



Republic of Armenia

Country Report 2014

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Executive Summary:

Post-Soviet Armenia has struggled to overcome its share of challenges. The smallest of the Soviet successor states, this ancient, landlocked country has survived centuries of rule by the Persian, Turkish, and Russian empires, and the Soviet Union. Ongoing challenges include the frozen dispute with Azerbaijan over the contested enclave of Nagorno-Karabakh, complex relationships with its other neighbors and with Russia, securing access to global markets and reliable energy supplies, and realizing its stated goal of becoming a Western-style parliamentary democracy.

Multilateral peace talks continue on Nagorno-Karabakh, and the government continues to pursue much-needed economic and social reforms. Armenia has carried out significant structural changes in pursuit of a market economy, in conjunction with international lending organizations.

The ongoing conflict with Azerbaijan acutely influences Armenia's relations with its neighbors and the West. Armenia's relations with Azerbaijan's allies, especially Turkey, are strained. Relations with Washington are good and benefit from the significant encouragement offered by America's vibrant ethnic Armenian community. Armenia is a recipient of U.S. aid, and the United States has hosted and participated in peace talks between Armenia and Azerbaijan.

Armenia's Jewish community is small but deeply rooted. Relations with Armenia's Christian majority are generally peaceful, and anti-Semitic incidents are rare. Armenia's relations with Israel are limited but cordial. Since independence, Armenia has received political support from Israel with regard to declaring the 1915 tragedy a genocide, and today remains one of Israel's major trading partners.

History:

Armenia occupies a territory slightly smaller than the state of Maryland. Located just south of the Caucasus Mountains between Europe and Asia, it is completely landlocked, and shares borders with Georgia, Azerbaijan, Turkey, and Iran.

Armenia is home to one of the world's oldest civilizations, and was the first nation to officially embrace Christianity as a state religion in 301 C.E. Over the centuries, Armenia was conquered by Greeks, Romans, Persians, Byzantines, Mongols, Arabs, Ottomans, Turks, and Russians.

Statistics:

Population: 2, 974,184 (July 2013 est.)

Size: 29,743 sq. km

Capital: Yerevan

Major cities: Yerevan, Gyumri, Vanadzor, Ejmiatsin, Hrazdan

Head of State:

President Serzh Sarkisian

Head of Government:

Prime Minister Tigran Sarkisian

Foreign Minister:

Edward Nalbandian

Ambassador to United States:

Ambassador Tatoul Markarian

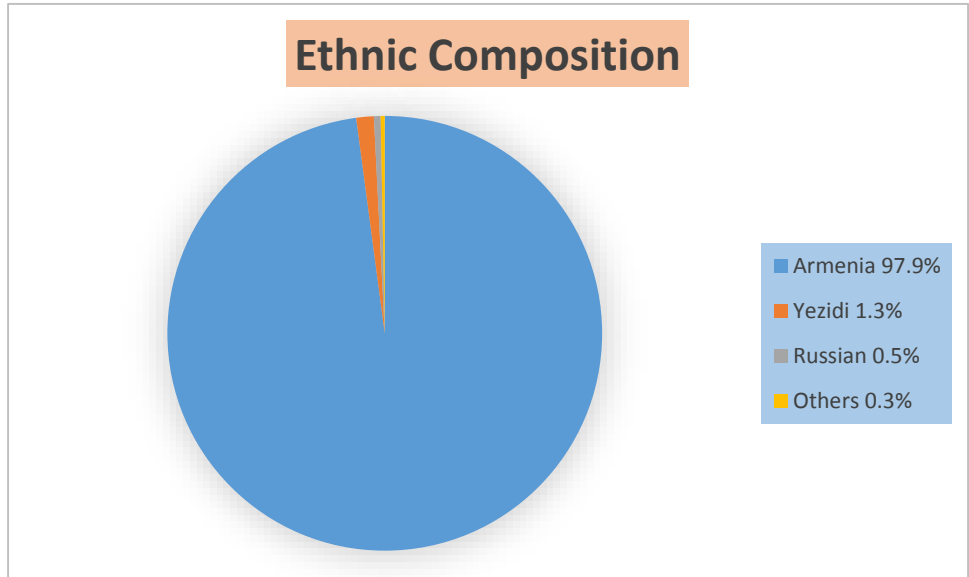
U.S. Ambassador to Armenia:

John A. Heffern

Freedom House Rating:

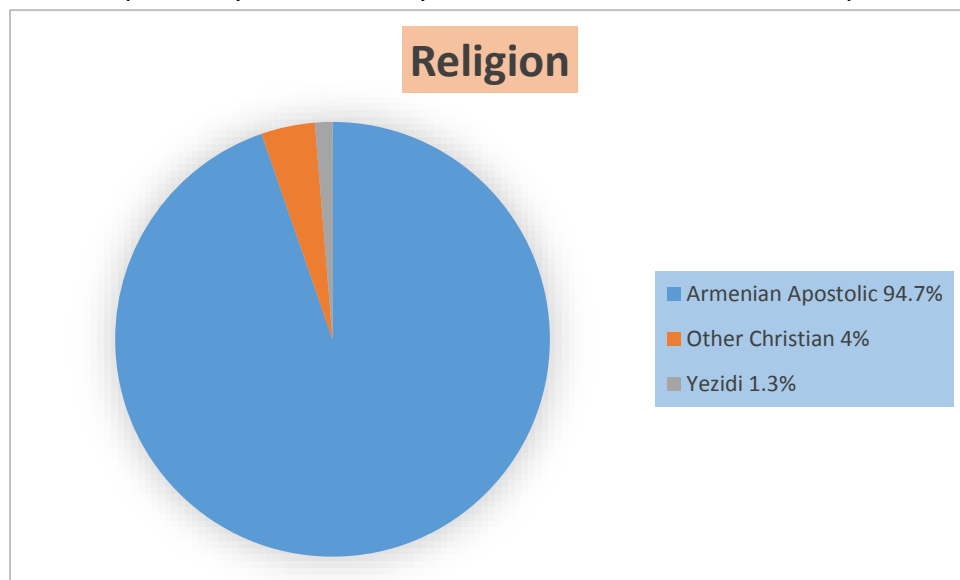
Partly Free

Rising political and ethnic tensions in the declining Ottoman Empire during the late 1800s and early 1900s culminated in the widespread destruction of Armenian communities by the hands of the Turkish authorities during World War I, when Turkish and Russian troops clashed over Armenian territory.



Following Russia's Bolshevik revolution,

Armenia declared its independence in May 1918 under a nationalist government (the Dashnaks), but was conquered by the Red Army in 1921 and became a Soviet republic within its present borders.



In 1988, during the Gorbachev era, Armenians and Azerbaijanis began a war over the Nagorno-Karabakh territory. It killed more than 17,000 people and generated massive refugee flows in Azerbaijan and economic devastation in Armenia. In September 1991, Armenia became an independent state after centuries of foreign rule.

The Ottoman government's systematic extermination of Armenians is officially recognized as "genocide" by 23 countries. Between 600,000 and 1.5 million Armenians were killed as a result of starvation, deportations, and massacres. Many of the survivors emigrated and formed sizable communities throughout the world.

An estimated 60% of the worldwide total of 8 million ethnic Armenians live outside the country. Russia and the United States are each home to more than one million ethnic Armenians.

Political Situation:

Armenian domestic politics have been turbulent since independence. National presidential and parliamentary elections in 1991 gave 83% of the votes to Levon Ter-Petrosyan, but were marred by

accusations of electoral violations. Petrossyan held the presidency from 1991-1998, after being re-elected in 1996 following public demonstrations quelled by the military. In 1998, Ter-Petrossyan was forced to resign after being deemed too conciliatory toward Azerbaijan in the Nagorno-Karabakh dispute. Ter-Petrossyan was replaced by Prime Minister Robert Kocharian, a former leader of the Nagorno-Karabakh independence movement and a hard-line nationalist, who served as President through 2008.

In October 1999, Armenia was shaken by the murders of Prime Minister Vazgan Sarkisian, Parliament Chairman Karen Demirchian and six other Members of Parliament by five gunmen during a parliamentary session. This mysterious attack began a period of political instability in Armenia that gradually led to President Kocharian's becoming more politically powerful, which further led to opposition charges that the President and his inner circle masterminded the incident.

In October 2000, thousands of people rallied in Yerevan, organized by a coalition of opposition parties, to demand the resignation of President Kocharian, protesting his alleged involvement in the October 1999 attack and his government's failure to revive the country's economy. Kocharian won office again in March 2003, amid widespread accusations of electoral irregularities and violations, in an election that fell short of international standards, according to the OSCE and other foreign observers.

The popularity of opposition-led street protests peaked in 2004, after their frequent and sometimes violent dispersion by police. In late 2005, a constitutional referendum decreased the power of the executive vis-à-vis the judicial and legislative branches, in line with Council of Europe suggestions, but was also criticized by foreign observers as falling below international norms.

The unexpected death of long-serving Prime Minister Andranik Markarian after parliamentary elections on March 2007 led to the appointment of past Defense Minister Serzh Sarkisian as an interim replacement. Sarkisian went on to win the presidency in 2008 with a 52% majority, in an election commended by the European Union (EU) and the OSCE as broadly democratic. The U.S. government assisted Armenia in holding fair and free parliamentary and presidential elections in 2007 and 2008.

Armenia's most recent presidential election was held in February 2013, resulting in a victory for incumbent President Sarkisian (59%) over his main opponent Raffi Hovannisian (37%). During the days following the election, mass protests took place against Sarkisian's victory. The OSCE described the election as generally well-administrated, professional, and transparent with respect for fundamental freedoms, despite some serious election violations.

Despite recurrent questions about the fairness of its presidential and parliamentary elections, and allegations of sometimes heavy-handed government tactics towards the opposition and the media, Armenia has been recognized as one of the more consistently democratic former Soviet states. The creation of a Western-style parliamentary democracy is a stated goal of the Armenian government. President Sarkisian has continued to normalize relations with Turkey and has asked for the United Nations to help end the conflict in Nagorno-Karabakh.

Economic Situation:

Armenia recently has improved its ranking on some global indices measuring business climate, even though official and commercial sectors still have high level of corruption, Armenia ranked 94th of 177 countries in Transparency International's 2013 Corruption Perception Index. Armenia's financial sector is not highly developed, with total bank assets of \$5.76 billion in October 2012. The Armenian government is open to foreign investments and foreign companies have the same rights and obligations as domestic companies. Armenia ranked 32nd out of 185 economies in the World Bank's 2013 "Doing Business" survey. Main barriers for inflow of investments in Armenia are: relatively small population size, geographic isolation due to closed borders with Azerbaijan and Turkey, a low GDP per capita and a high level of corruption. Major sectors of Armenian's economy are controlled by well-connected businessman, which limits consumer choice and discourage development. Even though Armenia's 1997 Law on Privatization states that foreign and local companies have the same rights to privatize, the majority of privatizations have not been transparent and competitive.

Armenia developed a modern industrial economy under Soviet rule, but since 1988, its economy has suffered setbacks. A 1988 earthquake destroyed or damaged 30 percent of Armenian industrial capacity, killed 25,000, and left half a million homeless, and the 1998 financial crisis in Russia harmed Armenian export industries and expatriate remittances.

Currency: 415 Drams = \$1

GDP: \$9.951 billion (2012 est.)

GDP per capita: \$8,417 (2012 est.)

GDP Growth: 7.2% (2012 est.)

The ongoing Nagorno-Karabakh dispute greatly effects the Armenian economy, due to economic blockades and closed borders imposed by two of Armenia's four neighbors. As a result, land-locked Armenia has found itself starved for fuel supplies and many raw materials and has had to develop new routes through Georgia and Iran. Armenia suffered hyperinflation in its first years of independence, resulting in a catastrophic decline in GDP. Following the 1994 ceasefire, the Armenian economy began to recover, in large part due to successful domestic reforms and liberalization, as well as substantial economic aid from abroad.

The European Union account for one-third of Armenia's trade; trade with the United States, Russia, Israel, and Iran is also considerable, followed by Turkmenistan and Georgia. In June 2005, the European Union donated 100 million Euros to Armenia to help find alternative sources of energy to supply the country due to international pressure to shut down the Soviet-era Metsamor nuclear power plant. Armenia formally agreed to shut down the plant in 2007 and to start working on new energy strategy focusing on security of supply throughout the use of nuclear energy and renewable energy source.

Nagorno-Karabakh:

The dominant issue for independent Armenia has been its protracted and often bloody dispute with Azerbaijan over Nagorno-Karabakh. Christian Armenians and Turkic Azeris have fought to control this border territory since the 19th century, when each group claimed the land as theirs (many Armenians call the territory by its alternative Armenian name, "Artsakh"). After their conquest of the region, the

Soviets made Nagorno-Karabakh an autonomous region within Azerbaijan, leaving a majority Armenian enclave in Azeri territory, angering both groups.



Location of Nagorno-Karabakh

In 1988, emboldened by Gorbachev's reforms, the Armenian majority voted to secede from the then-Soviet Republic of Azerbaijan and join the Republic of Armenia. The conflict escalated despite resolution efforts by the Soviet government, and tensions between Azeris and Armenians rose dramatically. In early 1992, a land war broke out following parallel declarations of independence by Armenia, Azerbaijan, and Nagorno-Karabakh in late 1991. Ethnic Armenian and Azeri refugees fled in opposite directions to their respective ethnic home countries. Although Azerbaijan enacted an economic blockade that crippled the Armenian economy, ethnic Armenians were able to consolidate

control over Karabakh and occupy portions of Azerbaijan linking Karabakh it to Armenia proper. Both sides employed foreign mercenaries and volunteers in the fighting, especially locally-based Russian troops left adrift in the wake of the Soviet collapse.

A cease-fire agreement was signed in 1994, granting Armenia control of Karabakh. However, ongoing border closures with Azerbaijan and Turkey have severely harmed Armenia's economy since the fighting, due to Armenia's reliance energy and raw material imports. Azerbaijan has frozen Armenia out of participation in the lucrative BTC pipeline, now carrying Azeri oil through Georgia and Turkey to world energy markets.

Armenia supports ethnic Armenian secessionists in Nagorno-Karabakh who, since the early 1990s, have militarily occupied a significant portion of Azerbaijan. Tens of thousands of Armenians have also immigrated, primarily to Russia, to seek employment. Meanwhile, Azerbaijan seeks a transit route through Armenia to its Naxcivan exclave. Armenia's border with Turkey remains closed over the Nagorno-Karabakh dispute.

The OSCE continues to mediate the ongoing dispute. The United States, Russia, and France co-chair the OSCE's "Minsk Group," which has been leading the peace negotiations. Since 1999, the Armenian and Azeri Presidents have held direct talks on multiple occasions, and many other meetings have been held between lower-level Armenian and Azeri officials

Despite ongoing talks, both sides have failed to reach basic agreement over the enclave's future status – Armenia favors allowing Karabakh residents to vote on their future, while Azerbaijan favors retaining the enclave while granting it the widest possible autonomy – and Armenian separatist troops still remain in control in Nagorno-Karabakh and portions of Azeri territory. Both sides regularly accuse each other of pursuing a weapons build-up and other bad faith tactics, and despite international efforts, the Armenian-Azerbaijani conflict over Nagorno-Karabakh remains fundamentally unresolved after nearly 20 years of confrontation and violence.

Relations with the U.S.:

The United States and Armenia maintain diplomatic relations. In 1992, the United States became the first country to open an embassy in Armenia. The United States has a large ethnic Armenian community. The U.S. government has been satisfied with the overall Armenian political system and encourage it to further develop its democratic institutions.

The United States provides Armenia with assistance in order to reduce poverty level, expand trade, strengthen the healthcare system, and establish regional stability and resolve the conflict with Azerbaijan over Nagorno-Karabakh.

Since 1992, Washington has invested over \$908 million in aid and support programs to Armenia. In December 2001 and January 2002, Congress and President Bush approved the creation of an annual waiver of a law (Section 907 of the FSA) that prohibits military assistance to Azerbaijan, except for disarmament-related assistance (pending “demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh.”).



A high level Armenian Government delegation visits Washington DC in September 2005 for economic discussions with U.S. government counterparts

In March 2006, the Millennium Challenge Corporation signed a compact with Armenia for \$235 million over a five-year period, for infrastructure rehabilitation and improvements in the agricultural sector. Additionally, since 1993, the United States has funded the travel of over 4,627 Armenian citizens to the United States on academic and professional exchange programs. There are 90 Peace Corps Volunteers working in Armenia.

Following September 11, 2001, Armenia condemned the attacks on the United States and called for collective international efforts to fight terrorism. Armenia implemented UN Security Council Resolution 1373 to freeze bank accounts and assets of terrorists and their supporters, and joined the International Convention for the Suppression of the Financing of Terrorism and the Council of Europe’s anti-terrorism conventions. Washington imposed sanctions on several Armenian firms in May 2002 for allegedly providing nuclear weapons-building assistance to Iran.



Armenia’s Foreign Minister Vartan Oskanian visited Washington, D.C. in March 2007, for meetings with Secretary of State Condoleezza Rice

While its close neighbors, Azerbaijan and Georgia, voiced their support for the 2003 U.S. effort to overthrow Saddam Hussein in Iraq, Armenia remained in favor of Russia’s anti-war policy. But in January 2005, despite national opposition, the government sent forty-six military personnel to Iraq, although in

December 2004, Prime Minister Andranik Markarian called Armenia's presence in Iraq purely symbolic and for political purposes.

In May 2006, the State Department asked United States Ambassador to Armenia John Evans to step down after he publicly referred to the World War I Armenian atrocities as "genocide"; the U.S. government officially uses the term "tragedy" when referring to this historical episode. Members of Congress accused Evans of imparting his personal views and Evans later reissued his statement, insisting that his use of the term "genocide" did not reflect or change U.S. policy toward Armenia. Since the controversial recall of Ambassador Evans, which was condemned by Armenian organizations and activists, members of both Houses of Congress have raised serious concerns about the State Department's decision.

Relations with Israel:

While Israel and Armenia maintain diplomatic relations, neither have an embassy in the other country. However, authorities express confidence in opening embassies in both countries in the near future. Armenia consider Israel a major trade partner.

Several Armenian officials have made official visits to Israel.

By the end of 2004, Israel had become Armenia's third-largest trading partner as a result of joint diamond-cutting ventures.

On August 2011, Israeli diplomats headed by Foreign Ministry official Pinchas Avivi and Armenian diplomats headed by Deputy Foreign Minister Arman Kirakossian met in Yerevan to discuss issues related to Armenia-Israel cooperation, and developments in the Middle East and South Caucasus regions.

On October 2012 Mr. Armen Melkonian was appointed as Ambassador of Armenia to Israel and later that month he presented his credentials to Israeli President Shimon Perez.

The Holocaust Memorial in Israel "Yad Vashem" honored thirteen Armenians for risking their lives to rescue Jews during the Holocaust. However Israel has not yet formally recognized the World War I-era massacre of Armenians as a genocide. In the summer of 2011 the Israeli Knesset held a session during which Armenian Genocide recognition was formally discussed for the first time. On April 2013, Israeli deputies accepted a proposal to prepare a law with respect to the killings of Armenians in 1915.

Jewish Communal Life & Anti-Semitism:

The Jewish community in Armenia dates back 2,000 years to ancient Armenia. Jews from Syria and Mesopotamia settled in Armenian cities (including Armavir and Vardges) during the first century BCE. Many of these earliest Jewish settlers later converted to Christianity and even joined local aristocracies.

In the early 19th century, Jews began arriving in Armenia from both Poland and Persia, creating separate Ashkenazi and Sephardi communities in Yerevan. A number of displaced Jews settled in Soviet Armenia during and after World War II, raising the Jewish population to approximately 5,000, though subsequent emigration has reduced the Jewish community to fewer than 1,000. Another wave of Jews came to Armenia between 1965 and 1972. The Jewish population peaked at 10,000 in the second half of the 20th century.

Community Development:

In 1991, the government officially recognized the Armenian Jewish community. Despite a small Jewish population, high intermarriage rates, and relative isolation, a number of programs exist to help meet community needs. The American Jewish Joint Distribution Committee is active in Armenia through annual community events, while the “Orot Chesed” community charity organization, with the help of Yerevan’s synagogue, assists senior citizens by providing food deliveries, heating fuel, medical equipment, and a daily hot meals program.

Most of Armenia’s Jewish population resides in Yerevan, though there are active Jewish community centers in Seven and Vanadzor as well. The Jewish community in Armenia has just one working synagogue, headed by Chief Rabbi Gersh Meir Burshtein. However, the Jewish community is active, and expanding.

The Jewish Community of Armenia (JCA) is the largest organization engaged in revival of Jewish culture and traditions in the country. It was established in 1991 and has been chaired by Rima Varzhapetyan-Feller since 1996; it now consists of about 300 families. JCA is a member of the Euro-Asian Jewish Congress (EAJC) and the World Congress of Russian Jewry (WCRJ), sponsors advanced education classes, a children’s chorus, cultural events, and does outreach work.



Jewish life in Yerevan (photo: FJC.ru)

While the regional office of the Jewish Agency for Israel (JAFI/ “Sochnut”) is in neighboring Georgia, a representative in Armenia coordinates JAFI support for a Sunday school, an ulpan, a Chesed seniors’ center and other Jewish community activities. A second Sunday school, run by the Religious Society of Armenia, also holds a summer camp. Cultural activities are also conducted by the Armenia-Israel cultural group Menorah.

The Jewish Religious Community of Armenia, a Chabad-affiliated group established in 1992, operates both a Sunday school, called Torah Or, and a community center. The Yerevan synagogue holds Sabbath services and holiday celebrations, and houses a multi-lingual Jewish library. The group has published its newsletter, Koelet, since 1997.

The large majority the community is represented by Jews who came to Armenia after the collapse of the USSR, and is currently estimated at less than 1,000 people. The Jewish community is represented by the Jewish Community of Armenia (JCA) and the Jewish Religious Community of Armenia (JRCA), and at

times, the organizations' rivalry over funding has spiraled into heated opposition, and each group accuses the other of failing to observe fundamental teachings of the Torah. As a result, Jews in Armenia ally with either the JCA or JRCA. The division causes public confusion, and may be accelerating the shrinking of the Jewish community.

In 1999, the JCA planted 12 trees representing the 12 Tribes of Israel at the Armenian Genocide Memorial in Yerevan, and erected a commemorative Holocaust memorial stone. When the original stone was stolen, the Mayor's office arranged for an even larger replacement.

The Jewish community has strong contacts with the government. Attempts have been undertaken to retrieve Torah scrolls and other religious items from state collections.



Yerevan synagogue

Jewish conversions to Christianity in Armenia have increased in recent years due to high rates of intermarriage. In May 2005, the Magen League organized a two day seminar, "Missionaries Against Jews: How Do We Protect Ourselves?" The seminar was held in Yerevan and Vandzor, where the participants learned how to resist missionary activities aimed at converting Jews to Christianity.

Anti-Semitism:

Historically, Jews and Armenians have had good relations. Both are ancient peoples with rich cultural and religious traditions that have helped preserve their identities amid statelessness and modern persecution. However, along with other non-ethnic Armenians including Russians and Poles, Jews are widely considered 'guests' in Armenia.

While not virulent or frequent, anti-Semitism does exist in Armenia. In February 2002, an anti-Semitic book, *National System*, was published and distributed by author Romen Yepiskoposyan. It describes Jews and Turks as the biggest enemies of the Armenian nation and claims the Holocaust to be a fabrication. Jewish leadership met with the Armenian President, who stated the need to vigilantly counter rising anti-Semitism. Still, officials remain reluctant to comment on the book and the presence of discrimination in the country, even in the wake of further anti-Semitic publications and incidents.

The cooperative relations that Israel and the United States have with Turkey and with Azerbaijan also help foster Armenian anti-Semitism. Some Armenian nationalist circles believe that the Jews were responsible for the 1915 tragedy. Others insist that Jews have not been active enough in protesting the 1915 tragedy, even though prominent Jews, such as U.S. Ambassador Henry Morgenthau and Austrian novelist Franz Werfel, advocated for Armenians at the time. However, recently, there has been a widespread movement in Israel to ensure that the 1915 tragedy is declared a genocide.

On January 25, 2005, the General Prosecutor's Office in Armenia announced the arrest of the chairman of the small ultra-nationalist Union of Armenian Aryans, Armen Avetisian. Avetisian was charged with ethnic intolerance for anti-Semitic statements in an interview with the weekly IRVUNK, branding Jews as enemies of Armenia and calling for their expulsion from an ethnically purified Armenia. Avetisian was given a suspended three-year prison sentence by a Yerevan court, and spent two months in prison in pre-trial detention. His brand of Armenian Aryanism appears to be a fringe phenomenon. Also in 2005,

a Holocaust memorial in Yerevan was vandalized. Again in 2007, a Holocaust memorial was vandalized, this time with the carving of a swastika and the splashing of black paint into the monument.

The 2000 reburial with state honors of the ashes of General Dro Kanajan, an Armenian anti-Bolshevik leader who cooperated with the Nazis during World War II, and the creation of a youth leadership institute in his name have also marred the Israeli-Armenian relationship.

In 2010 the Jewish Holocaust side of the Joint Tragedies Memorial in Yerevan was vandalized. A swastika and the words "Death to the Jews" was painted on the memorial. The city administration removed the signs of vandalism by the next morning, and police launched an investigation. There have been no reports of anti-Semitic acts during the recent years.