre; just as the revolution before it, the war was now over. Both organizations thus remained limited in numbers; in fact, the recruitment of younger members was not on the agenda of either. Once the veteran network lost its charismatic leader, it declined. The group was brought together by a shared past in the trenches, but the concept of a military junta was never on the agenda. Starting in the early 2000s when the veteran network crumbled and lost control, its remnants became a patron-client network that shared most characteristics of other patron-client networks in Armenia at the time.

Elite continuity from the USSR
The communists lost power during the 1988-1991 revolution as an organization, as did individuals at the top and middle levels of the administration and, in many cases, at the lowest levels. Although the CPA had ruled directly, bypassing other executive and legislative institutions, senior officials in all public bodies were also CPA members. The CPA’s demise caused most of its members to leave politics. Interestingly, the party never experienced a recovery in Armenia, despite the nostalgia that hit the former USSR in the mid-1990s following disappointment, mostly in the economic sphere, with independent statehood.1

According to an EBRD survey “Life in Transition” (2010), descending from a CPA official had little effect on wellbeing or education in Armenia twenty years after the revolution, in contrast to patterns observed in some post-Soviet countries (see Figure 4).

As there was no lustration, some CPA members retained their jobs. There were three additional reasons for this. First, only communists had governance experience prior to independence. Their help was therefore needed by the new administration, especially during times of crisis. As a one of our interviewees said, “clearly, the political leadership needed to change. This begged the question: what is political leadership? A city mayor – is he a politician or a manager?”

1 By 2013, the majority of Armenia’s population (66%) considered that the Soviet Union breakup brought more harm than benefit (Esipova and Ray 2013).
Figure 4. Impact of parental membership in the Communist Party on the level of education and household assets in Armenia and other countries

Source: EBRD 2013, 81
Second, even though most communists left the administration before 1990, those who survived the transition of 1990-1991 often remained due to their managerial or technical expertise or their ability to integrate into the new patron-client networks. This happened all over the former USSR. Many communists quickly forgot about ideology and worked their way back into the elite; some were invited back to address specific issues. This became more common once the revolution was over and ideological opposition to communism was no longer on the agenda. However, some of our interviewees admitted that communist backgrounds slowed down rather than boosted their careers in the independent Armenian administration.

Third, as the economic crisis progressed, Soviet nostalgia grew. The nomination of former Soviet officials to administrative jobs lent legitimacy to the new regime, which was aware of and used this fact. In elections, former communists stood for election on behalf of various parties, preventing the CPA from monopolizing and benefitting from Soviet nostalgia. The CPA never won enough seats in parliament to form a government, and it never joined the ruling coalition. Quite a few members of Armenia's Soviet communist elite became MPs on behalf of the PANM, the NDP and other parties.

Only once in Armenia's post-Soviet history did a former communist player have an opportunity to achieve significant control over decision making: when the communist leader of Soviet Armenia from 1974-1988, Karen Demirchyan, established his People's Party using Soviet nostalgia to win enough seats in the 1999 parliament for Demirchyan to become its speaker. However, alongside the veteran leader Vazgen Sargsyan, Demirchyan was killed in the 1999 parliament shootout. His party became disoriented and quickly lost its standing, and the trend of recycling communists thus quickly ended in Armenia.

Our selection of the Armenian political elite includes 86 members. If we exclude the 19 persons who were too young to hold offices in Soviet Armenia, 41 of the remaining 67 (61%) had no communist past, whereas 10 (11.6%) had held senior positions in the CPA or in administration during Soviet times. The rest had some experience in the CPA but were either low ranking or had left by the time of the revolution. Overall, almost 40% had been CPA members or had been associated with the party.
ARMENIA’S INFORMAL ECONOMY AND ECONOMIC ELITES

The economic transition was as rapid as the political transition and directly linked to it. Some changes were part of Soviet trends: the establishment of economic cooperatives, hyperinflation, the decline of Soviet economy and severing of Soviet economic ties, growing poverty, privatization, concentration of capital and the building of market economies and modern economic institutions. While most elements were the same, the combination was unique in every post-Soviet country.

In the first years of independence, large fortunes were made by Armenian standards. The most successful Armenian business operators – with varied social backgrounds – form a social group usually referred to as the “oligarchs.” In public discourse, there is a widespread narrative that links what many writers call an “oligarchic system” to various problems in the politics and economy of Armenia.¹ This term is often used emotionally to describe what is in reality a wide variety of business models and phenomena.² It is thus of little helps for understanding the nature of Armenia’s economy and its ties to politics. The very concept of an oligarchy implies that big business has a stake in politics and affects top-level decision making. In Armenia, this is only half true. On the one hand, some key business operators are indeed part of the political system of Armenia, and political backing is needed for success in business starting at a certain level. On the other hand, the business sector as a whole has limited influence on Armenia’s domestic policy and especially little influence on foreign policy. At most, major businesspeople have a say in laws regulating economic activity, although their influence is also declining in this area.

While the phrase “oligarchic system” only partly describes major businesspeople in Armenia, a more accurate description of this phenomenon would be “patronage networks distributing resources to the politicians and their clientele” (Weber 1978, 241-245). Since their emergence, these networks have not been subject to laws or societal rules.

¹ According to a survey conducted in 2014, 83.4% of respondents in a representative sample believed that Armenia was developing in a mainly or completely wrong direction. Of these, 61% considered that one of the main reasons for this was the “oligarchic system.” In 2015, these figures were 72.8% and 60.2%, respectively (APR Group 2015, 8).
⁲ An open letter to the presidential administration circulated in April 2016 by an activist group contained a “list of oligarchs” that included members of various elite groups: not only businesspeople but also politicians, bureaucrats, representatives of the education sphere and even members of the clergy.
Little of the Soviet legacy remains in the modern Armenian economy because the Soviet Armenian economy had been fully integrated with those of the other Soviet republics. On a personal level, however, there is some continuity. The former heads of large Soviet enterprises now manage some of independent Armenia’s businesses. Other heads of modern companies were the former shadow capitalists of the late 1980s who operated underground in the USSR. A third group are the founders of the first cooperatives (legal Soviet private businesses) during Perestroika reforms in 1989-1991. A fourth group of the modern economic elite are the operators who established their businesses in the early to mid-1990, some of whom are war veterans who were compensated for their service with economic opportunities.

Given the small size of Armenia’s economy, the threshold for being part of the economic elite and being considered an oligarch is relatively low. Someone who owns several restaurants or shops can qualify as an oligarch. This also implies that, even at this basic level, some level of political backing is necessary for success in business, which curtails competition in the business sphere.

The informal Soviet economy as the basis of the market economy in Armenia
To understand the dynamics of the informal economy in Armenia, it is important to bear in mind that markets are new phenomena in post-communist countries, at least in their legal, open form. In the USSR, business activity was monopolized by the state, and private business was a crime that was only legalized in the late 1980s during Perestroika. Of course, despite strict bans, private economic activity still took place. Citizens bartered for, bought and sold goods and services that were in short supply. Most of the society was involved in at least some informal business transactions. These informal business activities included the clandestine manufacture of clothes, shoes and household items by state-owned Soviet enterprises. The administration was aware of this practice, and public officials at various levels would accept bribes to avert their eyes from the informal practices of formally state-owned companies.

In the 1970s, Western economists began studying the Soviet “parallel market”, also known as the “second economy” and the “unplanned economy” (Grossman 1977; Sampton 1987; Rutgaizer 1992). Gregory Grossman noticed that informal economic activity and economic crimes were especially common in the Soviet South, including the Caucasus and Central Asia. Grossman named Azerbaijan and Georgia as the republics with the largest informal economies.
Georgia was also considered to have both the worst corruption and the largest campaigns to fight it (Law 1974; Suny 1994, 305-313; Nizharadze 1999). The reasons may have been that Moscow subjected activities on the periphery to less scrutiny, giving the non-Russian and non-Slavic republics more latitude in order to avoid political tensions.

Soviet Armenia also had a significant informal economy, including in agriculture, services, manufacture of consumer goods, construction and trade – most sectors of the economy except energy production and heavy industry. To date, only one assessment has been made of the size and development of the Soviet informal economy broken down by republics.

**Figure 5. The share of the informal economy as a % of the NMP of Armenia and some other Soviet republics, 1965-1989**

Of the 6 republics presented in the chart, only Estonia and Russia had little informality in their economies by the start of Perestroika. In Georgia and Uzbekistan, the informal sector amounted to about one-quarter of the formal economy starting in the 1960s; in Armenia, the informal sector experienced significant growth starting in 1985. Overall, during the last three decades of Soviet rule, informal economic activity continued to in Armenia, which was also correlated with societal development.

The lifting of the ban on entrepreneurship in the late 1980s made it technically possible to legalize shadow activities. However, given the lax control of the CPA, business operators preferred to stay in the shadows, which allowed them to avoid
taxation and regulation and to use state resources for private gain. In fact, the shadow model of business activity started expanding across the economy.

Although there was significantly less economic informality and inequality in former Soviet republics, including Armenia, prior to independence, illegal practices and wealth inequality were still common. The Soviet political elite was actively involved in accessing and distributing scarce goods and services (Voslensky 1991). Having existed for decades, this practice became the baseline for the new post-independence elites.

**Emergence of an entrepreneurial class in post-soviet Armenia**

In the development of entrepreneurship, Armenia was similar to other former Soviet republics. In the first years of independence, the assets of most state-owned businesses were privatized by their directors, first de facto and later de jure, usually by setting up a cooperative that had access to the enterprise’s resources and gradually engulfed them. The directors of Soviet enterprises, the red directors, are still strongly present in Armenia’s economic elite, even though many of the enterprises were no longer functioning by the mid-1990s. The new authorities believed that privatization by former directors was the easiest policy and that chances were better the new/old management would keep the enterprise afloat. Some Soviet enterprises were privatized by family members of the new political elite, but few proved economically viable in the new reality. Decline was strongest in the Soviet priority sectors: transportation, engineering, military industry and electronics. Trade companies and manufacturers of consumer goods, such as food and clothing, did better, surviving even the sealing of borders in 1992, which reduced export and import opportunities to a minimum. Of these, many were cooperatives established in the late 1980s and early 1990s.

By 1991, entrepreneurs formed a significant stratum in the former USSR. According to official statistics, over 180,000 persons worked in Armenia’s 10,144 cooperatives in early 1991, accounting for over 10% of all jobs in the republic (State Statistical Committee 1991, 258-259).

Few cooperatives survived the economic crisis but those that did grew with the economy in the late 1990s and early 2000s. Some of the more successful companies were managed by people with relevant professional backgrounds, e.g., former accountants at Soviet factories.

The owners of businesses established during Perestroika or in the previous Soviet shadow economy were accustomed to operating informally. They had experience working under market conditions; they also had the capital and
personal ties needed to keep their businesses going. Many of them were in no hurry to give up informal practices; they bribed tax inspectors to avoid taxation, seeing this as the right model for the new economy. This affected the entire business environment, with some operators having informal advantages over other competitors. However, even involvement in patron-client relationships did not guarantee success.

Not designed to manage a competitive market economy, Armenian regulatory authorities remained inefficient in the early 1990s. State-entrepreneur relations started to operate within the framework of informal ‘substitutes’ that fulfilled the functions of formal institutions (Helmke and Levitsky 2004).

Informal relations with the political leadership became crucial to the economy. During the crisis, survival was often due to informal preferential treatment by politicians. Illegal practices were so widespread in business in the former USSR during the 1990s that the whole sphere became criminalized. Both failing and successful enterprises were involved in illegal activities, so it was difficult to tell why some thrived while others went bankrupt.

The next generation of Armenia’s business operators formed during independence, in the 1990s and after. Most of them began in the trade sector and, at some point, entered into patron-client relations with the political leadership, usually by exchanging favors. The 1990s generation included veterans that gained businesses as compensation for their service to the nation. Overall, this group is also used to clientelism; it includes most of the largest operators or oligarchs.

Finally, some businesses in Armenia are operated by international or foreign companies, or by individuals (mostly ethnic Armenians) who made their fortunes abroad and then invested in Armenia. This segment might be expected to be but is not more formal. Businesses and people coming from Russia and other post-Soviet states are also used to informal practices. Regarding the international companies, especially the larger ones, their presence in the Armenian market often requires informal contacts with political players.

**Main features of Armenia’s entrepreneurial class**
The political class became involved in the business sphere in the first days of independence. This involvement started with the distribution of monopolistic or oligopolistic quotas for foreign trade among major operators. The basis for distribution included patron-client relations and the businesses’ support of the 1988-1991 revolution and the 1992-1994 war.
With rapid privatization of the state-owned economy, some companies became informal providers of basic goods and services, such as communications, fuel and even food. Armenia informally reproduced a bizarre structure of Soviet committees and ministries involved in the management of production, trade and services in various branches of economy. The Council of Ministers, convened in 1982, included as many as 64 ministries. Since the early 1990s, the large informal structures took on these functions. Monopolistic or oligopolic division of branches of economy, which were previously regulated by the state, allowed large businesses, which took part in the informal division of the formerly planned economy, to make sizeable profits and thus ensured the process of primitive accumulation of capital. By the early 2010s, this practice persisted, although it was very limited.

Relations within the circle that re-distributed former state enterprises and functions were based on a type of neopatrimonial model; the players acted as patrons and clients. Some of the major businesses, however, were not included in this game and did not rely on political patronage. Clientelism had its limits.

An anti-crime campaign in 1995-1996 made Armenia a rather safe place. This had its positive impact on the business climate, especially on conflict resolution between major business operators, which was often violent in other former Soviet republics. In Armenia, this type of violence was quite limited.

The war in Nagorno-Karabakh was arguably the defining influence on business culture in Armenia. Many Perestroika-generation entrepreneurs bought weapons and supplies for the army in the early days of the war. This became the standard way to legitimize businesses in the eyes of the society and the elite. In addition, veteran corporation members gained control over various types of businesses and created patrimonies resembling feudal domains (Zolyan 2011), typical to warlords (Marten 2012).

Gradually, the state began cooperating directly with larger businesses to provide for the army and later for other needs; this practice continues to date. Since Armenia's material resources were always many times smaller than those of its adversary Azerbaijan, the government continued to turn to businesses for help. As a result, in the first years of independence, major Armenian businesses became accustomed to informal cooperation with the authorities in exchange for benefits and exemptions. Inevitably, this affected the country’s business climate and practices.

The following statistics can be used to describe the business climate in 1990s Armenia: in 1997, only 49.4% of Armenians believed that tax evasion is never
justifiable (World Values Survey Association 2014). The situation in other post-Soviet countries was very similar.

Table 5. Perceptions on tax evasion in the former Soviet countries in 1996-1997

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<tbody>
<tr>
<td>Never justifiable (1-2)</td>
<td>49.4%</td>
<td>50.5%</td>
<td>46.5%</td>
<td>47.0%</td>
<td>49.2%</td>
<td>46.5%</td>
</tr>
<tr>
<td>Not justifiable (3-4)</td>
<td>12.3%</td>
<td>10.9%</td>
<td>12.4%</td>
<td>14.2%</td>
<td>16.7%</td>
<td>13.1%</td>
</tr>
<tr>
<td>In several cases (5-6)</td>
<td>15.2%</td>
<td>10.8%</td>
<td>16.4%</td>
<td>16.7%</td>
<td>14.1%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Justifiable (7-8)</td>
<td>9.4%</td>
<td>7.2%</td>
<td>9.5%</td>
<td>7.4%</td>
<td>10.2%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Always justifiable (9-10)</td>
<td>10.9%</td>
<td>13.4%</td>
<td>11.6%</td>
<td>6.8%</td>
<td>6.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>DK/RA</td>
<td>2.7%</td>
<td>7.1%</td>
<td>3.7%</td>
<td>7.8%</td>
<td>3.4%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Meana</td>
<td>3.68</td>
<td>3.62</td>
<td>3.82</td>
<td>3.40</td>
<td>3.37</td>
<td>3.45</td>
</tr>
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Note:

*a The lower the figure, the higher the level of intolerance towards tax evasion

Source: World Values Study Association 2014

In the mid-1990s, mass privatization of state assets affected the business climate. Of the enterprises that were privatized, some were still functioning and some had already shut down. People started selling their vouchers, creating a countrywide stock market. In the absence of proper regulation or experience, this stock market was highly irregular, with widespread insider trading and abuse of post-Soviet citizens’ poverty and poor financial literacy.¹ The vouchers were quickly bought and redistributed among the holders of capital and players who networked with politicians and had access to insider information (Arakelyan 2005). A significant share of stock ended up in the hands of the red directors

¹ Post-Soviet and wider – post-socialist countries are still in many cases less financially literate than their neighbors (Klapper 2015).
Armenia’s Informal Economy and Economic Elites

who abused their positions to reduce the valuations of their companies so that they could buy up the vouchers more cheaply (CEPRA 1997).

The redistribution of Soviet state property with the active involvement of the political elite helped establish informal economic practices and create inequality in Armenia (Pogosian et al. 1997). The Soviet institutions were no longer in control, new institutions were only beginning to form, and market mechanisms were too immature to regulate economic activity. The economic decline and mass poverty of the 1990s also contributed to informal economic practices.

This is consistent with the broader picture: a calculation on a sample of 162 countries based on 2007 data found a negative correlation (-0.39) between the age of a state and the size of its informal economy and an even larger negative correlation (-0.66) between its GDP per capita by PPP and the share of its informal economy.1

Entrepreneurship and politics in Armenia

At first, Armenia’s entrepreneurs were content with political patronage, but after a while, they began engaging in politics directly. Only 15.7% of the 1995 parliament came into politics directly from business, whereas in the 1999 parliament, that figure was 25%, and in 2003, that figure rose to 34.5%. Since direct involvement of public servants in business is banned, MPs have invented ways to bypass the law, including by giving their assets to family members. Less than 6% of the current 2012 parliament comes from business (AREG 2014), but we cannot surmise that 94% do not really own businesses; what we can say is that combining business and politics is no longer an accepted practice.

For informal practices to work, businesspeople wishing to engage in politics need to be met halfway by politicians wishing to associate with business. Several factors contributed to this willingness in Armenia. Starting in the mid-1990s, some business operators offered their services to the ruling party and sometimes to other groups and individual politicians, financing their campaigns. The funds were used for some legal campaigning but also to bribe voters and enable organized voting. In return, the sponsor expected either the patronage of the ruling party or winning candidate in the form of informal preferences and exemptions or a direct place in politics – a public office or seat in parliament.

Since the second term of the first president, Ter-Petrosyan, the political elite weakened, and the capitalists gained influence. Starting in the mid-1990s after

1 Data on the share of the informal economy used for this calculation was extracted from Schneider, Buehn and Montenegro 2010.
the bulk of state assets had been privatized, Armenia's media began discussing its oligarchs (Melkoni 1998). Following the power transition in 1998, most (but not all) major businesspeople shifted their loyalties to the new political leadership.

The economic transition amidst the crisis led to inequality: Armenia's Gini coefficient increase from 0.26 in 1989 to 0.381 in 1995. Consistent with Simon Kuznets' curve (Kuznets 1955), the growth of Armenia's economy after 1995 was accompanied by the growth of economic inequality. Armenia's Gini coefficient continued to increase, reaching 0.54 in 2003 according to one estimate (UNU-WIDER 2015). This curve reflects the accumulation and concentration of capital in post-communist Armenia.

Having no transit income, no state-owned businesses and no income from sales of natural resources, the Armenian budget was comparable to the summary turnover of several major enterprises. This proportion per se gave the entrepreneurial class considerable political weight. It prevented the authorities from regulating the business sphere in a transparent and uniform way, with a level playing field and the same rules for everyone, and from liberalizing the entry of players and capital to Armenia's market.

According to the prevailing narrative, this occurred because the politicians themselves had stakes in businesses, and the resulting conflicts of interest prevented them from fighting monopolies and corruption. While conflicts of interest definitely existed, these do not fully explain the economic situation. Arguably, the strongest factor is that the comparatively large weight of major businesses in the economy made it impossible for the authorities to dictate to their owners. Moreover, unlike Azerbaijan, with its revenues from oil and gas mining, and Georgia, with its smaller but still significant transit incomes, Armenia has few income sources apart from taxes. Its budget is thus constrained. Additional sources of Armenia’s income include international aid, mostly from the EU and the US, which is used to implement reforms including for the reduction of the informal economy, and aid from members of the Armenian diaspora, including investment in businesses and innovation.

The fact that a few major operators managed to accumulate free assets comparable to the state budget also served to slightly widen the political field. For example, the Prosperous Armenia Party established by Armenia's reportedly richest businessman, Gagik Tsarukyan, at one point represented a strong faction in parliament1.

1 PAP’s existence did not contribute to political pluralism in the long run, since the party did not have a clearly stated ideology (Iskandaryan 2012).
Informality in the Armenian economy of the 2000s

Businesses were the first but not the only beneficiaries of economic growth in the early 2000s. The Gini coefficient started to decrease, and retail turnover increased. At the same time, a growing number of companies monopolized markets due to political patronage. Between 2003 and early 2008, the number of monopoly markets in Armenia grew from 14 to 92 (Nranyan, Petrosyan and Hovhannisyan 2013, 59). Many of these monopolies were artificial; while they started springing up in the mid-1990s, their numbers peaked at the start of the global recession in 2008. Apart from Armenia's notorious sugar imports, most other markets were not monopolized by a player but by several or even dozens of players that divided the market among themselves. However, given their reliance on state patronage, their incomes are more like annuities than proper business incomes, especially where imports are concerned. Other annuity-type operations include mining of precious metals and metalwork, both controlled by foreign capital with small shares owned by Armenian politicians or businesspeople.

The growth of import monopolies in the mid-1990s was partly stimulated by the influx of Russian oil revenues into Armenia in the form of hundreds of thousands of private transfers from labor migrants in Russia to their families, plus cash brought in by seasonal migrants. By the onset of the global recession, Armenia was showing symptoms of the Dutch disease without having any grain of its own (Karapetyan, Harutyunyan 2013). Exactly how these artificial monopolies were established in Armenia is still not well understood; this study was unable to contribute to this understanding due to insufficient access to the field (i.e., entrepreneurs' refusal to be interviewed or to answer specific questions). It is unlikely that the authorities had full control over this process or full awareness of it, as happens in countries that live off natural resources or transit rents.

In the regions, the new class of business operators acquired some feudal characteristics: village and city mayors and MPs elected in provincial constituencies capitalized on their political offices by obtaining stakes in agriculture, trade and industrial production (Zolyan 2011). Some local leaders', including veterans, engagement in politics and economics was similar to Russia's "regionalization" (Ryabov 2008).

Informal economic practices made politicians' lives convenient in the 2000s. With corruption high in all spheres and institutions weak, informal control was established over the shadow economy and corruption. Informal turnover of
extra-budgetary funds was used by the senior political leadership for a number of ends, including:

- Accumulating personal wealth,
- Ensuring the victory of the ruling party in elections, e.g., by means of voter bribing and organized voting,
- Funding infrastructural projects, especially in the regions,
- Buying weapons, ammunition and supplies for the army (purchased chiefly from extra-budgetary funds).

The Russian media refers to the extra-budgetary resources that can be accessed by the president’s circle as “the pool”.

In the 2000s, most members of the inner circle were leading economic players who formed a shadow government that shared business quotas and exemptions but also discussed domestic and sometimes even foreign policy. By the mid-2000s, the representation of persons with ties to businesses or resource allocation started growing across sectors of the administration and state agencies.

The public strongly disapproved of these practices; the legitimacy of the new arrangement was very low, especially in a society still accustomed to the relatively low Soviet levels of economic inequality. As long as economic growth was high, citizens were relatively tolerant of the informal economy; however, once the recession began, public indignation rose rapidly. When the political crisis of spring 2008 combined with the first dramatic effects of the economic recession in fall 2008, the legitimacy of Armenia’s governance system hit an all-time low.

**Business in politics and politics in business after 2010**

In 2009-2010, Armenia’s negotiations to sign an Association Agreement with the EU created a window of opportunity for the authorities to regain some public trust. Recovery from the global recession was very slow. In our timeline, we chose late 2010 as the period when significant changes were made in the country’s leadership that affected, among other things, monopoly power in Armenia’s economy, reducing it considerably.

The table shows that the share of monopolized markets decreased dramatically after 2010. Some monopolies may have been artificially broken into segments in order to avoid being fined for monopolization. However, it would be wrong to overestimate this factor, since the de-monopolization trend even brought about the bankruptcies of some artificial monopolies. At least two major
operators of the 2000s announced their bankruptcies following the withdrawal of state support for the companies’ monopoly positions in the market. Another indicator of a genuine reduction of monopolization is the 2009-2015 decrease in consumer prices in Armenia relative to the US dollar, although this was partly due to the government’s effort to target inflation and slow the growth of prices as the exchange rate of the local currency went down (Voskanyan 2013).

Table 6. Extent of domination in Armenia’s local commodity markets, 2004-2013

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2007</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of markets analyzed</td>
<td>46</td>
<td>93</td>
<td>56</td>
<td>24</td>
</tr>
<tr>
<td>High level of concentration</td>
<td>67.4%</td>
<td>61.3%</td>
<td>46.4%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Medium level of concentration</td>
<td>21.7%</td>
<td>33.3%</td>
<td>46.4%</td>
<td>54.2%</td>
</tr>
<tr>
<td>Low level of concentration</td>
<td>10.9%</td>
<td>5.4%</td>
<td>7.1%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Monopolized markets</td>
<td></td>
<td>33.9%</td>
<td>12.5%</td>
<td></td>
</tr>
<tr>
<td>Olygopolized markets&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
<td>37.5%</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td>Markets without domination&lt;sup&gt;b&lt;/sup&gt;</td>
<td></td>
<td>28.6%</td>
<td>54.2%</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
<sup>a</sup> Two or three dominant players
<sup>b</sup> More than three major players

Sources:
State Economic Competitiveness Commission of the Republic of Armenia. 2014
State Economic Competitiveness Commission of the Republic of Armenia. 2011
State Economic Competitiveness Commission of the Republic of Armenia. 2008

As competition decreased in the 1990s and 2000s due to informal practices, non-competitive companies remained in the market, and the overall competitiveness of Armenia’s economy decreased. Renewed competition is improving the business environment, a trend that is reflecting on politics as well as economics, including macroeconomic trends.\(^1\)

In the 2010s, economic legislation in Armenia was amended to incorporate some informal practices, e.g., the special rights of large businesses with ties to politics. In a general environment of fuzzy legality (Cohn 2001), some informal practices were allowed.

---

\(^1\) In 2010-2015, the growth of the Armenian economy was, as a rule, higher than that predicted by the International Monetary Fund and the World Bank. This can be considered evidence of increasing competitiveness of Armenia’s economy.
practices are legalized while others are directly banned. This is controversial but hardly avoidable. On the one hand, this makes players in the market unequal even in formal terms; on the other, closing the gap between law and practice is essential for institutional development. Margit Cohn calls this phenomenon “pastiche law,” i.e., economic laws tailor-made for particular businesspeople or groups.

Figure 6. The share of the informal economy in Armenia’s GDP in 1995-2015

Notes:

a At the end of each quarter
b The calculation was based on Gutmann’s method modified based on implication of dynamic standard C/DD ratio: the standard ratio was growing during the period when Armenia was a low-income economy (according to the World Bank’s classification) and decreasing since Armenia has become a middle-income economy

Sources: Gutmann 1977; Tunyan 2005; Own calculation based on modified Gutmann’s method. Official economic statistical data used for calculation purposes.

The gradual removal of informal restrictions on business, and the separation of business from politics, does not necessarily imply the total restructuring of the economy, let alone in the short-term with affordable business loans still hard to come by. There is, moreover, no reason to consider the process irreversible, and it will take a long time to finalize. In the medium term, however, it can create a
sustainable professional environment in politics and public administration, with no direct involvement and decreasing indirect business influence.

However, during the last two decades, the share of the informal economy in Armenia gradually decreased from two-thirds of the economy to one-third by the end of 2015.

Despite the connection between business and politics, the business culture has also significantly improved over time. The number of Armenians who justified tax evasion was halved by 2008, and reduced to one-third by 2011.

| Table 7. Perceptions on tax evasion in Armenia in 1997-2011 |
|-----------------|---------------|---------------|
| Perceptions      | 1997 | 2008 | 2011 |
| Never justifiable (1-2) | 49.4% | 69.4% | 76.5% |
| Not justifiable (3-4) | 12.3% | 12.6% | 9.3% |
| In several cases (5-6) | 15.2% | 7.4% | 6.3% |
| Justifiable (7-8) | 9.4% | 5.3% | 3.5% |
| Always justifiable (9-10) | 10.9% | 5.4% | 3.3% |
| Mean\(^a\) | 3.7 | 2.8 | 2.4 |

Note:
\( ^a \) The lower the figure, the higher the level of intolerance towards tax evasion

Sources: World Values Survey Association 2014; EVSSG 2008 wave; World Values Survey Association 2015

The liberalization of economic activity is also manifest in the provinces, where monopolies are an even worse problem than in the center. Local businesspeople are usually clients of the veteran organization, the provincial governor or both; their domination is made worse by the large number of MPs elected in single-mandate constituencies because these MPs are often part of the informal economy. The 1990s parliament had 260 members, all of whom were elected locally. With every amendment of the Election Code, the size of parliament and the proportion of single-mandate seats decreased. By mid-2010, the need to prevent local capital from fully merging with local politics dictated the need to introduce an election system fully based on party lists. This was achieved by the 2015 constitutional reform and enshrined in the 2016 Election Code.
Elections in Armenia: a subversive institution or democratic prototype?

Elections are the nucleus of democracy. Joseph Schumpeter defined the democratic method as “that institutional arrangement for arriving at political decisions which realizes the common good by making the people itself decide issues through the election of individuals who are to assemble in order to carry out its will” (Schumpeter 1976). Based on this definition, proposed in the 1930s, democracy has been understood as a mechanism centered on a competitive electoral process. This concept uses a smaller set of criteria compared to Dahl’s model of a pluralistic polyarchy; however, Dahl also placed elections to senior state offices at the center of his model (Dahl 1972). In fact, regardless of the number of criteria scholars use to define democracy, elections are always seen as its key institution. The quality of elections and the way they affect state policies are criteria used assess a political regime on a scale ranging from democracy to authoritarianism.

It is common for post-Soviet countries to conduct elections that fall short of the standard in both form and content. When elections do not in effect lead to a change of power in a multi-party system, the game is being played by an informal set of rules that are not set down on paper and are not always clear to all players, especially to members of the opposition (Ostrom 1990). Terms used to describe this state of affairs include competitive authoritarianism (Levitsky 2010), electoral authoritarianism (Schedler 2006) and subversive institutions (Gel’man 2012).

The main characteristic of a subversive institution is that it is not used to fulfill its formal function. Formally, democratic institutions in this type of regime, including private media and civil society, represent potential sites of conflict (Schedler 2006, 12).

According to Gel’man, when formal institutions are ineffective, informal ones merge with them and have negative or subversive effects on their functioning. The formal institution may end up doing the opposite of what it was meant to do, creating an institutional trap when most public institutions become ineffective. Gel’man analyzes elections as the most typical subversive institution in Russia. Given Armenia’s similar post-Soviet background and the fact that it also failed
to establish a functioning multi-party system,\(^1\) it would be logical to assume that elections in Armenia are also a subversive institution. However, it is useful to examine Armenia’s system in detail.

The prevailing opinion is that power in Armenia never changed by means of elections, with the exception of 1991 when the first post-communist election was supposedly conducted in a democratic manner (Safaryan 2003, 40). In reality, the legitimacy of the 1991 election does not stem from the democratic procedure but from two other factors: first, it embodied Armenia’s independence, and second, there was no competition to speak of: one charismatic leader received most of the votes. In procedural terms, that election left a lot to be desired.

The situation had changed by the next round of elections in the mid-1990s. The 1995 parliamentary election and the 1996 presidential election had low public legitimacy. The popularity ratings of the political parties in those years are shown in Table 8.

The results of the July 1995 parliamentary elections conflicted with data from polls conducted a few months before and then again a few months after the election. The Republican Bloc, including the PANM, the Republican, Christian Democratic and Democratic Liberal Parties, in coalition with the Shamiram Movement (an electoral spoiler, which was invented by the minister of the interior), won 96 of the 116 seats in parliament that were allocated by party lists. Most of the 72 non-aligned candidates who won elections in single-mandate constituencies also supported the ruling coalition.

All opposition parties together (Communists, National Democrats, National Self-Determination Union and others) received just 10.6% of seats in the 1995 parliament; one of the leading opposition parties, Dashnaktsutyun, was banned six months before the 1995 election (Mityaev 1998). Thus, coalition parties, which had only 26% support by November 1995, according to the poll, won the vast majority of seats in parliament, while parties that had much greater support had virtually no significant representation in parliament.

\(^1\) It is noteworthy that the Armenian Parliament elected in 2007 had at least two opposition factions that represented the counter-elite, while similar Russian groups were kept out of the parliament for more than a decade by that time.
Table 8. Voting preferences in Armenia in 1994-1996 according to surveys\textsuperscript{a, b}

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenian Revolutionary Federation (Dashnaktsutyun)</td>
<td>22.7%</td>
<td>8.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Christian Democratic Union</td>
<td>1.3%</td>
<td>0.4%</td>
<td>28.8%\textsuperscript{c}</td>
</tr>
<tr>
<td>Communist Party of Armenia</td>
<td>40.1%</td>
<td>37.6%</td>
<td>2.5%\textsuperscript{c}</td>
</tr>
<tr>
<td>Democratic Party of Armenia</td>
<td>2.4%</td>
<td>4.7%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Democratic Liberal Party (Ramgavar)</td>
<td>1.3%</td>
<td>1.5%</td>
<td>6.3%</td>
</tr>
<tr>
<td>National Democratic Union</td>
<td>7.5%</td>
<td>4.1%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Pan-Armenian National Movement</td>
<td>16.3%</td>
<td>14.4%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Republican Party and People's Party</td>
<td></td>
<td>6.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Shamiram Women's Movement; Women of Armenia</td>
<td></td>
<td>3.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Union for National Self-Determination</td>
<td>4.7%</td>
<td>4.8%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Other</td>
<td>0.5%</td>
<td>6.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Would spoil vote/vote blank</td>
<td>3.1%</td>
<td>7.7%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Notes:
\textsuperscript{a} The 1994 survey was conducted on November 10-24, in 1995 – on November 1-10, in 1996 – on October 25-November 5
\textsuperscript{b} The table excludes respondents who could not answer or said they were not going to vote
\textsuperscript{c} There is an error in the 1996 database: data on the Christian Democratic Union in fact relates to the National Democratic Union and the Communist Party of Armenia

Sources: European Commission 1994; 1995; 1996

The 1996 presidential election also reveals a discrepancy between the official results and the popularity ratings. Available opinion poll data show preferences for political parties rather than individual candidates, so direct comparison is not possible. However, the party ratings give an indication of voters’ preferences. The popularity of political parties according to the February 1997 World Value Survey is shown in Table 9.
Table 9. Voting preferences in 1997: a detailed breakdown

<table>
<thead>
<tr>
<th>Party Name</th>
<th>1st choice</th>
<th>2nd choice</th>
<th>Would never vote for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenian Revolutionary Federation (Dashnaktsutyun)</td>
<td>19.5%</td>
<td>15.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Christian Democratic Union</td>
<td>1.9%</td>
<td>3.7%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Communist Party of Armenia</td>
<td>23.5%</td>
<td>11.5%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Democratic Party of Armenia</td>
<td>7.0%</td>
<td>12.5%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Democratic Liberal Party (Ramkavar)</td>
<td>3.0%</td>
<td>4.8%</td>
<td>1.6%</td>
</tr>
<tr>
<td>National Democratic Union</td>
<td>11.0%</td>
<td>14.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Pan-Armenian National Movement</td>
<td>21.3%</td>
<td>7.4%</td>
<td>43.3%</td>
</tr>
<tr>
<td>Republican Party of Armenia</td>
<td>1.9%</td>
<td>4.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Shamiram Women’s Movement</td>
<td>1.1%</td>
<td>1.6%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Social Democratic Party (Hnchakyan)</td>
<td>1.4%</td>
<td>2.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Union for National Self-Determination</td>
<td>5.4%</td>
<td>13.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Other</td>
<td>6.1%</td>
<td>9.1%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Notes:

a The survey was conducted in February 1997
b The table excludes respondents who could not answer or said they were not going to vote

Source: World Values Survey Association 2014

The leader of the PANM, Levon Ter-Petrosyan, won that election with an official result of over 51%. Vazgen Manukyan, who came in second, had the support of opposition parties including Dashnaktsutyun, the Union for National Self-Determination, the Democratic Party and the National Democratic Union of which Manukyan was the leader. A total of 89.4% of airtime in television campaigning was allocated to Ter-Petrosyan, while the remaining 10.6% was chiefly used to criticize all other candidates (Grigoryan 1997). In fact, the 1996 poll produced notable irregularities at every stage of the electoral process (Defeis 1998). International observers criticized it harshly (Osborn 1996); there is ample proof of direct and blatant interference with the conduct of elections on the part of the authorities (Wessenlink 1997). Arguably, by 1996, elections had
not yet become a subversive institution. One they do, there is no need for the authorities to openly interfere with them.

Subsequently, the incumbent powers hone their skills in orchestrating elections (Kiesling 2004) while observing formal procedure. Organized voting and voter bribing were the main methods used to institutionalize state interference in the electoral process. By the 2010s, the number of violations registered by observers had decreased significantly. The OSCE ODIHR monitoring missions make it possible to assess trends in election conduct based on the share of polling stations where the election process was assessed positively or negatively; the data on negative assessments are shown in Figure 7.

**Figure 7. Share of polling stations where the election process was assessed negatively by OSCE/ODIHR international observers in 1998-2013**

Notes:

*a The numbers include the share of polling stations where the election process was assessed as “bad” or “very bad”

Sources: OSCE ODIHR Reports on elections in Armenia
http://www.osce.org/odihr/elections/armenia

Figure 7 shows the gradual reduction of violations on voting day over the 1998-2007 period, a surge in 2008, and continued decline in the following years. One must bear in mind that elections also include the campaigns before and vote counting after the election. Campaign coverage by broadcast media improved over the years to achieve full equality (Yerevan Press Club 2013); the vote count
also improved. However, society’s trust in the institution of elections remained low reaching only 10-15%.\(^1\) By 2012, the subversive nucleus of Armenia’s electoral institution was fully formed based on organized voting and voter bribing (Iskandaryan 2012).

However, to determine whether elections in Armenia have become an entirely subversive, one also needs to assess their impact on the political system. Following the 1999 parliamentary elections, a new status quo was established: the president, the government and the parliament each had independent influence on decision making. This situation lasted only a few months. After the shooting in parliament and the subsequent concentration of power in the hands of the president in 2000, the situation reverted to a more traditional one in Armenian politics, where the president and his administration are the most influential actors in the country.

The 2003 and 2007 parliamentary elections led to the formation of coalitions in parliament because the leading party did not have enough seats to form a government on its own. Coalitions were also formed (and then re-formed) in the 2012 parliament, even though this time the ruling party had enough seats to form a government. This time, the goal was to boost the legitimacy of the parliament and the government.

It is also indicative that, despite all the manipulation, it took Kocharyan a second round to win the 1998 and 2003 presidential elections; this does not happen often in post-Soviet countries. Sargsyan won the 2008 and 2013 elections in the first round but by a very small margin and with little credibility. It can thus be argued that elections, while tampered with by the incumbents, still affect the formation of political power in Armenia, albeit with many reservations. While Armenian elections are not a democratic process, they are not a fully subversive institution either, although the 2010s show a trend toward increased subversiveness. The winners of such elections, despite the small number of visible irregularities, are critically lacking in legitimacy from their first days in power. The game leading to victory is played by informal rules; the public’s opinion does not define the outcome of the election, but it is taken into account by the winners. The ruling group, which receives a large number of seats in parliament,

\(^1\) In a 2013 CRRC survey, 49% of respondents considered the last election to have been unfair, 41% thought it had been fair to some extent and only 10% considered it fair (Caucasus Resource Research Centers 2013). In a 2012 survey, 33% said the election had been unfair, 54%, fair to some extent and 13%, fair. (Caucasus Resource Research Centers 2012).
feels that it lacks legitimacy and includes the least radical opposition party in
the ruling coalition. This compromise costs several positions in the government,
and its success is questionable. Often the parties that agree to enter the coalition
lose support, while the ruling party does not gain anything.

The parliament of Armenia and its functions
The merger of business and politics described in the section on economics
resulted from Armenia’s poverty and insufficient institutionalization. Major
operators looking to expand their businesses had to make pacts with the political
powers. These pacts were not fully informal – most major business operators
openly supported a party (generally the Republican or Prosperous Armenia
Parties), providing resources for the race. In many cases, these pacts were
corroborated by business presence in parliament, which included quite a few

Armenia’s political party system was established in the late 1990s and remains
one of the weakest links in Armenia’s political system. The parties are set on
winning elections; in between elections, they fail to engage with voters and easily
change their ideologies, visions, names and electoral technologies. The main
difference between any two parties is whether they have seats in parliament.
This state of things is indirectly reflected in media coverage of Armenia’s political
parties, which is entirely based on the “coalition” and “opposition” dichotomy.

According to Duverger’s categorization, most of Armenia’s political parties
are “cadre parties”1 (Duverger 1978, 64) centered on a leader or elite group.
Once in power, these parties merge with the administration and try to recruit as
many public officials as they can in order to compensate for a lack of legitimacy.
Cadre parties in Armenia’s parliament include informal networks, professional
clubs, electoral mechanisms and business advocacy groups. All of these reflect
the persistent immaturity of Armenia’s political system. Of all significant parties,
only Dashnaktsutyun qualifies as a mass party: it has defined membership and
an institutional nucleus led by the party’s bureau.

Armenia’s political system has been described as a “one and a half party system”
(Iskandaryan 2015), characterized not only by the sustainable domination of
one party that has control over all administrative levers but also by a pluralistic

1 According to Duverger, the activity of “cadre parties” concentrates on preparing for
the elections. The membership concept is different from the “mass parties” and implies
involvement of influential persons with names and connections, experts on political
technologies and financiers who bring sinews of war.
Clientelism and Institutional Sustainability in Armenia

parliament in which opposition agendas are represented, albeit insufficiently
to influence decision making. In 2012, six parties were elected to parliament;
three formed the coalition, and three formed in the opposition. However, even
by mobilizing all its resources, the opposition has been unable to implement any
initiatives that the coalition opposed.

The dominant party in Armenia’s parliament formed in 1990 based on
the PANM at a time when the majority of seats were still held by candidates
who stood on behalf of the Communist Party but re-aligned with the PANM.
Starting in the mid-1990s, the dominant party began merging with the state
administration. Although the domination of the PANM ended in 1998 after
eight years in power, the system remained; the only things that changed were the
names of the parties and the individual players. The Republican Party, dominant
since the 2000s, has been in power almost twice as long as the PANM and has
had time to extend the system further by expanding its domination to local self-
government bodies across the country, including in small villages (Iskandaryan
2014, 77-78).

Figure 8. The formation of the dominant faction in the Armenian parliament in
2003-2012

Note: *Each cell represents one MP

Source: Iskandaryan 2015
From 2003 to 2012, the presence of non-ideological catchall parties in parliament increased, whereas ideological parties lost popularity. The parties’ electoral programs are often incomplete and published irregularly. They are often unrealistic, but the voters never question their implementation, and the winning parties hardly ever pretend to implement them.

The Armenian party with the clearest ideology is Dashnaktsutyun; it also has a value system and a management structure that is not personalized. However, its survival in Armenian politics relies on its structures within the Armenian diaspora. The ideologies of opposition parties chiefly consist in denouncing the authorities rather than in a set of policies that they will implement once elected.

There are constraints on the domination of the ruling party in Armenia. First, no political body in Armenia, including the state administration, has sufficient financial resources for unrestricted domination. Second, the ruling elite is polycentric and can only nominally be called a party. Strongly connected with the administration, it consists of various patron-client networks of businessmen and bureaucrats. As inter-party struggle subsides, the struggle for domination within the ruling elite continues.

The one-and-a-half party system inevitably leads to the domination of the executive over the legislative branch of power. Parliament rubber-stamps government initiatives and initiates few bills.

Armenia still does not have any parties that represent social groups, e.g., farmers, small businesses, rank-and-file public servants, or the middle class. Politics is not based on participatory representation but remains an elite game. The masses are involved from time to time and, therefore, have little trust in a parliament that does not represent them.

Since the single-party domination system has displayed its ability to reproduce itself following a change in the ruling party, it can be assumed that the Armenian parliament does not undergo institutional changes and that changes concerns individuals only. This is not quite true. An elected legislative body, functioning as anything except a subversive institution, is a novelty for post-communist countries. The coexistence of mutually contradictory elements in one political body is not easy for a post-communist state to become accustomed to. Any institutional changes in parliament unfold very slowly. In advance of

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1 Elections were few in Armenian history: by 1990, the entire record included the election of mayors in some cities in the Middle Ages (including Ani in the 10-11 centuries AD), elections of the Russian Constituent Assembly in 1917 and of the Armenian Parliament in 1919.
the 2012 elections, the law was changed to expand the rights of the opposition in parliament and to create broader opportunities for debate and media involvement. Both are now more common, and although the opposition has so far failed to pass any of its bills, it has at least initiated some. At this rate, in the absence of radical changes, this trend will take decades to bear any fruit.

*Figure 9. Dynamics of public trust in parliament in 2007-2015. a, b*

<table>
<thead>
<tr>
<th>Year</th>
<th>Distrust</th>
<th>Neither Trust Nor Distrust</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>53</td>
<td>27</td>
<td>21</td>
</tr>
<tr>
<td>2008</td>
<td>50</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>2009</td>
<td>41</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>2010</td>
<td>48</td>
<td>37</td>
<td>16</td>
</tr>
<tr>
<td>2011</td>
<td>45</td>
<td>32</td>
<td>22</td>
</tr>
<tr>
<td>2012</td>
<td>50</td>
<td>34</td>
<td>16</td>
</tr>
<tr>
<td>2013</td>
<td>66</td>
<td>23</td>
<td>11</td>
</tr>
<tr>
<td>2014</td>
<td>56</td>
<td>30</td>
<td>13</td>
</tr>
<tr>
<td>2015</td>
<td>66</td>
<td>23</td>
<td>11</td>
</tr>
</tbody>
</table>

Note:

a “Don’t know” and refusal to answer were excluded from the calculation

b The percentages shown in the table are rounded off and may not add up to 100%


**Government and political power in Armenia after 2000**

In the 2000s, the power system of Armenia changed significantly. In May 2000, President Kocharyan consolidated political power in his own hands. Ironically, what was seen by the public as a “victory of the Karabakh clan” was in fact an illusion. The influence of the groups and networks that emerged from the Karabakh movement and the Karabakh war was now smaller than it had been under the previous president who had hired veterans to benefit from their popularity and legitimacy. The political status of warlords that represented war veterans decreased. Although the new president of Armenia had previously served as the president of Nagorno-Karabakh, the number of public servants with Karabakh backgrounds grew only slightly. Of the 93 persons we included in our sample, two were born in Karabakh and were active in high-level politics.
in 1998; that number had not changed by 2002. It is a question of whether the notorious Karabakh clan of numerous media publications ever existed except as one of several patron-client networks within the political elite. The inner circle of President Kocharyan consisted mainly of political and business players from Yerevan inherited from the previous president or co-opted during Kocharyan’s presidency.

As the opposition weakened, the balance of power within the elite changed. Personnel rotations through senior positions became more infrequent. Senior officials remained in power for longer and longer terms.¹ The political system stabilized and soon began to stagnate.

Based on the patrimonial power system, Kocharyan did not establish new party bodies or power institutions. Power was personified, and most players were chosen as a result of trade-offs among influence groups, parliamentary factions and business circles. Much governance under Kocharyan consisted of crisis management with strong involvement of the president himself. This enabled quick decision making and rapid economic growth but created imbalances that quickly came to a head, causing a drastic political crisis in early 2008 and aggravating the effects of the global economic recession later that year.

By default, executive bodies were divided into areas whose management required professional skills and those that could be run by bureaucrats without special knowledge. The former were considered priority spheres, including the army, law enforcement, the economy and financial system, parties and justice. The rest were considered less important. Some of these, including bodies concerned with natural resources, the environment, energy, transportation and construction, were considered to ensure informal sources of income, and nomination for this type of office was seen as a reward for loyalty or as an acknowledgement of one’s role in the power game.

Administrators in areas that required professionalism are sometimes referred to as technocrats, some of whom evolved within the ruling system and some of whom were co-opted from without. Most technocrats were appointed based on their professional abilities, but the pool from which they were chosen was restricted to the political or social elite. There was a special focus on boosting

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¹ In 1991-1997, Armenia had 7 prime ministers, 5 heads of interior/police, 6 chiefs of national security service, 5 defense ministers and 4 ministers of foreign affairs. In the 2000s, appointments to these positions were less frequent. In 2001-2007, Armenia had 2 prime ministers, 1 head of police, 2 chiefs of national security service, 2 ministers of defense and 1 minister of foreign affairs.
the skills of officials managing priority areas: many received vocational training in Armenia and abroad.

In the early 2000s, alongside the Unity Bloc that was formally in power (the body originally established by veterans in an effort to take over) and the Kocharyan inner circle that was informally in power, two former opposition parties entered the political elite. One was the National Democratic Party led by Vazgen Manukyan in the 1990s; some of its members had made political careers in their private capacities. The other was Dashnaktsutyun, on whose party structures Kocharyan relied during his struggle for power. The Unity Bloc, following the demise of the veterans, broke up into segments that included the Republican Party, which supported the incumbent authorities, and the People’s Party, which joined the opposition. Starting in the 2000s, like the PANM before it, the Republican Party began to merge with the administration.

In the early 2000s and especially by the mid-2000s, the role of the president’s inner circle grew. The inner circle now consisted of new people: the president no longer had any competitors as in the 1990s, so the inner circle was based on loyalties, not trade-offs. Composed of senior officials and major business operators, the inner circle increased its power as economic growth progressed, as did the number of monopolies. The job of the inner circle was to regulate Armenia’s informal economy; with the onset of global economic recession, its influence decreased dramatically.

Other post-Soviet countries had informal bodies of this type; in Armenia, an inner circle existed under all three presidents despite significant differences in their management styles, personalities and economic environments. Arguably, the existence of such a circle reflects the weakness of state institutions and low legality to a much greater extent than personal or group preferences.

**Institutional trends following political and economic shocks**

The political and economic crises of 2008 subjected Armenia to a stress test. A standoff between the authorities and the opposition following the contested 2008 presidential election led to violence, with hundreds of wounded and ten deaths. The legitimacy of the new government decreased further, and society was more polarized than ever, especially as Armenia’s economy declined abruptly in 2008-2009 with the onset of global economic recession.¹ As seen in Figure 9, trust in the authorities has not yet been restored in Armenia.

¹ In 2009, Armenia’s GDP dropped by 14.1%, while exports of goods and services decreased by 24% (Vinals and Ahmed 2013, 62).
The foreign policy environment was also pregnant with change. Failed rapprochement with Turkey was offset by progress in negotiations over an Association Agreement with the EU. The AA required reforms, and the public demanded them. As a result, significant institutional changes were launched in 2010-2011. The main outcome of the institutional reforms was the gradual separation of business and politics. While the dates are only indicative, they correlate with indicators of corruption, personnel trends, and reductions in the shadow economy (see Figure 6).

The president publicly proclaimed the separation of business and politics to be the mid-term goal of his reforms. Businesspeople from the inner circle were still elected to the 2012 parliament, but businesspeople from outside this circle were not. Moreover, the overall presence of business in parliament decreased. At the same time, some of the counter-elites (Heritage, Free Democrats and the Armenian National Congress, which represent former revolutionaries who were in power in 1990s) were allowed to win seats in parliament. This somewhat mitigated the polarization, allowing political activity to move from the streets into parliament (Mikaelian 2013).

Technocrats replaced some of the business players in economic offices. Their appointments were expected to promote economic growth and gain some public popularity. Combined with bringing laws and practices in line with EU requirements, all these changes led to economic reform; even the number of monopolies held by inner circle members decreased. The Armenian media was also liberalized during the same 2009-2013 period.

All these efforts failed to ensure full economic recovery and growth. They also failed to sufficiently mitigate political polarization because reforms were originally planned as partial liberalization, not as a targeted policy.

From the outside, the establishment is viewed as a whole (Melkonyan 2009). However, not just the political class of Armenia, but the Republican Party is in itself a coalition of elite groups. The coexistence of technocratic and business wings within the Republican Party in 2011-2013 created a structural imbalance and regularly led to tension among the elites. The president needed to balance the two wings to prevent them from creating a counter-elite. A well-funded opposition group would be able to challenge the system, a situation that the political leadership was making every effort to prevent.
The functioning of state institutions improved during the 2010s, leading to better institutional capacity and less influence of informal institutions on the economy. The incomplete reforms led to a situation where fuzzy legality did not encompass business and administration but existed in specific zones. The main zones of fuzzy vs. regular legality in 2010-2015 Armenia are shown in Table 10.

<table>
<thead>
<tr>
<th>Fuzzy legality</th>
<th>Regular legality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax and customs agencies</td>
<td>Cadastre, civic registration</td>
</tr>
<tr>
<td>Senior officials at ministries and state agencies</td>
<td>Medium- to low-level staff at ministries and state agencies</td>
</tr>
<tr>
<td>Tenders, state procurement</td>
<td>Social services and funds distribution</td>
</tr>
<tr>
<td>Businesses with ties to politics</td>
<td>Agriculture management</td>
</tr>
<tr>
<td>Retail trade companies and small private traders</td>
<td>Service providers</td>
</tr>
</tbody>
</table>

Since the mid-2000s, the existence of influential financial and industrial groups has limited any reform policy that the authorities have tried to implement. The low legitimacy of the incumbent powers has been another major constraint. The citizens of Armenia demanded reforms but could not place sufficient trust in the authorities for them to be able to implement them properly. As a result, the changes in economic and personnel policies made in the 2010s remain incomplete and could be easily reversed, whereas the influence of informal networks on politics will remain considerable for years to come.

The effort to separate business from politics has paralleled the merger of the ruling party with the state administration. By the mid-2010s, the influence of big business in politics decreased, but the influence of state bureaucracy increased. The main risks of the political system result from the low involvement of the public in governance and a lack of trust in state institutions.

Another risk is that mid- and lower-level public officials can easily shift their loyalties in the event of societal tensions. This has already happened once during the standoff following contested presidential elections in early 2008. Given low salaries and low levels of vertical mobility in the public sector, public
administrators have not become a separate social stratum, which would be united by common interests and a common understanding of political reality.

**Trends within the elites and vertical mobility in Armenia**

Quantitative analysis of the list of Armenia’s political elite chosen for this study also reflects the elite trends described in the previous chapters. We used a two-level categorization to describe both the co-optation and career advancement of each political elite player because analysis of their careers showed that, with few exceptions, the competence, patronage, capital or record that are sufficient to become co-opted into the elite are not sufficient for career advancement.

It is not always possible to place the career of a particular elite actor into one category. In four of five cases, the players relied on different methods of co-optation and career advancement. For example, of the 17 players who were co-opted as protégés, 6 advanced as technocrats; thus, patronage (a personal recommendation from an influential person) has become one method of recruiting qualified specialists into the administration. Four of 17 “protégés” were close relatives of top Armenian politicians, and three were unable to convert this opportunity into a top position. Nepotism itself does not ensure career or business success over the long term.

At the same time, in two of seven cases, officials co-opted as technocrats advanced as party functionaries, i.e., gave up their professional careers in favor of one in politics. We have made the apparently artificial division between professionals and technocrats in order to distinguish between persons who rose up the administrative ladder (technocrats) and those who were co-opted from outside the system directly into a senior office. Tables 11 and 12 show the categories broken down by the co-optation and career advancement methods. The categories are provisional and reflect only selection, and they cannot be directly applied to the whole elite. However, comparisons between groups help explain the informal mechanisms that have been used to enter the political elite and survive within it over the last 25 years.
Table 11. Armenian political elite actors by method of co-optation into politics and career advancement

<table>
<thead>
<tr>
<th>Category</th>
<th>Persons on the list</th>
<th>Co-optation</th>
<th>Advancement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dissidents</td>
<td></td>
<td>5</td>
<td>--</td>
</tr>
<tr>
<td>Combatants</td>
<td></td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td>Revolutionaries</td>
<td></td>
<td>12</td>
<td>--</td>
</tr>
<tr>
<td>Businesspeople</td>
<td></td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>Professionals</td>
<td></td>
<td>10</td>
<td>--</td>
</tr>
<tr>
<td>Technocrats</td>
<td></td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>Protégés</td>
<td></td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>Social capitalists</td>
<td></td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Party functionaries</td>
<td></td>
<td>9</td>
<td>41</td>
</tr>
</tbody>
</table>

Note:

a The table does not pertain to the entire political elite but only to the selection of 93 Armenian political elite players made during this study.

The overlap shown in Table 12 does not reflect much nuance because the selection is not representative (although it includes most of Armenia’s political elite since independence). Moreover, the moments when a player is co-opted and when they move up the ladder can be rather far apart, so the resulting overlap can be affected by changes in co-optation mechanisms over time. Last but not least, there is not enough data in the selection to conduct verifiable statistical analysis. Expanding the list would not help because this would entail including players from lower levels of the hierarchy, where recruitment and career growth mechanisms could be altogether different.

The data in Table 12 reflect low vertical mobility among the elite. Judging by the prevailing methods of career advancement, party functionaries and technocrats are in greatest demand. However, fewer people are actually co-opted in this manner; had these been the majority, this would have been an indirect indicator of high vertical mobility.
Table 12. Overlap between co-optation and career advancement categories

<table>
<thead>
<tr>
<th>By co-optation</th>
<th>Dissidents</th>
<th>Combatants</th>
<th>Revolutionaries</th>
<th>Businesspeople</th>
<th>Professionals</th>
<th>Technocrats</th>
<th>Protégés</th>
<th>Social Capitalists</th>
<th>Party functionaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dissidents</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combatants</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revolutionaries</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Businesspeople</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>5</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professionals</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technocrats</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protégés</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social capitalists</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Party functionaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>1</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:

The table does not pertain to the entire political elite but only to the selection of 93 Armenian political elite players made during this study.

The technocrats and functionaries of the Armenian elite bypass many steps in the hierarchy on their way to the top. Of the 69 players (74% of all) who made their careers as technocrats or functionaries, just 7 on our list were recruited directly into their respective roles.

The co-optation method did not affect the careers of officials in the sample; ideology only played a role in the first post-independence years. It may be that starting out as a party functionary does not have much potential: only nine politicians were recruited as functionaries, of whom just two remained in party politics by the end of 2013.

Poor vertical mobility stems from the fact that at the time of this study, the political and administrative elite clearly did not regard administrators as their main recruitment pool; they considered recruitment from external pools to be an equivalent or better option.

The figures in Table 12 show that people join political parties in order to advance in their careers, and the activities of political parties reflect a balance...
within the power system, not ideological competition between representatives of social groups.

In an ideal neopatrimonial model, the main parameters defining one’s ability to reach the top of the power pyramid and stay there are personal ties and unquestioning loyalty to the leader. Professional competences are seldom included in this set of parameters; in most neopatrimonial systems, they play no role at all. The extent to which a public official conforms to these parameters can be an indicator of the ubiquity of patron-client relationships within the elite and the role of the neopatrimonial approach in the co-optation and career advancement of senior officials.

Party functionaries were not the majority in our sample or in the over population of elites. Their relative weight, however, is growing. The significant shares of technocrats, business operators and people capitalizing on their social status shows that the Armenian system, while still far from a consolidated democracy, is also far from the classical neopatrimonial model.

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Political Elites in Armenia: A Change of Generations

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Establishment of the volunteer army

For a decade prior to the collapse of the USSR, the Nagorno-Karabakh Autonomous Oblast (NKAO) saw increasing interethnic tensions (Markedonov 2007). Local Armenian residents, mostly urban youth with higher educations, established a movement for the NKAO to leave Azerbaijan and join Soviet Armenia instead. While the majority of Armenians in Nagorno-Karabakh supported the movement, the informal core of the protest was formed by youths under 30 who opposed the Soviet regime and adhered to a blend of nationalistic and romantic views. Though some understood that a move for secession from Soviet Azerbaijan could lead to violence, they generally had vague ideas about politics and military affairs. In summer 1987, they collected 45,000 signatures on a petition to transfer the NKAO to Soviet Armenia and sent the petition to Moscow (Walker 1991, 98-99).

In early 1988, political tensions escalated to violence. In March 1988, Karabakh Armenians formed the Kroonk Committee that began to coordinate the movement. The word “kroonk” means “crane” (a type of bird) in Armenian, but some sources interpret it as a Russian acronym for “Committee for Revolutionary Government of Nagorno-Karabakh”.

By spring 1988, the confrontation showed signs of a shift toward armed conflict. In Nagorno-Karabakh, self-defense units, or militias, sprang up in towns and villages. At first, most militiamen were youth activists with higher or military educations that enabled them to rise to leadership roles in the militias. Since late 1988, volunteer fighters from Armenia started arriving in Nagorno-Karabakh and on the Armenia-Azerbaijan border. Volunteers differed from local militiamen: they were generally older and, apart from a few adventurers, represented a selection of Armenia’s most politically and ideologically motivated men. As the
conflict escalated, most of the male population of Nagorno-Karabakh joined militias, which therefore represented the entire population, and not a particular segment as the volunteers did.

With the escalation of hostilities, Karabakh’s militias began procuring small arms and light weapons from military units and warehouses of the Soviet army and other military bodies. They also established their own production of handmade weapons and secretly acquired arms from other Soviet republics and even from outside of the USSR.

The volunteer movement in Armenia was also on the rise: by the mid-1990s, the number of fighters in paramilitary units reached 4 to 5 thousand. The largest among them were the Armenian National Army (ANA) that fought on the Armenia-Azerbaijan border and partially in Nagorno-Karabakh, and the Yerkrapah, which was active primarily in Nagorno-Karabakh and the Shahumyan district of Azerbaijan (Emelianenko 1991). There were a dozen relatively significant units and many smaller groups1. Some groups cooperated with political parties. Some parties – first and foremost, the PANM and Dashnaktsutyun – recruited volunteers from their midst, thereby acquiring some military potential.

The relatively large paramilitary units served as umbrellas for groups of volunteers, often made up of friends or relatives going to fight in Nagorno-Karabakh or on the Armenia-Azerbaijan border. There were cases when entire sports clubs volunteered, complete with trainers or directors; some professional groups also joined the paramilitary units. Many of the volunteers (known in Armenia as “fedayi”2) entertained romantic, messianic ideas about saving the nation. Nonetheless, the leaders of the Karabakh Committee in Yerevan and the Kroonk Committee in Stepanakert soon realized that the growth of uncontrolled paramilitary groups would lead to anarchy and crime, and eventually to defeat in the war.

It was essential that the volunteer units, completely informal to start with, be quickly transformed into a regular army. The co-optation of leaders based on their experience, managerial skills, and sometimes the social capital they had

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1 The most significant of them were Mush, NART, Haydat, Tigran Mets, Sasuntsi David, Parapat Martikner, Arabo, Vrezharuner, and the Independence Army.

2 The Armenian term fedayi was derived from Arabic fedayeen, literally meaning “those who sacrifice”. Initially, Armenian fedayi were hayduk-type volunteers who fought against the Ottoman empire in the 1890s-1920s.
accumulated prior to joining the movement, were the main tools for keeping the army together.

From the very start, one of the most influential leaders of the volunteer units in Armenia was Vazgen Sargsyan, the commander of a unit that fought in the village of Yeraskh in the Vedi region of Armenia, not far from Sargsyan’s home city of Ararat. In 1989-1990, Yeraskh was the site of some of the first battles to take place on the territory of the Armenian Soviet Republic. The outcome of the fighting at Yeraskh mattered especially because of its location – just 60 km away from the capital, Yerevan. It was crucial to hold the front, and Sargsyan’s unit succeeded, which may have been the reason for Vazgen Sargsyan’s popularity. In fact, relatively large numbers of volunteers and field commanders came from Ararat and the adjacent Armavir region, where in late 1989 and January 1990, the first armed clashes between Armenians and Azerbaijanis took place on Soviet Armenian territory beyond the borders of Nagorno-Karabakh.

Preparations for the establishment of regular armed forces

In 1990, some key military and civic actors from Nagorno-Karabakh were elected to the Supreme Council of the Armenian SSR (the Soviet equivalent of a parliament); they included Vazgen Sargsyan, by then one of the informal leaders of the volunteers, and Robert Kocharyan, one of the leaders of the protest movement in Nagorno-Karabakh. This was the first time these players had achieved political representation. The PANM made this happen by sponsoring their candidacies in constituencies where the PANM had good chances of winning. The move was part of the PANM’s effort to achieve control over the growing number of armed groups in the country. Simultaneously, it encouraged the growth of the volunteer movement, since the escalation in Nagorno-Karabakh was already large scale, and military confrontation with Azerbaijan was becoming almost inevitable. At that moment, the PANM also thought it important to engage veterans of the 1979-1988 war in Afghanistan to benefit from their military experience.

The PANM made its first attempt to formalize the volunteer movement while forming the government following the 1990 parliamentary election. Armenia was still part of the USSR, and political repercussions from Moscow were a possibility. In May 1991, the PANM chose a moment when Moscow was busy with other issues to found the State Committee for the Defense of Armenia, which reported directly to the government. A similar body was established in Nagorno-Karabakh. In the Soviet years, the word “committee” was sometimes
used to name powerful temporary or even standing bodies on par with ministries. Informally, the State Committee for Defense was a prototype for the Ministry of Defense. However, as Armenia was not yet an independent state, it did not appear feasible to form a Ministry of Defense as part of the government. The special Yerevan Regiment and a number of territorial units were established under the auspices of Armenia’s Ministry of the Interior: companies stationed in the towns of Ararat, Goris, Vardenis, Ijevan, and Meghri near Armenia’s borders, staffed chiefly by volunteers.

All volunteer groups were invited to operate under the auspices of the newly established State Committee for Defense, joining the internal troops of the Ministry of the Interior. The offer was categorical; all groups were to comply. Having the 1918-1920 experience of the First Armenian Republic in mind, the Armenian government feared that the volunteer units would become unmanageable. Some fighters would eventually use their weapons for criminal or even political purposes, as well as to resolve conflicts among themselves. These fears were well founded: in 1990-1991, clashes between armed groups, crimes against civilians, and looting began to occur. The new government began disarming groups that refused to submit to the State Defense Committee or at least formally recognize its legitimacy and commanding role, which was a priority for the authorities.

At the end of August 1990, military units loyal to the new government disarmed the largest of the volunteer groups, the Armenian National Army. The ANA had accumulated large quantities of arms and recruited many fighters, quite a few of whom did not go to war but stayed in Armenia (Zhirokhov 2012, 56). Some of the ANA fighters went on to join other military units, and the rest dropped out of the volunteer movement altogether. The disarming of the ANA was entirely carried out by units loyal to the PANM and Levon Ter-Petrosyan; the Soviet army units deployed in Yerevan “to ensure public order” were not involved and did not interfere. Neither the Soviet government in Moscow nor the CPA had enough legitimacy to address informal armed groups.

Prior to the establishment of the State Committee for Defense (SCD), military bodies answered to the prime minister. Once the SCD was established, it took over all defense functions, with Vahan Shirkhanyan, an MP and former senior official at the Ministry of the Interior, as its head.

The first stage of the establishment of a regular army in Armenia was over by late 1991. By then, Armenia had proclaimed its independence and was now eligible to established its own Ministry of Defense, which it did on December 5,
1991, although the formal decree “On the Ministry of Defense of the Republic of Armenia” was made two months later, on January 28, 1992 (Ministry of Defense 2015). Vazgen Sargsyan was appointed Defense Minister. One of the most prominent volunteer leaders, he was loyal to the new authorities and already chaired the parliament’s Committee for Defense and the Interior. Sargsyan stood out among volunteer commanders not only in terms of his organizational skills but also his good relationship with the political leadership, whereas many other field commanders preferred to distance themselves from politics and were considered difficult to control.

The Ministry of Defense was based on the short-lived State Committee for Defense; the ministry also integrated military structures that had previously answered to the Ministry of the Interior, such as the patrol and inspection regiment, the special purpose rapid response regiment and the civil defense regiment.

Establishment of the regular army
There had been a clear division of responsibilities between the State Committee for Defense and the parliamentary Commission for Defense and the Interior: the parliamentary commission was the executive body coordinating and supporting volunteer units, whereas the State Committee for Defense was in charge of establishing the structure of the army, which was not a simple task given that Armenia had not had previously had an army of its own.

Established at the end of 1991 and the beginning of 1992, the Ministry of Defense integrated the two bodies; its goal was to control all the volunteer and military groups. Since the regular army was initially based on the bodies that reported to the Ministry of the Interior and civil defense bodies, it included a number of senior officials from the police and the Ministry of Interior.

Once the PANM came to power in 1990, it decided to engage experienced officers in the military development of Armenia. The strategy was to reach out to ethnic Armenians among senior officers in the Soviet military, including specialists serving at military academies. Some of them came to Armenia of their own accord and offered their services; others were contacted and offered jobs at the General Staff or at the newly established Ministry of Defense. Recruitment of Armenian officers from all over the USSR began in the second half of 1990, most of whom were hired in 1991-1992. Many of them had not lived in Armenia before being recruited into its military. Among the most prominent military specialists hired from outside Armenia during the Karabakh war were Norat Ter-
Grigoryants, Gurgen Dalibaltayan, Artyusha Harutyunyan, Hrach Andreasyan, Vagharshak Harutyunyan, Mikael Harutyunyan, Enrico Apriamov, and Michael Grigoryan.

In Nagorno-Karabakh, local militia members and volunteers from Armenia were more prominent than professional military personnel. There was a flow of professional officers from abroad, and the leadership of Nagorno-Karabakh tried their best to attract them. However, the leaders of Nagorno-Karabakh’s army were locals: Arkadi Karapetyan, Samvel Babayan, and two future presidents of Armenia: Robert Kocharyan and Serzh Sargsyan. A local Communist Party official, Serzh Sargsyan, was one of the leaders of the Kroonk Committee and the leader of youth activists in Stepanakert. By the beginning of 1992, a number of military specialists had moved to Nagorno-Karabakh of their own accord. They were integrated into the military hierarchy so they could train recruits and participate in planning and operational management. Even prior to the collapse of the Soviet Union, an experienced Soviet officer, Arkadi Ter-Tadevosyan, who had a military record in Afghanistan, joined the Sasuntsi Davit volunteer unit. By spring 1992, he was in charge of all the armed units in Nagorno-Karabakh; he commanded the capture of Shushi, a key town in Nagorno-Karabakh, and the seizure of the Lachin land corridor connecting besieged Karabakh with Armenia. In early 1992, the Karabakh army was joined by several officers from the 366th regiment of the former Soviet army deployed in Stepanakert. Among them were Seyran Ohanyan, the future Defense Minister of Nagorno-Karabakh and later of Armenia, and Movses Hakobyan, subsequently Defense Minister of Nagorno-Karabakh and then Deputy Defense Minister of Armenia. Ethnic Armenian officers from the diaspora (outside of the USSR) also came to Nagorno-Karabakh; they fought in the war and taught local volunteers their military skills.

From the start, the armies of Nagorno-Karabakh and Armenia were two different bodies. There was a policy to synchronize their development, but they remained separate. As a result, the two armies became rather similar but separate structures.

The extent to which the armies of Armenia and Nagorno-Karabakh were built on a Soviet model is debatable. The enlistment of ethnic Armenian officers from all over the USSR happened on an individual basis: either an officer would resign and come to Armenia on his own, or the Soviet army would transfer him to one of its units in Armenia, after which he would resign and enlist in Armenia’s armed forces. The enlistment of these men led to some replication of Soviet
The Armenian Army: the Initial Stage of Development

army practices, but the resulting army was more mobile, capable of fighting with fewer resources, and delegated more authority to lower levels of command than the Soviet prototype. Armenia’s military leadership tried to introduce best practices from other countries, but since most of the specialists came from the Soviet army and most volunteers provided compulsory military service in the Soviet army, there was no avoiding the Soviet model. It was the Soviet military specialists that created the chain of command, defined military discipline and trained volunteers.

The most urgent tasks were setting up a military communication system, acquiring small arms, light weapons, vehicles and ammunition from other Soviet republics, and distributing them among army units. Given the urgency and financial constraints, some non-standard solutions were found. In acquiring equipment, personal ties to Russian generals played a key role. Since the Armenian revolutionary movement was directed against authorities in Moscow, the Russian military was rather uncooperative, but personal ties were still useful, especially in 1992-1993, when Russia was in chaos and the military lost most of its prestige. It was a convenient environment for Armenian leaders to call in personal favors to supply the army and influence Moscow’s political preferences.

Fortifying the borders and the front line were other urgent tasks. Armenia’s borders with Iran and Turkey were the external borders of the former USSR and were therefore properly delineated and fortified. In contrast, Armenia’s borders with post-Soviet states – Azerbaijan and Georgia – were not defined. At the beginning of the Karabakh war, the length of the Armenian-Azerbaijani border was 930 km (including 221 km with the Nakhichevan exclave); that of the Armenian-Georgian border, 196 km. Together, these two borders accounted for nearly 80% of the external borders of the newly independent Republic of Armenia.

At the end of 1992, Vazgen Manukyan, the newly appointed Defense Minister of Armenia, initiated the creation of a motorized rifle brigade entirely staffed by contract servicemen. Most of its recruits came from volunteer units, but the command consisted of professionals. By that time, the Ministry of Defense had established almost total control over the various armed groups in Armenia (Petrosyan 2012).

Azerbaijan chose a different method of military institution building and one used by most post-Soviet states: in 1990-1991, it localized the Soviet army units deployed in its territory by integrating its conscripted soldiers (Tischenko 1998; Minasyan 2004). There were rather few Azerbaijani and Georgian professional
military officers in the Soviet army by the late 1980s, and while there were many Armenians with frontline training, Azerbaijani more frequently served as cooks or builders, while many Georgians occupied posts in logistics (De Waal 2003, 163; Darchiashvili 1997, 17).

When the Soviet army withdrew from the former Soviet republics following the disintegration of the USSR, it only moved its officers and some equipment, leaving the rest behind. However, this method was slower because Azerbaijan still needed to establish a new command, whereas Armenia already had a structured and manageable army. Azerbaijan thus fell behind Armenia in terms of military development, a fact that had a significant impact on the course and outcome of the war.

In 1990-1991, the Moscow authorities perceived the Nagorno-Karabakh conflict as a threat to integrity of the USSR rather than as an inter-ethnic confrontation. Moscow wanted to preserve the status quo and therefore supported the communist authorities of Soviet Azerbaijan against the new anti-communist Armenian government. The Soviet army and USSR Ministry of the Interior troops fought on the side of the Azerbaijani police and armed units against the Armenian militia and volunteers in Nagorno-Karabakh and on the Armenian-Azerbaijani border. A side effect of the Soviet military’s involvement in the conflict on Azerbaijan’s side was that Armenian volunteer units gained combat experience and coordination skills that allowed them to become the backbone of Armenia’s future army.

Apart from other considerations, there were simply not enough Soviet troops deployed in the territory of Soviet Armenia for an independent Armenia to establish its armed forces on that basis. Urgency encouraged the Armenian authorities rely on the volunteer movement while attempting to build an army from scratch. The resulting army was manageable and adapted to Armenia’s specific needs, while the Azerbaijani forces, based on Soviet army units and the special police forces (OMON) that Moscow sent to Karabakh during the early stages of the war were still far from being a regular army.

This difference was also conditioned by the asymmetric motivations of the parties in conflict. As described by Soviet human rights activist Andrey Sakharov, “For Azerbaijan, Karabakh is a matter of prestige, and for Armenia, a matter of life.” The outcome of the Nagorno-Karabakh war was indeed viewed as a matter of survival in Armenia, creating preconditions for the institutionalization of the army and boosting the motivation of individual fighters (Deriglazova and Minasyan 2011).
Mechanisms of army supply and funding in light of resource scarcity

Initially, Armenian volunteers fought with primitive armaments, such as hunting rifles and homemade or antiquated weapons. The recruitment of volunteers occurred more quickly than the acquisition of weapons. The PANM made supplying the armed units its priority; while providing food and everyday items was merely a financial burden, munitions were an administrative challenge.

One the eve of Armenia’s independence, the bulk of Soviet Armenia’s shadow economy was engaged in providing for the volunteer movement and the army. An emerging class of businessmen was actively involved in acquiring weapons and delivering supplies to the fighters. Most of the time, they bought the supplies themselves, but sometimes they gave money to the field commanders.

Until the late 1980s, most of the weapons circulating on Soviet black markets were left over from World War 2. In Armenia, the largest supplies of modern weapons were stored in the arsenals of the 7th Army of the Transcaucasian Military District of the USSR Ministry of Defense, which was deployed in the territory of Soviet Armenia. Until 1988, these arsenals were out of bounds; however, with the deepening of the Soviet administrative crisis, a trickle of weapons from the warehouses of the Soviet army entered the black market. When these were insufficient to meet the needs of Armenian volunteer units, they attacked military warehouses and on many occasions succeeded in seizing arms and ammunition. Another method of acquiring weapons was robbing the warehouses of various law enforcement bodies, including the Ministry of Interior, the Prosecutor’s Office, and the courier service (Avagyan 2003). Similar developments unfolded in Azerbaijan (Girchenko 2003; Yunusov 2003).

In reports sent to Moscow, the attacks were described as armed assaults on warehouses and security staff for the purpose of seizing weapons. Soviet media published news about stolen weapons on a regular basis:

As reported by the Ministry of Interior of Armenia, late in the evening on August 21, around 30 unknown persons broke into an anti-hail unit in the village of Kurtan, stealing 2 anti-hail guns, 56 projectiles and 48 explosive devices. The incident was only reported by an officer of the regional police of Stepanavan region 24 hours later.

On August 22, an armed group of about 40 persons attacked the sentry box of the armed security unit at Sanahin railway station. Holding the sentry at gunpoint, they seized 5 revolvers and 35 cartridges. (Andreev 1990).
In reality, some of these robberies were staged: in many cases, law enforcement staff sympathized with the volunteer movement or had personal ties with the fighters, and would let volunteer groups know where the weapons were stored and grant them access. According to our field data, only the KGB structures remained loyal to Moscow; they held onto the weapons stocked in their warehouses (Avagyan 2003) and even took steps to disarm fighters. In 1990, the KGB made a number of arrests in Armenia and seized 2500 weapons, amounting to 40% of all weapons stolen by the volunteers according to the Yerevan KGB’s estimates (Bablumyan 1990).

The presence of large numbers of volunteers contributed to the circulation of small arms and light weapons among civilians, especially given that some volunteer groups participated in the war on an irregular basis. There were sometimes interpersonal conflicts, and an armed unit would return to Armenia. Consequently, some weapons meant for the front line never arrived there. The circulation of weapons induced a significant increase in the crime rate and in the number of young offenders.¹

**Figure 10. The Number of grave offenses in Armenia, 1990-1998**

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**Note:**

¹ The level of recorded crimes may vary depending on the year

**Source:** National Statistical Service of the Republic of Armenia 1999

1 In 1990, 22.5% of all persons convicted of criminal offences were aged 24 or younger, and by 1993 their share increased to 33.3% (Ministry of Statistics... 1998, 102).
The number of murders in Armenia skyrocketed from 49 in 1985 to 203 in 1990 and 363 in 1992. The overall number of grave offenses increased dramatically in 1990-1993 but decreased to pre-war levels in the following years.

During and immediately after the war, the financing of the army was a huge economic burden for Armenia: in 1993, military expenditure accounted for 5.7% of the GDP (Ministry of Statistics... 1998); the state proved unable to fully provide for the army. In the early 1990s, due to the weakness of state institutions and private arrangements among the directors of large enterprises, a scheme was established for funding a shadow budget that was spent on a variety of needs – first and foremost, those of the army. The scheme emerged prior to independence and became more systematic afterwards.

For some years after the war, Armenian's official military expenditures were relatively small, restricted almost entirely to supplying the army with food and wages. For decades, major military procurements were not registered with the UN Register of Conventional Arms and remained completely informal. In addition to the shadow budget funded by donations from major businesses, there was a system of direct aid to army units that originated both from within Armenia and from the Diaspora (especially from communities in post-Soviet states). Entrepreneurs involved in supplying the army were granted informal tax exemptions or exclusive rights to import commodities into Armenia, including key items such as fuel and food. The provision of army supplies was sometimes used for laundering money at the early stages of capital accumulation.

Armenian military officials have on many occasions directly or indirectly admitted that the state had extra-budgetary resources at its disposal to spent on the needs of the army. However, they did not provide any details that shed more light on this phenomenon.

After 2008, the shadow budget shrank or may have ceased to exist as a systematic phenomenon, judging by growing budget revenues as a share of GDP, high expenditures for the army included in the official budget and published information on arms procurement.

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1 Armenia did not indicate most of its arms deals; there is virtually no official information on weapons acquisition by Armenia in the UN Register of Conventional Arms. 
http://www.un-register.org/HeavyWeapons/Index.aspx
Figure 11. Official Military Expenditures in Armenia and Georgia\textsuperscript{a, b}

Notes:
\textsuperscript{a} Expenses were calculated in millions of US dollars at constant 2014 prices.
\textsuperscript{b} Georgia’s military expenses in 2007 and 2008 exceeded 1.1 bln. USD (at constant 2014 prices)

Sources: SIPRI 2016
Influence networks in the Armenian army
In early 1992, almost the entire personnel and most commanders of the Armenian and Karabakh armies were volunteers or local militiamen. There were few professionals apart from the General Staff and senior commanders. The role of military specialists and the overall formalization of the armed forces varied depending on the performance of the army: in 1992, when Armenian forces were retreating, formalization increased, whereas successes on the battlefields boosted the influence of volunteer commanders.

The leaders of volunteer groups were often chosen based on their social capital among those that fought alongside them. However, during the war, rotation was inevitable because of deaths, which happened quite frequently, and depending on military successes or failures. The co-optation of volunteer group leaders was thus not completely informal. To encourage personal loyalty, commanders would sometimes distribute war trophies (as a rule, modest ones), thereby increasing informality within volunteer groups.

Some volunteers, even entire units, joined political parties. The largest numbers of fighters joined the PANM, Dashnaktsutyun and the Republican Party (RPA), although other parties also had adherents among the fighters. In some cases, membership in a party was based on political views, but more often, the parties gained members by supplying units with arms, ammunition and vehicles. Decisions about which unit to supply were often based on personal connections between fighters and party officials in Yerevan and Stepanakert. Dashnaktsutyun used its resources and networks in the diaspora, whereas the PANM, being the ruling party, used administrative leverage. Cooperation between the parties and the army was mutually beneficial and was usually sought by party representatives who contacted the volunteer units and later used their support for the army and their adherents on the front line as symbolic capital in politics.

In mid-1992, all army units were ordered to stay out of politics and to submit to the Ministry of Defense. However, political parties’ contacts with armed units did not end completely and remained a cause of concern among the civil authorities. The fact that the opposition had armed units at its disposal was a serious threat to the ruling party. Whereas the Republican Party cooperated with the PANM, Dashnaktsutyun had its own platform and was perceived as a force capable of organizing a military coup. During the war, the PANM did all
it could to contain the influence of the ARFD in Armenia and Karabakh. After the war, the police allegedly discovered and stopped a planned coup d’etat by Dashnaktsutyun known as “The Case of Dro” (Gannushkina and Clasen 1995). On these grounds, the government banned Dashnaktsutyun from operating in Armenia and prevented it from taking part in the 1995 parliamentary elections.

Many of the experienced officers who joined Armenia’s army in the early 1990s had graduated from one of two military schools in the Southern Caucasus: The Tbilisi Artillery School and the Baku Combined Arms Command School. Many of the Armenian generals and military leadership came from Tbilisi (Enrico Apriamov) and the southeastern regions of Georgia and Javakheti (Yuri Khachaturov, Vagharshak Harutyunyan, Gurgen Dalibaltayan, Vahan Shirkhanyan). Some generals came from Nagorno-Karabakh, Baku and other regions of Soviet Azerbaijan, many of whom were graduates of the Baku Command School.

In the first years, the recruitment of the army leadership was chiefly based on motivation, not informal relations. Almost all ethnic Armenian officers willing to help create Armenia’s army were welcomed into its ranks.

In October 1992, volunteer leader Vazgen Sargsyan was discharged from the post of Minister of Defense of Armenia at a time when Armenian forces were suffering defeats in Nagorno-Karabakh and replaced with a civilian, Vazgen Manukyan. Having resigned as Prime Minister a year before, Manukyan was chosen due to his reputation as a talented crisis manager. Working with military specialists and leaders of volunteer and militia groups, Manukyan succeeded in achieving a breakthrough in the war.

In 1992-1993, the need to maintain a regular army emerged, and conscription was announced. It took several years to start operating smoothly: the conscription rate grew from 44% in spring 1992 to 100% in 1993 (Petrosyan 2012). As a result, the proportion of volunteers in the army decreased in favor of conscripts, which caused dissatisfaction among volunteers, as did the recruitment of new officers who were external to the volunteer movement to commanding posts in the armed forces. In 1992, the best graduates from various universities were invited to join the armed forces and other Armenian military structures, including the police and national security forces. Following retraining courses, they enlisted in the service.

By August 1993, the Armenian forces were winning the war, and Vazgen Manukyan was discharged from the post of the Defense Minister, apparently because crisis management was no longer needed and personal relations and
loyalty returned to the forefront. The new Defense Minister, Serzh Sargsyan, formerly one of the leaders of Nagorno-Karabakh, held the post until 1995. In the meantime, the former Defense Minister and volunteer leader, Vazgen Sargsyan, served as State Minister on Defense and Border Area Issues.

By autumn 1994, immediately after the end of the war, the High Military Commander College, a military school, was established in Armenia, subsuming all military training departments of universities. In 1998, the college became an institute; since 2003, it has been called the Vazgen Sargsyan Military Academy.

The end of the war brought about significant changes in military structures. The role of conscription in staffing the army grew. Officers increasingly received professional training, including some field commanders. However, some volunteer leaders had no incentive to boost their skills. Their status as heroes made them untouchable: it was almost impossible to fire them even if they were not suited to their jobs in the army.

The former volunteers were connected by their shared experience of survival in the brutal war, combat brotherhood, and in many cases, close ties established prior to the war. They had an understanding of their shared interests and had a strong presence in the military and politics. In 1993, war veterans established the Yerkrapah union, which many former volunteers joined. From an ordinary non-governmental organization, the Yerkrapah soon evolved into a union of mutual aid with influence on par with state institutions. The Yerkrapah network included several thousand men; during the first post-war years, it became one of the most influential institutions in Armenia. The Yerkrapah offered veterans help finding employment and delivered social aid to veterans with disabilities and to the families of men killed in combat. When necessary, it provided assistance in various situations, including legal problems. The Yerkrapah also represented veterans in politics via the Yerkrapah faction in parliament.

With the exception of some senior officers who came from abroad, professional officers also joined the Yerkrapah because they identified with the veteran organization. In fact, the distinction between volunteers and professionals in this study is schematic and does not always reflect the identities of the members of these groups, although there is no doubt that volunteers and professional officers had contrasting perceptions of their roles in the war: volunteers had a messianic identity, whereas professional officers were proud of their skills and experience.

While veterans remained in the army, many returned to civilian life, sometimes capitalizing on their veteran status to gain stakes in politics or businesses. The resignation of a significant number of volunteers from the army made it more
disciplined and formal, decreasing the role of informal relations. This was a crucial change, since it is impossible to build an army based on personal loyalties, especially in the long term. Once the fighting was over, it was essential to ensure the proper functioning of military institutions in a “no war, no peace” situation in which hostilities could restart at any moment.

**Combatants and politics in Armenia in the 1990s**

Armenia’s political leadership was aware of the need to keep the army combat ready and to improve discipline and accountability. For these purposes, a number of Ministry of Interior representatives were appointed to senior posts in the army. They were not military specialists, but their past experience in the police, military police or internal troops made them loyal and diligent, which was important given the weakness of governance institutions during the first years of independence.

In 1995, Vazgen Sargsyan, the unquestioned leader of the veteran organization, was re-appointed Defense Minister in a move that acknowledged the role of veterans in the army. Veterans saw this as an act of recognition, whereas the civil authorities used it to strengthen veterans’ loyalty to the state.

For the authorities, the loyalty of veterans was a cornerstone issue, since victory had given the veterans the kind of legitimacy that the regime no longer enjoyed. Moreover, the veterans were well organized by that time formally under the auspices of the Ministry of Defense and informally through the Yerkrapah. Given that starting in 1995, both bodies were led by the same person, it was a matter of survival for the regime to secure the veterans’ loyalty and to ensure political control over them. The regime was at its weakest; the public mandate is received in 1991 was nearly exhausted by the economic crisis and numerous unpopular moves. The veteran organization was a powerful ally on which the ruling authorities hoped to rely: it had its own militias that were not subject to direct control of the state.

The Yerkrapah soon had the opportunity to demonstrate their loyalty and further boost their standing by playing a major role in preventing the opposition’s rise to power in 1996 (Levitsky 2010, 209). They supported the PANM and Ter-Petrosyan during the contested 1996 presidential election, interfered with the activities of the opposition, exerted pressure on voters and acted as militiamen during the period of unrest after the election. A week before the election, the Yerkrapah was awarded a military flag at a ceremony attended by the president, defense minister, speaker of the parliament and other senior officials. Several
days after the election, Defense Minister Vazgen Sargsyan announced that “even if the opposition had won 100% of votes, neither the army nor the Ministries of the Interior and State Security would have recognized leaders like that.” (Human Rights Watch 1997, 198).

Following the election, the Yerkrapah expected to be rewarded for its contribution with informal economic and political benefits, which it was: beginning in 1996, the veterans increased their presence in politics and were allowed access to the profitable areas of internal and external trade, thereby entering the economic elite. (Both trends were described by interviewees and reflected in the biographies of the military elite players on our list). Arguably, the veteran network gained more from its pact with political authorities.

In the late 1990s, the veterans’ influence peaked. The Unity Bloc, composed of bureaucrats, veterans and red directors, won the 1999 parliamentary election, and Vazgen Sargsyan became prime minister. Veterans were appointed to senior offices in the administration. In fact, that was a practical realization of a “garrison state” concept (Huntington 1957, 345-349) that hindered democratization efforts in Armenia.

Elections for the head of the Armenian church, the Catholicos of All Armenians, were held in 1999; according to various sources, Prime Minister Vazgen Sargsyan exerted pressure on the electoral process (Manukyan 2013). The newly elected Catholicos, the Archbishop of the Ararat Diocese (where Vazgen Sargsyan was from), was considered the government’s nominee (Westh 1999-1; Westh 1999-2). Trends within the leadership of the Armenian Apostolic Church are beyond the scope of this study, so we cannot responsibly assess the prime minister’s influence on the elections of the Catholicos. However, it is apparent that the prime minister/veteran leader had a stake in the election.

One of the former leaders of the Karabakh militia, Robert Kocharyan, became President of Armenia in 1998; however, he positioned himself as a politician and administrator, distancing himself from the veteran organization. This occurred with many members of the veteran organization: some continued to identify with the volunteer movement (i.e., with the past), whereas others positioned themselves as politicians rather than as veterans.¹ There is no way of knowing how this would have unfolded had it not been for the 1999 shooting in the Armenian parliament in which leaders of the veteran organization were assassinated. Left without a charismatic leader, the veteran organization was not

¹ For more details, see “Political Instability and the Decline of the Veterans’ Organization” section of Chapter 1.
able to fulfill its political ambitions. As a result, six months later, the political wing led by Robert Kocharyan took over, and the veterans and their supporters lost standing in politics.

**The veteran network after the 1999 shooting in the Armenian parliament**

In 2000, the new leader of the Yerkrapah, Manvel Grigoryan, was appointed Deputy Defense Minister, and in 2001, a new national holiday was created, the Day of the Yerkrapah (literally, “the day of the defender of the land”). However, in reality, the veteran network was losing its influence on politics. The political leadership was now strong enough to nominate its own people to senior posts in the administration, and the veterans had no option but to accept the secondary roles offered to them. However, the authorities did not try to altogether oust the veterans from politics.

The new Yerkrapah leader, Manvel Grigoryan, came from the Armavir region of Armenia. A number of senior military officials came from this region (including Levon Yeranosyan, Gurgen Melqonyan and Seyran Saroyan). Some of them held senior positions in the Ministry of Defense and were prominent members of the Yerkrapah. Others left the army and were elected to parliament or continued their careers in other law enforcement structures, such as the police. According to the interviews conducted during this study, veterans from the Armavir region are part of a separate patron-client network with strong mutual support, which is the strongest and most influential of the veteran networks in Armenia.

By 2008, the Yerkrapah had 10,000 members (10th Congress of the Yerkrapah... 2014). Naturally, it was unrealistic to satisfy all their ambitions, especially considering the high unemployment rate in Armenia. Opposition sentiment became common among veterans; many felt cheated by the fact that some Yerkrapah leaders had successfully used their close ties to public officials and veteran status to obtain political and economic benefits, whereas the majority of the veterans received nothing. Some veterans managed to adapt to post-war life, but many felt left behind.

Moreover, the veteran elite was dissatisfied with Yerkrapah’s loss of status and gradually decreasing influence. Veteran influence peaked in 1996-2000, decreasing throughout the 2000s. During the confrontation between the authorities and the opposition in February-March 2008, many members of the Yerkrapah openly supported the opposition, but its leader, Manvel Grigoryan,
took an ambiguous stand: while opposition leaders listed him among their champions, Grigoryan said nothing to confirm or deny this. Despite his silence, the defense ministry placed him on leave in February, and a month later, fired him along with another Deputy Defense Minister, Gurgen Melkonyan.

Divided loyalties caused a split in the Yerkrapah: a number of senior military officials left it on the grounds that “the activities of the leadership of Yerkrapah discredited its authority” by supporting the opposition, and they were able to keep or even strengthen their positions in the army. As a result, the Yerkrapah was no longer represented in the army as a structure, though some former volunteers maintained their positions in the army command.

Weakened by the political games and having no new pool to recruit from now that the war was over, the Yerkrapah started to disappear from public life. In 2010, 2012 and 2014, the Yerkrapah held congresses. President Serzh Sargsyan made speeches at some of these (Fist of Yerkrapah … 2012), and the leader of the Yerkrapah openly demonstrated his loyalty to the president, insisting that Yerkrapah will follow president’s order while acknowledging the spread of opposition sentiment among war veterans (Grigoryan 2014). There was no congress in 2016 after the customary two-year break, although the Yerkrapah resumed sending volunteers to the war zone following the April 2016 escalation of hostilities in Nagorno-Karabakh. The Yerkrapah confirmed its capacity to recruit volunteers, but was unable to restore its political weight or achieve representation in the military command.
Huntington considered officership to fall short of the ideal professional type compared to law or medicine. Yet, in the contrary to the politics, the military institution in its essence is an association of professionals. When it fails to ensure enough quality of institutionalization, it is weak and defective (Huntington 1957, 11). By the mid-1990s, the Armenian army needed to enhance its professional capacity that took a back seat to personal courage during the war. The environment of the Armenian army started to change once it became a full-fledged military institution capable of co-optation and development. Domestic political changes also affected the military. A stable conscription rate was achieved by the mid-1990s. In 1997-1998, a number of reforms made the army closer to society. For instance, soldiers were given an opportunity to directly report any concerns to the defense minister through sealed mailboxes installed in all military units. Military units started holding Open Doors Days during which the parents of recruits were allowed to visit their children. A crucial indicator of institutionalization is the death toll in the armed forces. In the 1990s, there were many non-combat fatalities in the army, chiefly as a result of hazing. According to official data, there were 324 deaths in 1995 and 171 (including 33 combat death cases) in 1998 (De Waal 2003, 253). Later, figures decreased to 56 in 2001 (Ministry of Defense 2015), 42 in 2005 and 34 in 2011.\footnote{According to press releases and media reports by senior officials of the Ministry of Defense.}

In the late 1990s, as the weight of veteran networks in politics grew, their status in the army remained ambiguous. In 1998, when President Levon Ter-Petrosyan resigned following a confrontation with veterans and the Karabakh lobby, the army was not directly used in the confrontation, but the option existed. Once Ter-Petrosyan resigned, the veterans’ influence increased dramatically, including in the army, but not for long. Following its decline in 1998-2002, many of the former volunteers resigned from the army, including many who went into business or politics. Many prominent military figures died in those years. Some were murdered or had accidents; others were assassinated in parliament on October 27, 1999.

The deaths of prominent colonels and generals and the shooting in parliament drastically changed the balance of power in the army. Shortly before the parliament shooting, Vagharshak Harutyunyan, a professional officer with
extensive Soviet experience, was appointed minister of defense in a move that acknowledged the ambiguity of the veterans’ status. Harutyunyan was nominated by the Yerkrapah leader, Vazgen Sargsyan, who was by that time prime minister, and prioritized strengthening the professional capacity of the army. It was thus that the strengthening of the veteran network in politics paved the way for the professionalization of the army at a time when appointments to army leadership positions were controlled by the veteran network.

Between 2000 to 2007, a transformation of the Armenian army took place: professionals began to dominate, although many senior officers still had room to improve their professional skills. Most importantly, promotions in the army were now based on professional qualities, not informal ties and past achievements.

Reforms and challenges in the armed forces of Armenia
After 2008, reform of the armed forces of Armenia remained focused on strengthening it as an institution, as reflected in the continued decrease of veteran influence on army structures and in the increased effectiveness of these structures. As some representatives of the military leadership noted, Azerbaijan is Armenia’s “external opposition,” meaning that changes in the military are triggered by external threats: the unresolved armed conflict and the growing financial capacities of Azerbaijan. After 2006, as Azerbaijan’s oil revenues grew, so did its capacity to fund its army; in contrast, Armenia has faced challenges maintaining its existing level of defense funding at a time of global economic recession.

Given the need to improve the efficiency of its armed forces, Armenia was challenged to curb corruption in the army and to improve the coordination and allocation of expenditures. Coordination was partly improved in 2008 with the construction of a new Ministry of Defense building integrating the military structures that were scattered throughout and outside Yerevan. The first elements of civilian control over the army were introduced after 2008; anti-corruption measures were implemented throughout the 2000s, but their results remain ambiguous.

New challenges after 2008 included a new wave of emigration, reducing the number of recruits, and the escalation of cross-border shelling and clashes in the Nagorno-Karabakh conflict. After a long break, the army was again involved in military action. Between 1995 and 2007, there was only one major ceasefire violation. A lasting illusion of peace or, at least, of a frozen conflict was maintained for over a decade. However, with its increased oil and gas revenues, Azerbaijan
launched an arms race, soon followed by an increase in the number of incidents and casualties on the front line.

The first serious clash occurred in March 2008 near the village of Levonarkh. In February, June and September 2010, new escalations resulted in deaths on both sides. Shootings began to occur on a regular basis, as did clashes leading to casualties. In 2014, an Armenian helicopter was shot down during a training flight over the neutral zone. In 2014-2015, incidents continued to escalate, peaking in April 2016 when 77 Armenian soldiers and volunteers were killed in a confrontation that lasted 4 days (Helsinki Citizens’ Assembly Vanadzor Office 2016-2, 13). This was referred to by the media as the Four Day War (Jarosiewicz and Falkowski 2016). The death toll in the Azerbaijani army was declared to be a state secret and its publication was forbidden since late 2014; thus, there is no reliable official data. US State Department officials estimated that there were 350 casualties on both sides (State Department 2016). Armenian military officials maintain that Azerbaijan’s losses are many times greater than those of Armenia given that Azerbaijan is the attacking side.

With the gradual escalation of the conflict, Armenia’s armed forces are entering a new stage. Taking into account that its financial resources and, consequently, its armaments are inferior to those available to Azerbaijan, the Armenian army is challenged to improve its effectiveness. Clashes in April 2016 made this challenge obvious to the military and political leadership. In April-May, the Armenian army replaced some deputy defense ministers and heads of the departments of intelligence, communications and munitions.2

**Combatting corruption within the armed forces**

Efficiency had been an urgent concern for the Armenian army from the very start; the 2016 escalation brought this concern into the limelight, drawing public attention to the poor management of the army, poor communication and coordination, shortages of armaments and equipment. In 2012, an investigation...
had revealed a variety corrupt practices within the armed forces. One of the resulting scandals concerned the provision of frozen buffalo meat to the army in place of fresh beef. A number of officials were arrested, but the top officer involved in the buffalo meat scam - deputy head of the General Staff - was merely discharged, and rehired by the Ministry of Defense two years later as advisor to the minister.

Monitoring by Transparency International in early 2014 showed corruption risk within the army to be high, especially in the financial area (Transparency International 2014, 13). A department within the Ministry of Defense is supposed to monitor the ministry’s financial reports and fight corruption; it revealed a series of abuses in 2014-2015. Defense Minister Seyran Ohanyan maintained that during his time in office, from 2008 to mid-2016, 140 colonels and generals were discharged from the armed forces of Armenia for various abuses, including 60 for corruption, although in many cases criminal proceedings were not initiated.

The results of the anti-corruption struggle in the army are not convincing. Since the army is a closed structure, the quality of its reforms is not easy to assess. At any rate, anti-corruption was the main focus of reforms in 2008-2015; these were fragmented but protracted and led to some reduction of corruption risk within the structures of the Ministry of Defense. This process paralleled reforms in other spheres and concerned budget revenues as well as expenditures. In 2006-2012, Armenian tax revenues grew, as did the size of the budget. One possible reason is that extra-budgetary resources collected via the shadow economy and spent on the army, among other things, were either completely or almost completely exhausted and were now included in the formal budget, contributing to transparency and reducing corruption risk.

**Transformation of army personnel**

The period between 2008 and 2015 was characterized by important changes in both the quantity and quality of army personnel. The recruitment pool steadily decrease due lower birth rates in Armenia (which have decreased by 60% since 1991) and a new surge of emigration after 2008. Based on these trends, the number of recruits was predicted to decrease by over 13 thousand over the 2009-2014 period; however, the actual reduction was smaller first and foremost due to a sharp increase in the number of contract servicemen recruited from among formerly drafted soldiers. This trend in line with the overall professionalization of the armed forces. In the regions of Armenia with
the highest unemployment rates, especially in Shirak, contract-based military service is a popular career path for young men. Moreover, the decrease in the number of recruits was not proportionate to the drop of birth rates because legislative and institutional measures were undertaken to reduce the proportion of young men of conscription age exempt from military service. Eliminating the postponement of military service for university students had the strongest effect; educational reform in Armenia, in line with European practices, also contributed to the draft by increasing the school graduation age to 18, after which youths are immediately drafted into the army before they can participate in labor migration. Improvements in the service environment (e.g., food, sanitation, infrastructure, healthcare) also contributed to enrollment rates.

Some law enforcement bodies, including border guards and police, have fully shifted to contract-based recruitment (“Armenia...” 2012). This has led to an increase in the number of conscripts entering the army while also professionalizing the border guard and police forces despite their rather low salaries. Another measure was to stop sending Armenian conscripts to serve in Russian military units deployed in Armenia, including military base #102 in Gyumri; Russian units now provide their own personnel.

Another key dimension of the reforms was reducing corruption at military commissariats (voenkomats) – the bodies in charge of drafting men into the army – that have been known to provide exemptions from military service in exchange for bribes or favors. The increased conscription rate may be indirect evidence of successful anti-corruption measures.

Overall, the various measures have almost entirely compensated for the smaller conscription pool. Otherwise, it would have been impossible to man the Armenian-Azerbaijani border and the entire line of contact with Azerbaijani troops in Nagorno-Karabakh. A side effect of these measures has been the increased militarization of the society and the state, which in turn has led to growing tensions within the society.

The fact that the commanders are now almost exclusively professional officers with extensive experience does not imply that informal relations have ceased to exist. There are always informal ties among officers (such as those formed by attending the same school) that may play a part in recruitment and career advancement; for example, many officers of the General Staff are graduates of the Tbilisi Artillery School.
Elements of civilian control in the armed forces of Armenia

From 2008 to 2015, some civilian control over the army was introduced in Armenia, chiefly as a result of civic initiatives after the army started publishing reports on the number of casualties among servicemen. The yearly death toll in the armed forces has declined 10-fold since the mid-1990s, reaching less than 0.1% of total personnel. Armenia’s non-governmental organizations launched a campaign against fatalities and abuses within the armed forces; one of the most active campaigners was an organization called Chenq Lrelu (“We won’t stay mum”). Broad public debates about non-combat fatalities in the armed forces decreased trust in the Armenian army, and eventually forced the army to address abuses in response to criticism (Abrahamyan 2010).

Table 13. Dynamics of trust in the army in Armenia

<table>
<thead>
<tr>
<th>Year</th>
<th>Fully Trust</th>
<th>Somewhat Trust</th>
<th>Neither Trust, Nor Distrust</th>
<th>Somewhat Distrust</th>
<th>Fully Distrust</th>
<th>Trust to distrust ratio a, b</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>60</td>
<td>24</td>
<td>7</td>
<td>3</td>
<td>6</td>
<td>9.3</td>
</tr>
<tr>
<td>2009</td>
<td>57</td>
<td>26</td>
<td>10</td>
<td>3</td>
<td>5</td>
<td>10 ↑</td>
</tr>
<tr>
<td>2010</td>
<td>49</td>
<td>29</td>
<td>14</td>
<td>5</td>
<td>4</td>
<td>8.7 ↓</td>
</tr>
<tr>
<td>2011</td>
<td>34</td>
<td>32</td>
<td>13</td>
<td>9</td>
<td>13</td>
<td>3.0 ↓</td>
</tr>
<tr>
<td>2012</td>
<td>33</td>
<td>35</td>
<td>13</td>
<td>7</td>
<td>11</td>
<td>3.8 ↑</td>
</tr>
<tr>
<td>2013</td>
<td>29</td>
<td>35</td>
<td>16</td>
<td>9</td>
<td>11</td>
<td>3.2 ↓</td>
</tr>
<tr>
<td>2015</td>
<td>51</td>
<td>27</td>
<td>9</td>
<td>7</td>
<td>5</td>
<td>6.5 ↑</td>
</tr>
</tbody>
</table>

Notes:

a Indicates ratio of those who have general trust towards the army (Fully trust + Somewhat trust) to those who have general distrust towards the army (Fully distrust + Somewhat distrust)

b Arrows indicate dynamics of the level of trust in comparison to the previous year

Sources: Caucasus Research Resource Centers. 2008-2015

Measures to prevent abuses and accidents in the armed forces included improving discipline and imposing constraints on conscripts’ daily routines, including physical exercise, movement and leisure. They were partly successful, as the number of murders and suicides within the armed forces decreased. The organization leading the campaign, Chenq Lrelu, suddenly suspended its
activities; in the absence of any evidence of pressure, this was attributed to an informal agreement between the organization and the Ministry of Defense. After 2010, the Vanadzor Helsinki Assembly took the lead in raising awareness of deaths and abuses in the armed forces, not in the form of public campaigning but through the publication of detailed reports on each case. The parallel publication of these data by the Ministry of Defense and a public organization serve as a constraint, reducing the probability that cases will be concealed or misrepresented.

Table 14. Dynamics of casualties in Armenian and Karabakh military

<table>
<thead>
<tr>
<th>Year</th>
<th>Officially Confirmed Numbers</th>
<th>Civil Society Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total deaths</td>
<td>Combat deaths</td>
</tr>
<tr>
<td>2010</td>
<td>-- b</td>
<td>-- b</td>
</tr>
<tr>
<td>2011</td>
<td>34 c</td>
<td>10</td>
</tr>
<tr>
<td>2012</td>
<td>36</td>
<td>12</td>
</tr>
<tr>
<td>2013</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>2014</td>
<td>45</td>
<td>26</td>
</tr>
<tr>
<td>2015</td>
<td>57</td>
<td>38</td>
</tr>
</tbody>
</table>

Notes:

- Total deaths include casualties which are the result of ceasefire violation and non-combat deaths. Causes of non-combat deaths include (descending order): fatal accidents (including car crashes), suicide, murder, health issues, violation of safety rules, negligence and other reasons.
- Information not available.
- According to the Helsinki Citizens’ Assembly Vanadzor Office, the 2011 figure has been reviewed and equals 36.

Sources: Helsinki Citizens’ Assembly Vanadzor Office 2016-1; Various media reports and the interviews of top Ministry of Defense officials.

Another attempt to institute civilian control over the army was the appointment of officials from civil bodies to senior offices in the Ministry of Defense. Ongoing discussions with international bodies and domestic civil society groups concern the option to divide the entire defense institution into civil and military structures, with the General Staff in charge of the latter. This process would take a long time and require, among other things, a change in the overall approach to army leadership, since so far, the Defense Minister and his deputies have had
Institutionalization of the Armed Forces of Armenia

the final say in military decision making. Moreover, the focus of reforms has not been on dividing but on integrating all military structures, consolidating them into one institution and hosting their command in one building. The overall centralization effort included boosting interdepartmental coordination within the state apparatus and deepening integration between the armies of Armenia and Nagorno-Karabakh. It is therefore unclear when and how successfully the strengthening of civilian control over the army will unfold.

One reason that reforms have not occurred smoothly is the military command’s lack of a clear vision for the army, which is expressed as apparent inconsistencies among the approaches of various commanders, especially between those of military officials, who often come from other areas of law enforcement, and those of army officers. For instance, there are publicly expressed disagreements within the military concerning conscription policies (drafting vs. contract-based service) and approaches to settlement of the conflict over Nagorno-Karabakh. This points to two main gaps in the institutional development of the Armenian army: fragmented strategic planning based on insufficient expertise and incomplete coordination between the General Staff and military officials.

Armenia’s first steps toward civic participation and civilian control of the army have not been fully integrated by either the army or the society and remain sporadic. However, it is too soon to assess results of this process; so far, the greatest achievement is that it is taking place at all.

References


“Armenia is on the threshold of the transition to the Israeli reservists call system [Armeniya na poroge perekhoda k izrail’skoy sisteme prizyva rezervistov].” Miacum.
Institutionalization of the Armed Forces of Armenia


CONCLUSION

Informal power networks in politics and economy
This study represents an application of the concepts of informality to the political development of Armenia from the late 1980s and to the present. Specifically, we studied interpersonal and intergroup interactions among the leaders of the revolutionary movement that led to independence and within the governance bodies of the newly independent Armenia. We identified informal associations and patron-client networks that achieved political power and were, in some cases, able to formalize their influence and maintain it for various lengths of time. The ways in which these associations and networks were formed defined how they operated within the state administration or particular governance body.

The 1988-1991 revolutionary movement had a precursor in the movement for the recognition of the Armenian Genocide, a broad public initiative that emerged in Soviet Armenia in the mid-1960s. This gave birth to the Armenian dissident movement and eventually generated the late 1980s irredentist agenda of uniting Armenia and Nagorno-Karabakh. This sequence of events and agendas set the ideological boundaries of the public space in which the competition among and co-optation into the elite took place, and it defined the main players of the post-Soviet Armenian elite: members of the Karabakh Committee, prominent combatants from the Nagorno-Karabakh war, and representatives of the political and military elites of Nagorno-Karabakh for whom becoming involved in Armenian politics was a form of career advancement.

Despite the scope of the Armenian dissident movement in the late Soviet era, its members failed to become the leaders of independent Armenia. By the time the dissidents were released from Soviet prisons, Armenia already had a developed network of political clubs that formed the basis of the Karabakh Committee and the Pan-Armenian National Movement. Some dissidents were able to use their symbolic capital to join the political elite, albeit not as a group and not at the top level.

The communist and technocratic Soviet Armenian elite proved unable to fight the revolutionary movement in 1988-1991, losing almost all control at an early stage: the top leadership of Armenia was replaced with revolutionaries by summer 1990. As in other post-communist countries, the new revolutionary
class in Armenia was led by the intelligentsia, chiefly with backgrounds in academia and the artistic professions: these groups were socially active and had the public legitimacy needed to rise to power.

In the 1990s, Armenia’s elites rotated several times. Each time, not only the individuals and groups but also the basis for co-optation changed. Although some representatives of the former leadership, mainly businesspeople and technocrats, managed to adapt to the new rules of the game with every power rotation, there are reasons to speak of the changes of several elite generations over a short period. The milestones of these changes include the ousting of the Soviet bureaucracy by the revolutionary intelligentsia in 1990-1992, the ascension to power of the Karabakh war veterans’ network in 1996-1998, and the removal of veterans from power starting in the early 2000s. The new ruling class of Armenia predominantly consists of a new bureaucracy, major business operators and political forces affiliated with businesses.

Despite some overlap between the bureaucracy and business, the two groups strongly considerably. Starting in the late 2000s, bureaucrats consolidated and strengthened their positions in power, while business operators have been losing political leverage. This process is an inevitable outcome of the consolidation of state institutions, a trend that started in the late 2000s but has not led to the consolidation of public policy institutions, first and foremost, parliament; to the contrary, it has made them weaker. The improved quality of electoral procedures was accompanied by a narrowing of electoral competition and increased control of the state bureaucracy, represented by the ruling Republican Party of Armenia, over the economy, local government and law enforcement. The strengthening of state institutions did not lead to more participation and more democracy but to the opposite result.

Clientelism and other types of informal relations were ubiquitous in the Soviet Union and rather widespread in Soviet Armenia and were heavily criticized by the leaders of the Armenian revolution. However, during their tenure, the zone of fuzzy legality became wider, and patron-client relationships became even more widespread. Initially, that was due to the institutional weakness of the former Soviet republic in the midst of political transition and to the elite’s informal obligations accumulated during the revolution and the war in Nagorno-Karabakh. Shortly thereafter, the disastrous economic situation in Armenia gave rise to even more informality, as skyrocketing unemployment and decreasing incomes made competition for membership in the political elite steeper than ever. At that time, involvement in the administration was one of the few ways
to make a decent living. Access to jobs became one of the most important characteristics of social capital in newly independent Armenia.

During the first years of Armenia’s independence, personnel changes at the top of the state bureaucracy were common, and the average term in office of a public official was quite short. Loyalty to the leadership was the main precondition for job retention in the administration. The two main models of survival within the elite were successful performance of one’s administrative duties and active involvement in patron-client networks. The majority of players lacked political experience. In most cases, procedures for appointing state officials ignored their professional abilities, leading to poor performance and, consequently, to frequent personnel changes.

The 1988-1991 revolution also affected the mid- and low-level state bureaucracy, albeit to a lesser degree. During the expulsion of the communists, most mid-level bureaucrats lost their jobs, but those who kept them were soon promoted and generally fared well. The low-level bureaucracy was only slightly affected by the fall of the USSR. Subsequent elite rotations had little effect on mid- and low-level officials, as vertical mobility within the political elite and state bureaucracy had been decreasing throughout the years of Armenia’s independence.

Completely different developments were unfolding at the local and regional levels, in the judicial system and in the Ministry of Foreign Affairs. Those processes were associated with clientelism and elite dynamics as well; however, they had their own logic. A description of this logic is beyond the scope of this study.

At the institutional level, informality was manifest not only in the weakness of formal institutions and the formation of subversive nuclei within them but also in the creation of rather influential informal institutions. These included an informal board composed of the top leadership and major business operators with a shadow budget funded by major business operators affiliated with the political elite. Another type of powerful informal body were the monopolies that acted as informal ministries of trade or industry in particular spheres at particular times, a phenomenon that emerged in the mid-1990s but did not become systematic until the 2000s when the class of major business operators became more prominent in politics. The formation of this class was completed in the mid-1990s in the framework of the privatization and informal division of the domestic market. Weak state institutions proved unable to restrict the participation of insiders in the re-distribution of property, which resulted in the
perpetuation of economic relations that emerged during original accumulation. Big capital improved its standing with the wave of economic growth in the early 2000s and tried its best to maintain it during and after the 2008 economic crisis. The current separation of business and politics is taking place despite the wishes of individuals in the political elite.

Institutional trends are what matter most in this process. Each of the three presidential administrations of Armenia has had its own style of interacting with the class of major business operators. However, none of the three produced this class: independent Armenia inherited it from the USSR in the form of a symbiotic relationship between Soviet shadow business operators and the managers of Soviet enterprises that survived the transition. The relatively new part of this class includes operators that engage in domestic and foreign trade.

The ways in which the ruling elites dominate economic and political structures have gradually changed during Armenia’s independence. The focus of this process has been on the formalization of informal relations, including the legalization of the informal status quo in some cases and of the annulment of informal preferences in others; this formalization correlates with the declining share of GDP of the shadow economy, a trend that has prevailed for twenty years, albeit with substantial fluctuations (see Figure 6).

Military institution building from scratch and the transformation of the Armenian army
The Armenian army emerged from networks initially comprised of volunteers and militiamen without a unified command. Within several years, the networks became organized and manageable. Meanwhile, Soviet military units deployed in Armenia were small by Soviet standards, and Moscow maintained control over them when the first armed clashes occurred in Nagorno-Karabakh. Once the USSR disintegrated, Armenia’s Soviet garrisons merged with the military bodies of Armenia and Nagorno-Karabakh and became their main source of armaments and military equipment. However, Soviet troops did not provide the structural basis for the Armenian army, which relied on the volunteer movement and the already rich military experience gained during the confrontations in Nagorno-Karabakh and on the border between Armenia and Azerbaijan in which Azerbaijani militias, units of the Soviet Army and Soviet internal troops supported Azerbaijan.

The armed hostilities boosted the political role of combatants in Nagorno-Karabakh and in Armenia. Co-optation of volunteers into leading roles was
generally based on personal merit but could also be random. The armed group engaged in a battle at Yeraskh, located on the border between the Nakhichevan and Armenia not far from Yerevan, which thus became the most famous and powerful and led to the rise of its commander, Vazgen Sargsyan, and a few of his co-combatants to the very top of the hierarchy of the Armenian voluntary movement.

The creation of the Armenian army is an example of successful institution building under rather specific conditions. Formed on the basis of an existing grassroots movement, the army’s main mission was to structure and formalize the movement, not to create a new one. At the same time, the army was, to some extent, reproducing a different institution – the Soviet army – its only available example of an efficient and professional army. Soviet officers of Armenian descent were gathered in Armenia in order to apply their experience in establishing a new institution; naturally, they reproduced the institution within which they built their careers. The Armenian army ended up adapting Soviet army practices to the local environment in terms of the terrain, the military hardware, the number of servicemen and their cultural peculiarities. Though many features of the Soviet army were reproduced as a result, the mechanism of their reproduction differed from those in other post-Soviet states, and the Armenian army became more adaptable and flexible than the Soviet prototype.

After the war, many former combatants left the army; the state created opportunities for their political and economic engagement, and as a result, many patron-client networks born within the volunteer movement moved out of the military. Some veterans remained in the armed forces but were unable to adapt to the new military institution, and left the army later, toward the end of the 1990s. Those who remained were re-trained at domestic and international military schools and started identifying as military professionals rather than as grassroots war heroes.

The army continued to reform, continuing to lean on former Soviet professionals; it began establishing international ties and handled major logistical issues, especially the organization of conscription and the establishment of a military education system. Nevertheless, there is still room for informality within the army, with informal networks usually stemming from a common origin or education. Within the army leadership, there is a group of graduates of the Tbilisi High Command Artillery College and another from the Baku Military College. Officers from Tbilisi and the Armenian-populated southern regions of Georgia (Javakheti), Nagorno-Karabakh, Baku and other regions of the former Soviet
Azerbaijan, have their own communities and patron-client networks within the military institution.

**The case of Armenia: peculiarities and trends**

The case of Armenia, as described in this volume, reflects a series of regional and global patterns in the sphere of informality. The (often partial) democratization that follows revolutionary or anti-colonial movements usually begins by causing an archaization of public relations, which manifests as political instability, growth of the shadow economy and enhanced linkages between politics and business. These trends were indeed present in Armenia and in other post-Soviet states.

In a post-revolutionary environment, local elites become more representative and include a variety groups who feel strongly enough to claim their share of the pie. Throughout the post-Soviet period, the new elite included, to various extents, representatives of the intelligentsia, law enforcement, merchants, criminals, and even semi-feudal local groups united by kinship, geographic origin or economic ties.

During the Soviet era, some of those elite groups were opposed to, or unrecognized by, Soviet authorities and thus formed the basis of a revolutionary class. Other groups consolidated during or after the collapse of the Soviet empire.

In the first years following the revolution, the new authorities did their best to maintain maximum freedom of action, previously limited by Moscow. However, the expectations of elites differed radically from those of citizens; the population expected a more accountable government, less corruption, and economic growth leading to higher personal incomes. The reality was quite the opposite. During the course of original accumulation, a time of complete economic disaster, the incumbent authorities, the state and all its institutions lost most of their legitimacy.

As often happens in similar situations, the economic decline and delegitimization of power resulted in social and political upheaval, provoked nostalgia for the old regime, and caused the mass emigration of the most active part of the population and of social groups that used to have close ties with the Soviet authorities and formed the elite of the old regime. Given a lack of experience with representative democracy, the party system of a new state is usually unable to satisfy public demands of creating ideological frameworks, building strong opposition parties and enabling the representation of social groups in politics.
At a time of economic decline in a polity ruled by elite groups, economic well-being is highly dependent on proximity to power; consequently, the elite groups that achieve power strive to maintain it for years and even decades. Several years after the revolution, vertical mobility within the ruling system slows, protecting the interests of ruling groups bound by patron-client relations. The balance of power among these patron-client groups changes more as a result of internal developments within the elites than as a result of elections.

The political class, united in the ruling party, tries to restrict political competition, and the ruling party loses the characteristics of a political party and becomes completely absorbed by the state bureaucracy. Elections become a perpetual source of threat for the ruling groups. Left-wing sentiment is growing in many post-Soviet states, as well as in the Middle East, Northern Africa and Latin America. The opposition, as a rule, has a leftist agenda, directly threatening the authorities and the capital of the ruling elites and consequently solidifying authoritarian trends in domestic politics, as was manifest in the majority of post-Soviet states by the late 1990s.

In the absence of a strong authoritarian tradition (which exists, for example, in the Central Asian states, with the exception of Kyrgyzstan), consolidation requires special economic conditions. Usually, a key factor is the state’s ability to receive financial rents on monopolistic terms, making the state a more powerful player than any other economic actor or group of actors. The mining of oil or gas is the most common source of such power, although other options exist. For example, in Georgia, the state receives revenues from the transit of goods across its borders and from international development aid. However, a complete transition to authoritarianism requires the state’s revenues to be high enough to be shared with citizens, enabling an exchange of political liberties for economic well-being.

Resource-poor countries find themselves in a vicious circle: incumbent regimes are unable to establish full authoritarian control, but the building of democratic institutions does not take place either. In the absence of significant economic growth, society becomes vulnerable to corruption.

Informality *per se*, or at least its widespread occurrence in politics and the economy, cannot be overcome at the will of top leaders. Attempts to eradicate informal practices have been undertaken in many post-Soviet states, including Armenia. Each time, political will has proved insufficient to achieve tangible results, since reform of this kind requires a set of institutional changes that would ensure the functioning of public administration in line with the goals of the
reform. Institutional changes require significant funds, which poor countries are often unable to raise. In the case of Armenia, a landlocked country with scarce mineral resources, the necessary funding is lacking.

The low legitimacy of the authorities is another obstacle to reform. Even after the ruling elites had accumulated the original capital, the state bureaucracy gained enough competence, and liberation from the empire was no longer on the agenda, efforts to substantially improve governance practices have continued to fail. A lack of trust in state institutions persists and worsens, perpetuating the situation and creating public demand for a revolution, the probability of which strongly depends on the number of unemployed youth in a country.

Even after the suppression of state ideologies (such as communism or socialism) that directly prevented democratization and the triumph of democracy as the widely accepted model, numerous factors continue to obstruct democratic change. In resource-rich countries, high revenues are the main obstacles to democratization; in resource-poor countries, obstacles to democratization include informal practices and clientelism.

Unlike politics, the army as an institution is less vulnerable to the emergence of informal practices, and although patron-client networks exist within the army, their impact is small. The army is a more professional sphere than the state bureaucracy, since promotion within the army chiefly depends on length of service and achievements that are easily verified at a time of active military engagement.

Understanding the emergence of military institutions is a separate goal of political science and interdisciplinary research. With few exceptions, newly independent states formed as a result of the disintegration of territorial or colonial empires have to build their armies from scratch. In the event of a peaceful breakup, the new state’s army may be based on the colonial army units that had been deployed to its territory, especially if the colonial units had recruited officers from among its residents.

If a country’s independence is not immediately followed by an armed interstate conflict, the armed forces receive minimal funding and have limited combat capacity, as is the case in many post-Soviet states. Given the minimal functionality of the army, the awarding of military positions and ranks may be used as a means of rewarding members of the elite, as ambassadorial nominations often are.

The civil wars that often follow the creation of new states do not require strong armies and do not affect the military institution of a new state. However, in the event that independence is the result of a guerrilla war, an interstate
conflict, or a civil war involving guerrilla warfare, the backbone of the new state’s army consists of former militiamen and guerrilla fighters. To compensate for a lack of resources, military experts from abroad may be engaged in the process of military capacity building, as was the case in Armenia.

A country’s state bureaucracy faces the challenge of rewarding veterans during and after a war, including in ways that are not directly linked to the army. Since volunteers’ motivations to fight in a war are often based on ideological preferences, one form of compensation is to ensure veterans’ political representation in a new party or through several existing parties. Ensuring adequate social welfare is another form of compensation; a country that cannot afford to do so will often reward its veterans with informal economic benefits (such as opportunities to engage in foreign or domestic trade). This task is easier when the re-distribution of former colonial property has not been completed.

After the end of a war, a military coup can be easily triggered by domestic political instability or by imminent prospects of peaceful conflict settlement that would conflict with the interests of the military elite. The probability of a coup largely depends on the country’s political traditions or those of the empire of which it had been a part. For instance, in Armenia and other post-Soviet states, the army’s involvement in political life has been limited: even when post-Soviet armies do engage in politics, they do not act as separate political entities trying to establish a junta but support a civilian political force.

This tradition is rooted in the Soviet era. In the 1930s, Soviet leader Joseph Stalin felt threatened by the prospects of a military coup, and he created an institutional environment in which the army’s functions were reduced to the military realm, giving the army no political agenda, except perhaps with respect to the distribution of the state budget. As a result, despite the weakness of post-Soviet states in the 1990s, their armies remained loyal to the authorities most of the time.

If the threat of war is still imminent, a post-war country’s military leadership, even when comprised of war veterans, faces the challenge of transforming the army into a stable institution capable of reproducing itself and lending itself to modernization. Following the ceasefire in Nagorno-Karabakh, Armenia remained in a state of military confrontation with its much richer and better-equipped adversary. Therefore, the building of Armenia’s military capacity remained on the agenda after the war, with a special focus on boosting professional education standards and discipline while minimizing the influence of former warlords. Tough confrontations between warlords and the political leadership may ensue
in such a process, as they did in Armenia; however, the authorities addressed them quite successfully. As long as tensions and clashes in the Karabakh conflict continue, the societal status and political involvement of Armenia’s military elite may grow or decline depending on the course and outcome of military actions.

**Informality: topical directions of scientific research**

State building in the post-Soviet space provides empirical material for the study of informal relations in domestic politics and of the formation of national and local elites. The existing studies in this area are chiefly limited to research on particular aspects of informality, whereas the impact of informality on politics is usually discussed by the commentariat, not by scholars. Informality within the army and its institutional development remains poorly understood by political scientists. This study may thus provide a guide for new studies in the field, especially as the Armenian case cannot be extrapolated to the rest of the post-Soviet space.

The growing number of studies of informality in transition countries provides opportunities for comparative cross-country research that would help reveal common patterns in post-Soviet or post-communist states, as well as the peculiarities of countries, regions or polity types.

Moreover, the study of the dynamics of informality in various countries would make it possible to assess how the informal and formal practices of independent post-Soviet states are changing, and the features that those states still share decades after the collapse of the USSR. Another avenue for research is to examine how Soviet heritage, as manifested through informal political and economic practices, compares to the experiences of developing and developed countries beyond the post-Soviet realm. However, such a comparative study will require a sufficient number of empirical studies on specific countries and issues.

Informality in the unrecognized entities of the post-Soviet space may be another avenue for research; informality in these entities has its peculiarities, since they had few formal attributes of statehood within the USSR and therefore inherited few Soviet bureaucratic structures. Any existing practices may reflect the local political culture to a greater extent than Soviet legacies, at least in comparison to states that used to be Soviet republics.¹

This study does not try to embrace all aspects of informality or its impact on elite trends in Armenia. We did not analyze regional or community elites, which are more diverse than national ones due to the large number of administrative units and less competitive because of the constant drain of personnel to regional centers and to the capital. The impact of informality on foreign politics, and the individuals implementing it, may also be of interest. Ambassadorial nominations are often used to reward national-level politicians, give them retirement bonuses, or banish them from active politics. Other promising objects of informality studies in Armenia include the judicial system and law enforcement.

Finally, informality plays an important role in Armenia’s economy. This study has only partially covered this issue insofar as it overlaps with political trends. The emergence of entrepreneurship and an informal economy in the post-Soviet space is of interest to scholars, since as illustrated by the case of Armenia, it involves incredibly rapid original accumulation with the involvement of miscellaneous elite groups.
LIST OF TABLES

Table 1. Data entered into the database of political elite actors .......................... 20
Table 2. Categories of the Armenian political elite ........................................ 25
Table 3. Main stages in the political history of post-Soviet Armenia from the perspective of elite trends ................................................................. 28
Table 4. Timeline of military reforms in Armenia ............................................ 29
Table 5. Perceptions on tax evasion in the former Soviet countries in 1996-1997 ........................................................................................................ 66
Table 6. Extent of domination in Armenia’s local commodity markets, 2004-2013 ........................................................................................................... 71
Table 7. Perceptions on tax evasion in Armenia in 1997-2011 ......................... 73
Table 8. Voting preferences in Armenia, 1994-1996, according to surveys ...... 76
Table 9. Voting preferences in 1997: a detailed breakdown ............................. 77
Table 10. Presence of fuzzy legality in Armenian governance systems and institutions ........................................................................................................ 87
Table 11. Armenian political elite actors by method of co-optation into politics and career advancement ................................................................. 89
Table 12. Overlap between co-optation and career advancement categories ......................................................................................................................... 90
Table 13. Dynamics of trust in the army in Armenia ......................................... 123
Table 14. Dynamics of death cases in Armenian and Karabakh military ....... 124
LIST OF FIGURES

Figure 1. Overlap between political and military actors ......................................................16
Figure 2. Share of coverage of Armenia in the world media newsfeed
(May 1987 – November 1988) .........................................................................................................39
Figure 3. Index of the real average monthly salary in Armenia since 1980 ..............49
Figure 4. Impact of parental membership in the Communist Party on the
level of education and household assets in Armenia and other countries ........58
Figure 5. The share of the informal economy as a % of the NMP of Armenia
and some other Soviet republics, 1965-1989 ..........................................................................62
Figure 6. The share of the informal economy in Armenia’s GDP
in 1995-2015 ..............................................................................................................................72
Figure 7. Share of polling stations where the election process was assessed
negatively by OSCE/ODIHR international observers in 1998-2013 ..................78
Figure 8. The formation of the dominant faction in the Armenian
parliament in 2003-2012 ...............................................................................................................81
Figure 9. Dynamics of public trust in the parliament in 2007-2015 .................82
Figure 10. The number of grave offenses in Armenia, 1990-1998 .................108
Figure 11. Official military expenditures in Armenia and Georgia ............110
ABOUT THE CAUCASUS INSTITUTE

The **Caucasus Institute (CI)** is an independent policy think-tank founded in Armenia in 2002. Its main avenues of activity are academic and practical research, scholarly and public debates, scientific publications, policy recommendations, consulting and advocacy. Trademark CI products include a Yearly Caucasus Conference that it has conducted every spring in Yerevan since 2003, and a Caucasus Yearbook based on presentations made at the conference. The CI also conducts monthly roundtables, ad-hoc workshops and training seminars, and publishes books, research papers and policy briefs.

Research methodology used by CI includes theoretical analysis and empirical techniques such as media monitoring, interviewing, focus groups, database compilation and analysis. The CI has academic ties to research bodies in the recognised and de-facto states of the South Caucasus, and in the Northern Caucasus.

The CI has a strong advocacy potential relying on close ties with the media and links to decision-makers. It has the reputation of a neutral space for dialogue between stakeholders with sharply contrasting agendas, representing the scholarly community, civil society, government, opposition, international organizations and the media. Sensitive issues such as flawed elections and post-electoral unrest, color revolutions, oligarchy and crony capitalism, media censorship and self-censorship, ethnopolitical conflicts, minorities and intolerance have been researched and discussed at CI in a non-partisan format.
WAR, BUSINESS AND POLITICS:
INFORMAL NETWORKS AND FORMAL INSTITUTIONS
IN ARMENIA

Alexander Iskandaryan, Hrant Mikaelian and Sergey Minasyan
WAR, BUSINESS & POLITICS
Informal Networks and Formal Institutions in Armenia

Alexander Iskandaryan
Hrant Mikaelian
Sergey Minasyan

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The volume presents the results of a study of formal and informal groups and mechanisms within Armenia’s political, economic and military elites, aiming to reveal trends in formal institution-building and the changing role of informality in Armenia’s power system since its independence from the USSR. The study relies on data from over 50 interviews with elite actors, backed up by archive materials, media stories, and expert opinions. A separate case study looks at the emergence and evolution of the Armenian army.