

The Honorable
Vartan Oskanian
Minister of Foreign Affairs,
Armenia

Against the Odds: Nationbuilding in the Caucasus

I was here almost seven years ago, and I remember the topic of my talk was determinants of Armenian foreign policy. Today, before coming here, I went back to my notes to see how much my statements from then are still valid—how much those determinants have changed. Most of them have not. Our border with Turkey is still closed and the Nagorno-Karabakh conflict has not been resolved yet. The United States and Iran have not reconciled, and Georgia is still turning the corner.

I will come back to Turkey and Nagorno-Karabakh later on in my speech because those are important items and I know you are interested to hear about the situation. But before I do that, I want to talk a little bit about some domestic matters, which are relevant to our state building process, which is the topic of my speech today. As Armenia prepares to mark the 50th anniversary of its independence, I look at these occasions as opportunities to review and analyze the direction and depth of our nation-building process. It is very interesting to do this with an American audience, which has a totally different experience with the nation-building process. As such, you've never tried to answer the questions that we've been asking since our independence. The United States is one of the few nations in the world that was born democratic, and as such you have the privilege to be able to take for granted the system. You are blissfully less aware of the difficulties of becoming a democratic nation. The United States of America was built from the ground up. Democratic institutions were devised and formed and established as you went through. In our case we had to do away with an existing system and tried to build a new one from scratch. That has proven to be an extremely difficult task in these past 15 years. As we became independent there were many questions that we needed to answer. We raised many questions and there were many choices that we had to make in Armenia and the Caucasus. Georgia and Azerbaijan had to face similar questions. Principal among them were the choices that we needed to make as to what kind of a political and economic system we would have. That was followed by the choice of our orientation as to where we belong. Dependant on the answer were choices that would determine the nature of the progress and the evolution that these countries have gone through in the past 15 years and the nature of the states of today.

Let me quickly [discuss] the choices that Armenia has made during the early

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years of independence. First, democracy. One of the principal questions was what kind of a political system Armenia would have. It was obvious that we all assumed that as we left behind an old totalitarian and centralized system there was no other choice but to go to the opposite liberal and democratic system. That was the natural choice, the obvious choice, because we were at the end of the road. In other words, at the end of the 20th century, those were the only acceptable choices that were available—democracy and a liberal economy. That was the natural choice, that was an easy choice; but what followed was not easy. We've been trying for the past decade and a half to learn to adapt, to refashion our thinking, our objectives, our behavior, and it's been difficult. The path has been difficult and the challenge has been overwhelming. It's been so often one step ahead, two steps back. We're not there yet and we are not fully democratic yet. There are principles, there are traditions, there are perceptions, there are understandings that still need to be changed and altered so that we may make them more compatible at the speed and quality of the changes that are going in Europe and elsewhere.

How democratic is Armenia today? I often get asked this question and I don't know the answer. One thing I know is that a lot has been done and there's still a lot of work to be done. It is also true that the processes have become irreversible. It's difficult to turn the wheel of history. We've passed that critical point and we are moving in the right direction. I also know that it is time that we go on

with our democratic reforms—that we move into the second tier, that we move into the second generation of economic reform. That is critical for Armenia’s future. And what will happen as the Armenian people go to work on our constitutional referendum. That will very much

is a tool for development. The truth is the process of this transformation of our economies during the past decade has created some sense of powerlessness among the public. We need to empower them with strong democratic institutions. Democracy is more than elections—democracy is institutions that are transparent, that are predictable, that restrain the actions of the elite, thus providing a more even playing field for all. In other words, we need democratic institutions and good legislation to guard us against the deficiencies and shortcomings of human nature.

been producing 200,000 barrels of oil per day, the per capita income is equal to ours. Despite the fact that our neighbor, Georgia, has huge transit capacities, and has access to the sea, their per capita income is only two-thirds of Armenia’s. Armenia is way ahead in every single assessment of international organizations of different economic indicators. We are way ahead of our neighbors and way ahead of the former Soviet Union.

You may ask, “How?” Let me list four reasons for our economic development and advances. One, we moved very early, very fast and very deep into privatization. Armenia was the first to privatize agricultural land during the most difficult days—1991-92—and that tremendously helped the future development of our economy.

Second, our economy adapted itself to the economic blockades that we were subjected to since 1993. That adaptation process led to the diversification of the products in the Armenian economy, putting the emphasis on the kind of items that are easy to export and do not require serious transportation. That’s why the Information Technology element in our GDP has grown tremendously. It’s close to three percent of our GDP, which is close to the European average, while our neighbors’ GDP for information technology is only 0.1 percent. The diamond cutting industry has grown tremendously because it’s easy to transport and it comprises 30 percent of Armenia’s exports.

The third reason is the international [assistance] that we receive. This is only half of the story. The other half is that Armenia has used in the best possible way the aid that has been given to it. The World Bank ranked Armenia the second-best user of foreign aid in the past 15 years.

Fourth, health of our diaspora. The energy people, the Armenia Fund, the

Secondly, the economy. In this process of state building, how fast to move on our economic reforms was an easy decision for Armenia because we knew we were committed to the ideas, the notion, of economic liberalism. We also figured out that the less resources you have, the faster you need to move on economic reforms, and the faster you need to move on privatization. Just imagine if there’s a huge government enterprise, which is a burden on the budget that is not working efficiently, and the government has to subsidize by a million, or ten million dollars, every year. A good remedy is just to privatize it, and that’s what we did from the early days of our independence. Today, 85 percent of our gross domestic product is created by the private sector.

Our economic growth has been phenomenal in these past five years. Armenia has been experiencing double digit growth. It’s been phenomenal, it’s been difficult, but we’ve been able to maintain it. Our other macro-economic indicators are very strong, too. Despite the difficulties we’re in, the conditions, the blockades, we’ve been able to make much progress, and despite the fact that Azerbaijan in the past three years has

determine the future of Armenia. The developments that will follow because of the amendments to our constitution that our people will vote on, and I hope they will vote yes, would provide more genuine checks and balances in the system of our government. It will provide more independence to our judiciary, and will strengthen the provisions of human rights in our constitution.

Democracy, democratic processes, democratic institutions are not just ends. They are means to provide favorable political and economic environments to more equitable, broad and dignified development. In other words, democracy



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other Armenian institutions—they've been very generous helping Armenia to grow and develop, and that's tremendously helped Armenia's economic development.

Our challenge today is to be able to sustain what we have, not only to sustain but even raise the bar of our eco-

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omic development. I know we can do that, but we have serious challenges yet that we need to face. Poverty and high unemployment are two needs that must be addressed together. Only through high economic growth can we address these problems effectively. But to be able to do that we need to make further progress in all of those four areas. We need to continue with our privatization and with our economic reforms.

Just as in the case of democracy, where I said we need to go into the second generation of reforms, the same I will say for our economic reforms. We need to go into the second generation. We need to eliminate the monopolies, eliminate cronyism in our economy. We need to eliminate the deficiencies as a result of unfair taxation of different businesses. These are serious challenges that the government has to face up to. Also, we need to continue to diversify our economy, putting the emphasis on the kind of items that I mentioned—exportable, easy to transport. And we need to solicit international aid and enhance and make more effective and efficient use of that aid. And finally, we need to con-

tinue to solicit our diaspora, to become more active so that they increase the volume of their involvement. We need to provide the means, the maximism, and the confidence in the government and the system so that they will be freer and more forthcoming with their aid to Armenia because Armenia needs that. I know we can do it.

Thirdly, the orientation. When the Soviet Union collapsed pockets emerged as separate regions. Until then we were part of the Soviet Union. We knew we were a front line region for the confrontation between East and West. But since the collapse, this region has become an entity on its own. Everyone realizes that this region is so small that it cannot stand on its own. It has to belong to somewhere. Indeed, in this age of globalization and integration, the Caucasus cannot sustain itself when it's left alone. The answer as to where this region belongs is not easy, given the different influences that this region was subjected to from the Romans to the Greeks to Arabs to the Mongols to the Russians to the Persians and the rest.

It was not an easy choice. Some said we belonged to the Middle East, others said we belonged to Asia, but Armenia's choice was clear—we belonged to Europe; with our culture and historical ties, we had no other way to go. We need to take the integrational path into the European structure, and that has been a good decision. Since then we've made much headway in that direction.

Today, Armenia is a member of the Council of Europe. Armenia has a special arrangement with the European Union. We are part of the new neighborhood policy, and all this provides us with clear vision, a blueprint of our development, and opens up new doors for integration with those structures.

Now, let me go back to the other two topics that I mentioned—our relations

with Turkey and the Nagorno-Karabakh conflict. With Turkey, as I said, not much has changed, unfortunately. The border is still closed; there are no diplomatic ties. We think Turkey did not rise to the occasion when the Soviet Union collapsed. There was a vacuum in the Caucasus and everyone wanted to fill that vacuum and have some influence in the region. Because of Turkey's very narrow policies, because Turkey put its narrow ethnic interests ahead of its regional and strategic interests, they could not fill that vacuum, they did not rise to the occasion, and they could not extend their hands to Armenia to normalize relations, recognize each other, and establish diplomatic relations.

I believe Turkey has a second chance now as it vies for membership in the European Union and has begun the process of integration. I believe Turkey has an obligation, being a member of NATO and a candidate country for the European Union, to play the role of a bridge between the Caucasus and the European Union. We have no border with any other European country, a member of the EU or an aspiring candidate country except Turkey. We are a part of the neighborhood policy. Turkey is in the same neighborhood. Turkey is moving towards Europe, it has to pull Armenia and the rest of the Caucasus with it. It's the only bridge available and that's why we think the European Union must demand that Turkey live up to that obligation, live up to that responsibility and play the role of a bridge by opening the border with Armenia.

There are many excuses that we hear: the Nagorno-Karabakh conflict, the genocide recognition, and historical differences. We think these are excuses, not real reasons. Show me two neighboring countries in Europe that do not have similar problems. Show me two countries in Europe—France, Germany, Poland—any neighboring countries that have not had a similar difficult history, that have not

had territorial problems, that have not changed territory among themselves throughout their history. But none of them use closing the border as a tool to pressure the other side to change its policy, to denounce its history, to denounce its past. These are unacceptable methods.

We believe Turkey should change its policy and what we're demanding is a positive thing. We're not blaming Turkey for being adversarial; we're blaming Turkey for not extending its hand to the hand that we have extended since our independence. We have no preconditions for our normalization with Turkey. We have more reason to put conditions, but we are not because we live in that region together and we need to have normal good-neighborly ties.

There's another misperception: people think that Armenia is against EU membership of Turkey. First of all, we're not a member of the EU to be opposed or against. We can simply express our opinion. We think Turkey's ascension to the European Union is a good thing for Armenia if it's done appropriately, if it's done according to the strict criteria of the membership, if it does not become a political process. It will be beneficial to Armenia because a European Turkey will open the border with Armenia, a European Turkey will give more freedom to its citizens, scholars, the communities to speak up, to discuss the genocide more freely. There won't be prosecutions and people will not be put in jail for expressing their views on different topics.

If Turkey becomes a member of the European Union, the European Union borders will come to Armenia. Our properties, our churches, our schools will be better protected. There's no doubt that EU membership of Turkey is extremely beneficial to Armenia, but the big ques-

tion we really have is, will Turkey transform itself to a degree that will qualify for that kind of membership? Will Turkey eventually be like Germany, Belgium, France or England? That's the question we've been asking.

Is this going to be a political process? If the European Union cuts cor-

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ners for Turkey's admission into the European Union, then Armenia will suffer more. The worst thing will be if Turkey eventually becomes a European Union member and the border with Armenia is still closed. That will be the worst possible option for the Republic of Armenia.

Finally, Nagorno-Karabakh. This conflict started in 1988 during the collapse of the Soviet Union when the people of Nagorno-Karabakh opted for self-determination. Azerbaijan could not tolerate that; they refused the peaceful call for self-determination and negotiations and they chose the tactic of suppression for those peaceful calls. Those suppressions turned to military conflict leading to loss of territories from the Azeri side and the creation of many refugees from both sides. In 1994 we signed a cease-fire and began a negotiating process.

From the day we began the talks on the Nagorno-Karabakh conflict, the development in the world and the self-determination processes have fundamentally changed the thinking of the inter-

national community with regard to the issue of self-determination. We've seen before our eyes East Timor [become an] independent country through referendums. We've seen the agreement in the Sudan, again based on the notion of referendum to be held in the future in certain parts of that country. Today there are serious deliberations about Kosovo's future status using the instrument of referendum. Increasingly, among the political, legal and economic experts, the notion of the acceptability of self-determination under certain circumstances is gaining more credence.

Both circumstances are exactly the circumstances that describe the situation in Nagorno-Karabakh today.

One, Nagorno-Karabakh seceded from Azerbaijan according to the laws at that time. Two, the territory in question has never been part of Azerbaijan's history. Third, Azerbaijan used force to suppress its own population, thus losing the moral right to any custody over that territory and the public. And finally, the experience of Nagorno-Karabakh over the past 15 years has proven to the world that they are capable of running their small country, they are capable of conducting elections, and they are capable of conducting international relations with other countries.

This conflict has one solution and that is a peaceful solution; it does not have a military solution. It is a big misperception by Azerbaijan that if they do not get what they want they can provide a military solution to this conflict. If there was a military solution this conflict would have been resolved, because Armenia has won twice militarily. We won the war, but we need to win the peace, and that can only be done around the negotiating table.

Thank you.

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