

### Armenia: Difficult Choice ahead as Socio-Economic Risks Loom

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Veröffentlichungsversion / Published Version  
Zeitschriftenartikel / journal article

**Empfohlene Zitierung / Suggested Citation:**

Grigoryan, A. (2020). Armenia: Difficult Choice ahead as Socio-Economic Risks Loom. *Caucasus Analytical Digest*, 115, 7-11. <https://doi.org/10.3929/ethz-b-000415805>

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## Armenia: Difficult Choice ahead as Socio-Economic Risks Loom

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DOI: [10.3929/ethz-b-000415805](https://doi.org/10.3929/ethz-b-000415805)

### Abstract

This article examines how the government of Armenia dealt with the challenges resulting from the novel coronavirus pandemic. The article reviews the quarantine measures and related policy responses, the economic and social consequences of the current crisis, the situation with freedom of speech, and the significance of economic dependency on Russia.

### Current State amid the COVID-19 Pandemic

As of May 11, with 3,538 confirmed cases of COVID-19, Armenia has the largest number of cases in the South Caucasus: it has 1,193 cases and 15.9 deaths per million people, compared with Azerbaijan's 259 and 3.2, and Georgia's 172 and 3 (Prepare EaP4Health—Civil Society's COVID-19 Response, 2020). Armenian Health Minister Arsen Torosyan warned that because of the 'multitude' of infection sources the authorities increasingly have trouble tracing people who might have contacted infected persons, and may soon be unable to hospitalize most infected people (Azatutyun.am, 2020).

### Policy Responses

The initial lockdown was limited to closing all educational institutions for a week after the first case was confirmed on February 29. On March 16, when the number of active cases reached 45, the government declared a one-month state of emergency, banning gatherings of over 20 people (including religious ceremonies). On March 19, the Permanent Representation of Armenia to the Council of Europe (CoE) notified the CoE Secretary General about the measures, which might include temporary derogations from the obligations under the Convention for the Protection of Human Rights and

Fundamental Freedoms (Council of Europe, 2020). The National Assembly also adopted amendments to the administrative and criminal codes, so violations of quarantine orders may result in fines or even imprisonment for up to five years in case of neglect resulting in the death of another person.

From March 25, only medical institutions, infrastructure facilities, banks, pharmacies, supermarkets and smaller shops selling food, and food delivery services were allowed to work, while citizens were required to carry IDs and written statements justifying the need to visit one of these enterprises. Furthermore, since April 1 public transportation, including the underground in Yerevan, was suspended. However, when the government extended the state of emergency for another month, till May 14, it decided to allow farming, fishing, processing of tobacco products, production of cement and other construction materials, and open-air construction work from April 13, and to open shops selling household appliances and mostly export-oriented textile factories from April 20. Furthermore, by a decree of Deputy Prime Minister Tigran Avinyan, who is in charge of the state of emergency command, printing companies, repair shops, real estate agencies and some other businesses were allowed to resume working from April 23 (Government of Armenia, 2020). On April 28, Prime

Minister Nikol Pashinyan announced that most businesses would be allowed to resume working within the next 10 days, but would have to fulfil safety conditions established by the Ministry of Health (Azatutyun.am, 2020).

The tendency to ease the restrictions on economic activity suggests that the government has to balance its policies, taking into account both public health and economic and social risks. The assistance packages are hardly enough to cover the population's needs. In 2018, 23.5% of the population lived below the poverty line (Hergnyan, 2019), and a number of people having little savings might in a few months face difficulties buying basic needs. Those not having long-term job contracts, are not properly registered and/or working for a daily wage are particularly vulnerable. There are also fears that the current crisis will result in a number of businesses going bankrupt and a growth of unemployment and poverty, so job preservation becomes a priority. Minister of Economy Tigran Khachatryan warned about expectations of significant economic loss in 2020, albeit without mentioning concrete numbers. He particularly noted that the government's financial assistance packages could not be extended to shops, cafes or other businesses having problems with rent payments, and solutions should be found by tenants and landlords (Hergnyan, 2020b). So, many of the around 67,000 small and medium enterprises, producing about 25% of GDP, are particularly vulnerable. Moreover, the tourism and hospitality sector, which showed dynamic growth in recent years and was considered one of the priorities for economic development, may be damaged heavily. In 2018, the number of tourists reached 1.652 million (an 11% increase compared to 2017), and in 2019 1.9 million, 14.7% more than in 2018 (Avetisyan, 2020), and was expected to keep growing, particularly attracting more visitors from European countries, as Ryanair and Wizz Air entered the Armenian market and planned further expansion. However, during the first quarter of 2020, 150,000 fewer tourists visited Armenia than in the same period last year; in the second quarter, the situation is expected to get even worse because of the border closings and flight cancellations (Ghazaryan, 2020). Businesses may have to depend on domestic demand and offer lower prices, while laying off some of their employees. An extended lockdown would make recovery even less possible for a number of hotels, hostels, restaurants, transportation companies and related businesses, and have a stronger negative impact on the workforce.

Meanwhile, on March 20 Pashinyan announced that the government would allocate at least 150 billion Armenian Dram (AMD, about €288 million) for subsidizing loans and allowing businesses pay salaries to employees, as well as fulfil tax and other financial obli-

gations (Khulyan, 2020a). Several government decrees were issued in an attempt to alleviate the economic and social consequences of the lockdown. Seventeen assistance packages have included one-time payments to parents of small children, grants to single parents, grants to workers who lost their jobs in March as the lockdown was imposed, one-time support for covering gas and electricity bills, one-time payment of part of salaries for workers involved in tourism-related sectors, a contribution towards university students' tuition fees, as well as tax rebates and interest-free loans for farmers and most small- and medium-sized businesses, including the processing industry, transportation, tourism services, healthcare, private kindergartens, sports clubs and swimming pools, construction sector, high-tech, and entertainment and leisure companies (except for computer games and internet clubs). As of May 11, the government allocated 70.3 billion AMD (about €135 million) to fund the assistance packages (Pashinyan, 2020). The government also decided to additionally subsidize several hundred thousand households' gas, electricity and water bills (Khulyan, 2020b). Following popular demand, some banks provided so-called "loan holidays", i.e. postponed mortgage and other payments, for two months, and the others followed the suit. Still, because of the socio-economic situation, the pressure keeps growing, presenting policymakers with difficult choices.

### **Controversies Regarding Media Regulations and Mobile Data Tracking**

Already in February, the government's initial response to the coronavirus crisis became another target for non-governmental organizations and other structures associated with ex-president Robert Kocharyan and another ex-president Serzh Sargsyan's son-in-law, Mikayel Minasyan—Civic Consciousness NGO, Adekvad, AntiFake.am, numerous media outlets, etc. (Grigoryan, 2019). While they keep alleging that Pashinyan's government will soon make unilateral concessions on the Nagorno-Karabakh issue, speculating about "betrayal of national and family values", a "George Soros-led conspiracy" and other conspiracy narratives, as well as personally targeting Health Minister Arsen Torosyan for his policy approaches, particularly regarding vaccination, they also started accusations of mismanagement as soon as the first case of infection was discovered. Particularly, members of a "COVID-19 Fact-checking Group", involving a founding member of Adekvad, Ani Hovhannisyan, have been repeatedly appearing in friendly media, alleging that the government is covering up information, especially about the number of infection cases and deaths (Tert.am, 2020; TV5, 2020). The network's panic-mongering also involves rumours about imminent hunger, mass revolt, etc.

As the state of emergency was declared, the government seemingly overreacted to apparent efforts to spread panic, and a requirement to share coronavirus-related information only from official sources (both domestic and international) resulted in several controversial cases. Media outlets and social network users were required to remove a link to an Ekho Moskvya article suggesting that the Russian government was covering up the real situation and the scope of COVID-19 infection in Russia, and even Public Television of Armenia—the main media channel providing official information in the country—was forced to remove a report about the large number of COVID-19 deaths in Iran borrowed from CNN (Grigoryan, 2020). Altogether, 22 media outlets were required to edit or remove some content (Balasanyan, 2020).

Facing criticism, the government eased the regulations on March 25: information about measures taken by the government has to be republished without editing and be attributed to the official source; coronavirus-related materials should be accompanied by official clarifications or refutations upon request; at the same time, materials originating from foreign media can be republished, but the sources have to be mentioned in the headline of the Armenian version. The ongoing monitoring by the Eastern Partnership Civil Society Forum considers that freedom of expression and access to critical information are currently ensured (Prepare EaP4Health—Civil Society's COVID-19 Response, 2020). In fact, the regulations set on March 25, such as the requirement to publish official refutations upon request, are not even strictly applied, so rumours have been spreading virtually without limitation. The hastily adopted and ultimately ineffective temporary regulation was a poor substitute for the long-awaited, but not yet adopted law stipulating transparency of media ownership.

Another controversial issue arose on March 30, when the Ministry of Justice introduced a draft law requiring telecommunication companies to collect mobile phone users' data, including locations, numbers called, and time of calls and text messages. The government planned to use tracking to prevent the spread of infection by informing people who could probably be in close proximity with infected individuals.

On March 31, the National Assembly failed to adopt the law on its second reading: only 65 votes were cast in favour, while 67 were needed; a number of members of the majority My Step coalition (88 members) were absent, and some of them voted against the proposal. However, an extraordinary session was called on the same day; the same draft was reintroduced and eventually adopted, with 71 votes in favour. The opposition factions, which have increasingly been changing their attitude from accommodation to eagerness to capitalize

on the government's failures, did not participate in the extraordinary session. The Human Rights Defender's office and several civil society institutions criticized the law. Particularly, there were concerns that there were not enough guarantees that collected data would be appropriately stored and the National Security Service (NSS) would eventually erase the data (Arakelyan, 2020).

Eventually, on April 13, at a parliamentary session called in order to approve the government's proposal to extend the state of emergency for another month, Tigran Avinyan stated that the government would not use all the measures allowed by the law adopted on March 31, and only coronavirus-positive persons' movements would be tracked (News.am, 2020). Based on analysis of 3,029 persons' data, 7,000 persons were ordered to self-isolate (Sayadyan, 2020).

### Economic Consequences

Experts have made different forecasts about future economic prospects. The Central Bank of Armenia estimated that the GDP still might grow about 1% in 2020, while some economists are more pessimistic: former Deputy Prime Minister Vache Gabrielyan estimated that a decline limited to 2–3% could be considered a good result, while former Economic Minister Vahram Avanesyan considered an 11% decline possible. On April 14, the International Monetary Fund (IMF) published a forecast that in 2020 the global GDP would decline by 3%, and in Armenia by 1.5%, while in 2021 Armenia's GDP could grow by 4.8%. Fitch Ratings and the Asian Development Bank are slightly more optimistic in their forecasts published during the first week of April, expecting, respectively, 0.5% and 2.2% growth in 2020, and 5.5% and 4.5% in 2021 (Hergnyan, 2020c).

Armenia's budget for 2020 projected a 13 percent growth in revenues and 14 percent in expenditures compared to 2019, and it was planned to double spending on road construction and triple it on irrigation infrastructure, as well as to increase spending on healthcare (including introduction of mandatory health insurance), retirement benefits and education (Mejlumyan, 2019). The pandemic-related emergency spending combined with an inevitable reduction of budget revenues will require adjusting the budget, although the proportion of possible budget cuts in different spheres is not yet clear. On April 29, the parliament allowed borrowing 150 billion AMD (about \$312.5 million) with 101 votes in favour and 17 against (Sukiasyan, 2020), so the government is now seeking loans from the IMF and other prospective creditors.

Armenia's high dependence on remittances from labour migrants in Russia results in additional vulnerability. In 2019, individuals' bank transfers from abroad amounted to \$1.959 billion, a 9.7% increase compared

to 2018. Previously, an amount exceeding \$2 billion had only been received in 2013. In 2019, 45% of inbound money transfers came from Russia, and the second largest part, 14%, from the USA (Hergnyan, 2020a). It may be noted that in 2013 about 85% of remittances were received from Russia, and there was a significant decline in 2014–2015, as falling profits from oil export caused an economic decline in Russia. Although the proportion of remittances from Russia has become smaller, it remains significant, and currently, in addition to the COVID-19 related lockdown, collapsing oil prices could result in a deep recession in Russia, potentially resulting in unemployment for a number of labour migrants. As many of them used to work in the construction sector, the government has decided to attempt creating new jobs in Armenia with a programme of construction or renovation of over 100 medical and educational facilities in 2020–2021 (Primeminister.am, 2020).

Furthermore, Russia's economic recession and the depreciation of the Russian rouble almost inevitably also means lower consumer demand for Armenia's export goods. To compare, in late 2014 and 2015 exports to Russia declined, decreasing from \$334.13 million in 2013 to \$308.25 million in 2014, and then to \$244.89 million in 2015 (National Statistical Service, 2017, p. 473). However, the relatively successful recovery of the Russian economy, accompanied by Armenia's membership in the Eurasian Economic Union (EEU), resulted in a growth of exports to Russia: \$374.47 million in 2016, \$557.26 million in 2017, \$665.77 million in 2018 (National Statistical Service, 2020, p. 492), and \$718 million in 2019 (Safaryan, 2020); in 2019, export to Russia comprised 27.8% of total exports (Ghazaryan, 2020). Therefore, the economic decline in Russia may significantly damage the export-oriented sectors of the Armenian economy.

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#### **Outlook**

The number of new COVID-19 cases started growing again in May, probably due to the beginning of easing restrictions in April. While medical staff is currently supplied with sufficient protective gear and technical equipment, including lung ventilators, further growth of the number of cases might soon require hospitalizing only patients with more severe symptoms rather than all persons tested positive. This may be another reminder about the difficulty in balancing socio-economic and health risks. At the same time, the social structure increases the risks of contracting the disease. On the one side, in many low-income or less urbanized households adults often live together with their elderly parents even after already having their own children; on the other, there is a widespread lack of responsibility and discipline, so social distancing and some other requirements were not fully respected.

The financial assistance packages have been helpful for some socially vulnerable groups, and may help to sustain a certain number of jobs, but in any case unemployment growth seems inevitable. A new economic strategy has to consider several factors, which just a few months ago were unthinkable, including the likely long-term negative impact on exports, the tourism sector, remittances, etc.

At the same time, the debate about media regulations and mobile tracking was yet another reminder about the need to adhere to democratic standards, and also to keep pressing ahead with needed reforms in order to improve trust in the law enforcement agencies and governance in general.

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