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BORDER TENSIONS BETWEEN ARMENIA AND AZERBAIJAN:

Military and Political Implications

The escalation is completely different from an old-time logic of Armenia and Azerbaijan clashes that have been fighting over Karabakh for over 30 years.

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Contacts:
ngo-pic@ukr.net

Eastern Partnership: Regional Cooperation or Bilateral Tracks?

During the first year at the office, President of Ukraine Vladimir Zelenskyy hardly managed to set, or at least explain his team's foreign policy priorities. However, the Eastern Partnership did not go unnoticed on his agenda in multiple dimensions: as an instrument of cooperation with the European Union, as a region as a whole, and at the level of bilateral contacts with partner countries. Which of these tracks was more important and who did Ukraine manage to work with more efficiently while ignoring other capitals so far? The results of the first year of President Zelenskyy for the Eastern Partnership are analyzed by Hanna Shelest.

Meanwhile, in May, election campaigns launched in three countries of the region. In Belarus it started with the crackdown on the opposition, fines and arrests. In Moldova President Dodon started campaigning, in spite of all anti-epidemic measures. In the meantime, in Georgia it is still not clear which law will be applied to the parliamentary elections in October as the authorities and the opposition are still failing to find compromise.

Last month, Armenia was one of the first to lift quarantine restrictions and immediately faced a new wave of incidence of COVID-19. The prime minister and his entire family tested positively for coronavirus. In May, Azerbaijan faced a wave of arrests, with both the opposition and government officials behind bars. And Ukraine managed to get into two high-profile international scandals and new difficulties in relations with its partners, the United States and Georgia.

All these and other major developments of the month in the countries of the Eastern Partnership are analyzed in our traditional reviews.



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Border Tensions between Armenia and Azerbaijan: Military and Political Implications

Vladimir Kopchak, Southern Caucasian Branch of the Center for Army, Conversion and Disarmament Studies (Tbilisi, Georgia)

On July 12, 2020, the situation on one border between Armenia and Azerbaijan dramatically deteriorated and resulted in clashes. Such large-scale actions have not taken place since April 2016 (the events known as the “four-day war”). Active military actions were taking place until July 16. It is too early to talk about a complete stop since this escalation moved from the battle field to other “fronts”. The escalation is completely different from an old-time logic of Armenia and Azerbaijan clashes that have been fighting over Karabakh for over 30 years.



Photo credits: <http://www.mil.am/>

Crisis Hotbed and Nature of Build-up

The escalation took place at the state border in Tavush province (Armenia) and Tovuz district (Azerbaijan). This is a key moment – military actions did not take place on the con-

tact line in Karabakh zone (as, for instance, they did during the “four-day war” in April 2016) but 300 kilometers away. Moreover, when the escalation reached its peak in this part of the border, the situation was rather calm in Karabakh it-

self, which is an illustrative nuance.

Armenia and Azerbaijan have de-facto been at war over Karabakh for over 30 years. This is in fact a conflict of low intensity, which within this period has not been completely frozen even once and that has now reached a dead end in terms of plans to resolve it. Clashes, skirmishes, victims (both military and civil) on the line of separation (on the line of occupation with unrecognized “Republic of Nagorno Karabakh/NKR”) became, unfortunately, quite the norm. Another thing is a state border between Armenia and Azerbaijan, where clashes are not typical, although, they did happen, but less frequently and with a lower intensity. Baku and Yerevan do not exclude the possibility of Karabakh issue becoming a full-scale war that will become bigger than simply a regional clash. They do not exclude such a possibility and they are getting ready for such a scenario (at least on the military level) trying to improve their positions on different parts of the border. Therefore, the clashes have broken out from time to time, for example, in the direction of Nakhchivan, as well as on Tavush-Tovuz part of the border where the situation rapidly escalated this time. That is why the developments that took place on July 12, could and actually would happen sooner or later.

The most recent escalation in Tavush-Tovuz area, among other things, was notable for massive artillery attacks, using mortars, unmanned aircraft complexes of different classes (by Azerbaijan, first and foremost), the work of sabotage-reconnaissance groups etc. Both sides suffered heavy casualties. According to the official reports, there are over 20 deaths and dozens injured on both sides, with military forces of Azerbaijan losing in battle Major-General Polad Gashimov (the head of the Third corps) and Colonel Ilgar Mirzoeyv (artillery commander of the same corps). Borderline villages and local population suffered heavy losses, with casualties on both sides.

It is essential to understand that the state border between Armenia and Azerbaijan on this part of the border is de facto not delimited, there is a so-called grey zone. Because of the local terrain, the defense on both sides of the clash is formed based on strongholds and possessing “dominating” high grounds. After the escalation both Baku and Yerevan fell back on their tradition to blame each other for starting shellfire, violating state borders etc. As for border violation, each side cannot prove it de jure due to the above-mentioned specific features. There was no significant advance on any side. As for the grey zone, judging from everything, some sort of reconfiguration of tactic environment has happened, resulting into some benefits for Armenia. In particular, the confrontation (both factual and informational) had to do with one high ground Karadash (Garagaia). In fact, the Armenian side, at first implicitly and on different levels made it clear that it possesses this position, then the paradigm changed to matter-of-fact official statements,

Military actions did not take place on the contact line in Karabakh zone but 300 kilometers away

something like “there wasn’t any advance forward”. Azerbaijan, raising the battle stakes (in particular, actively using unmanned aerial vehicles of different classes), consistently denied the possession of this particular high ground by the opposite side.

In the light of the situation developing further, right now it is not crucial exactly who and on what scale started the fire first. Most probably, Azerbaijani border vehicle UAZ had used the same route many times before finding or coming to a new rivalling position. After this the situation got out of hand – by accident or as a result of a planned provocation or an extreme “response” coming from one of the sides. One thing, however, cannot be doubted – the above-mentioned high ground is located quite close to two other Azerbaijani strongholds known before. In addition, the high ground does have a crucial military and tactical importance as at the very least one can see Azerbaijani villages in Tovuz district from it.

(Not) Interested in Escalation

While continuing to examine the features of the most recent escalation, let us single out, the most crucial moment: neither official Baku nor official Yerevan (represented by the prime-minister Pashinyan’s team) were interested in the deterioration of the situation exactly at the given time and at the exact part of the border, with the reasons for this being very similar. It is illustrative that accusing the opponent of border provocations, both sides simultaneously, as if carbon-copied, said something along the lines of “Aliyev’s (Pashinyan’s) regime is attempting to divert the attention from a difficult situation due to the pandemic and domestic policy problems of the government”. However, these were exactly the reasons Baku (first and foremost) and Yerevan were not ready to engage in war “here and now”.

Both countries have, to say the least, a complicated situation regarding COVID-19 pandemic. Armenia’s cumulative number of cases per capita is one of the worst in the world. The data reported in Baku can be viewed from different angles, however, Azerbaijan has one of the strictest lockdown regimes in the world (the country closed its borders until September 1, 2020) and this fact speaks for itself.

At the same time today the authorities both in Baku and Yerevan have to resolve quite similar (however paradoxical this may sound) issues on purging and reformatting their elites, and therefore, improving their own, in fact, personal power vertical. Already last year Azerbaijan experienced the launch of “revolution from the top” started by Ilham Aliyev. Old actors leave, quite often with a scandal. The entire situation is not only about, as it may seem, trivially bringing forward younger team members after the resignation of Ramiz Mehdiyev, a long-time head of the presidential administration. Most probably it has to do with reformatting different influential elite groups according to one’s own power

vertical, with some of them resisting. Such reformatting, among other things, has already happened in foreign policy institution. There are reasons to believe that such changes are about to happen in security sector. Such processes are rarely painless, despite the old-time specific features of Aliyev's power. Elite purge may hurt the interests of different actors, including a powerful Russian lobby in various spheres and on different levels. The big question remains, however, where most revolutionary processes take place, in "post-revolutionary" Yerevan or in "centralized" Baku. Under such conditions a military campaign does not seem logical, especially on the state border with Armenia, that would give free rein to Collective Security Treaty Organization (meaning Russian Federation) in protecting Yerevan from foreign aggression. Baku simply could not ignore this.

Azerbaijan has become a victim of its own militant propaganda. During the last six months there has been a lot of information leaked regarding the issue of Karabakh conflict and that military resolution of the conflict has no alternative, including new narratives, most popular of which look like "we are one on one now with Armenia" and "Moscow is ready to get rid of Armenia". The most recent escalation demonstrated that such statements are far from being realistic, while state propaganda lived a life of its own. Disorganized actions of Azerbaijani military forces on the first day of the clashes signify that Baku was not going to engage in war and especially was not going to advance, especially in Tavush area outside of Karabakh. Moreover, against the backdrop of the funeral of lost general in Baku there was quite a large-scale civil unrest (against the backdrop of strict lockdown restrictions) – and such unrest is not a typical feature of Azerbaijan in times of economic stability. People generally demanded to immediately declare war on Armenia and start an operation on releasing Karabakh. It should be noted that there was a massive and what is also important, spontaneous impulse coming from people from the bottom. There were also agent provocateurs, breaking into the parliament at night, however, it was far from talking about any sort of a political centralized "opposing" action. The level of organization involvement of old (now with the elite purge initiated by Ilham Aliyev) elites in such protests is the topic for a different research. However, in any case, their protest initiatives, if they took place, found a prepared breeding ground. As for Baku authorities, they got into a trap of their own propaganda, since at this given moment they did not plan a military advancement.

As for Armenia, (post)revolutionary practicability prevails in Nikol Pashinyan's logic. The Armenian prime-minister is

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Neither official Baku nor official Yerevan were interested in the deterioration of the situation exactly at the given time and at the exact part of the border

parliamentary mono-majority (a real one, not an ephemeral one like Ukraine's "Servant of the People") in a democratic

way and confidently holding on to it, Nikol Pashinyan continues to systematically purge old political elites and their influence on the processes in the country. Recently a Constitutional Court has been "broken" with the help of the Parliament, with their top leaders believed to be the last stronghold of

the old "Karabakh" team of ex-presidents R.Kocharyan and S.Sargsyan.

Such processes could not escape from the interests of Kremlin. Robert Kocharyan, believed to be Putin's friend, is under investigation, with being released from a police station only recently and only under Moscow's pressure. His media pool systematically works to stir up Nikol Pashinyan's regime. As for Kremlin, its list of claims to official Yerevan has been quite long recently, without being only limited to "political persecution of opposition". It also includes Nikol Pashinyan not wanting to pay inflated prices for Russian gas (a logical wish for an ally in the context of the global trend on energy carriers), fighting corruption in "Gazprom-Armenia" that represents Russian business interests and so on. Moscow, voicing its concerns via its propaganda actors, is worrying about "too many Soros's men" in Yerevan and a possible "Armenia's turn to the West" – and such signals are quite alarming to Pashinyan.

Armenia's premier today is forced to fight for his "pro-Russian monopoly" in relations with Kremlin. His logic is the following – having power in Armenia and being "pro-Russian" is only his prerogative, everybody else should be only "pro-Armenian". Nikol Pashinyan is quite jealous when it comes to any kind of contacts with Kremlin behind his back. He views them as threats, and his concerns are not groundless. There is a recent impression that the position of the Armenian leader in Moscow is not as strong now (let us remind that Moscow did not stir up the situation during "the Velvet Revolution", however, it very well could). Another thing is that there are no other political figures on Armenia's political landscape that could become a real alternative to Nikol Pashinyan. The Armenian premier has quite a high level of people's support. He also has a consistent social base – urban liberal middle class, this is a very united and active core. Moreover, his lower ratings do not automatically add dividends to his opponents. His positions may be significantly shattered only in case of two interconnected scenarios – giving up the interests of "Ar-

menian sides” (territorial concessions) during a negotiating process around Karabakh or territorial losses as a result of a new escalation again on Karabakh front. This is something the Armenian society will not tolerate regardless of the figure holding the prime minister’s position at the moment. Nikol Pashinyan understands this very well. And this is precisely what Kremlin is into.

Beneficiary(ies)

The most recent escalation on the border between Armenia and Azerbaijan yet again was evidence to a well-known postulate – Kremlin is as of now the only judge and moderator of the Karabakh conflict.

As for the reactions of the international community regarding the escalation on the state border between Armenia and Azerbaijan, Kremlin’s position deserves attention as well as the position of Turkey. Everybody else has in fact limited their reactions to “deep concerns” and calling on the sides to “stop fire soon and resolve the conflict in a peaceful manner”.

Collective Security Treaty Organization (CSTO) yet again reported its grotesqueness as a military bloc. It is notable that Yerevan officially was not as much calling for help as it simply informed CSTO in a standby manner regarding the developments taking place in the escalation zone. However, “union bloc” at the level of Secretary General Stanislav Zas made it clear to Yerevan that all issues should be addressed to the “supervisor” represented by Kremlin. An emergency session of Security Council was formally initiated. However, it was soon rescheduled with an unknown date. The situation is quite demonstrative both for Yerevan and Baku – the allies may have any cover, yet, CSTO has always been and still remains only a screen and a platform for promoting the interests of Kremlin in South Caucasus region and beyond.

Moscow, without a doubt, since the very beginning of the escalation (and most probably even at the preparation stage) have been busy with its moderation, using its far-reaching channels of influencing Yerevan and Baku. Kremlin’s official calm statements in the style of “in nobody’s favor” shouldn’t fool anyone, they are first and foremost related to the above-mentioned pressure on Nikol Pashinyan’s administration. Russia has held at least two sessions of Security Council out of the public view related to the current clashes between Armenia and Azerbaijan, which cannot be taken into consideration without Kremlin’s current paradigm on resolving Karabakh issues.

Starting from this April Moscow has started to yet again actively promote its “modernized Lavrov’s plan”. OSCE Minsk group officially echoes Moscow’s initiative. Without going into details regarding the retrospective of “Lavrov’s plan” (or well-known “Madrid’s principles”) it is worth mentioning that in general it has for many years been simply unacceptable to Yerevan and Baku. This “step-by-step plan” of resolving the conflict initially suggests returning to Azerbaijan some occupied areas around Karabakh (those not included in the former NKAO). Yerevan stands against it, since in fact it has to do with a formula of “territories in return for

promises”. This isn’t about automatic international recognition of Karabakh status after returning the area, and all sides of the dialogue understand it. The interests of Moscow in this process are quite understandable. Returning some areas to Azerbaijan provides for new security guarantees on the new separation line. As for a peacekeeping mission, it is only Kremlin that can allow, implement and of course head such a mission, according to Moscow’s logic. Placing Russian “peacekeepers” on the new separation line will mean de facto creating a new Russian military base on the territory of Azerbaijan, with Kremlin’s appetites including the territories along the border with Iran on the areas potentially returned to Azerbaijan. It is obvious that such a setup has zero benefits both to Yerevan and Baku. Moreover, in order to implement such a scenario Moscow will need to create a new regulated escalation at the Karabakh front.

Ankara’s reaction to the escalation was consistently hardline and resolute. Turkey immediately made it clear that in any case it will support Azerbaijan and is ready to provide military assistance to Baku. It was a clear signal aimed not only at Armenia but also at Russia. Such Ankara’s tonality is not surprising taking into account that this escalation took place in the Tovuz district of Azerbaijan. It is here that a small isthmus serves as an area with vital for Baku and Ankara parts for regional transport and energy infrastructures, including South Caucasus Pipeline, Baku-Tbilisi-Ceyhan pipelines, Baku-Tbilisi-Kars railway and Tbilisi-Baku highway. As for the timing of the escalation, it took place a couple of months prior to the date when Azerbaijani gas is supposed to reach Turkey and Europe using gas lines TAP and TANAP. Some experts in Azerbaijan believe that escalation in this particular part of the border is Moscow’s clear signal to Baku and Ankara, a signal sent using Armenian military forces. However, it is more than that. The thing is that it has to do with potential consumers of oil and gas, which are directly informed that even this route “just in case” is also controlled by Russia, while Baku and Yerevan are not subjects of foreign policy.

It is also not crucial in this situation if this escalation took place by accident or had been planned before. Could Armenian military forces at a certain stage act beyond the premier’s power vertical of Nikol Pashinyan? This issue remains open, however, in general the possibility of such development is not non-existent.

The most recent Armenia-Azerbaijan escalation led to the “war of diasporas” all over the world, moreover, the scale of this so-called war has been far from typical if over thirty years of history of the Karabakh conflict are taken into account.

Considering all the factors, a relatively calm situation on the front is temporary. Both sides of the conflict have distanced from each other even more against the backdrop of a dead-end situation regarding the ways of resolving the conflict. The most recent conflict episode yet again demonstrated the worthlessness of Minsk negotiating platform (MG OSCE). Moscow will carry on with its policy of controlling tensions in the conflict between Armenia and Azerbaijan, trying to keep both Yerevan and Baku in its orbit of interests. This will remain

Armenia: COVID-19 Eases, but Armenia is Badly Shaken

Richard Giragosian, Regional Studies Center (Yerevan, Armenia)

With rare good news in the challenge to manage the public health crisis created by the coronavirus (COVID-19) pandemic, the Armenian government moved forward with plans to further reopen the economy and is likely to not extend the state of emergency as statistics revealed a consistent decline in daily cases of infection. The country was shaken by an unusual direct attack by Azerbaijani forces, however, which quickly escalated before abating on the fifth day of fighting, leaving some 17 dead on both sides.



Photo credits: www.panorama.am

DOMESTIC POLICY

COVID-19 Crisis Improves

After months of mounting concern, national statistics revealed a marked improvement in the handling of the COVID-19 public health crisis in Armenia. Prime Minister

Nikol Pashinyan noted on July 30 that the country will be able to overcome the coronavirus crisis by September, stressing the “substantial” drop in daily infections, with less than 9,000 active cases for the first time since mid-June. The Ministry of Health reported a steady de-

crease in the daily average of 550-600 cases in July, which declined to about 400 daily cases by the end of July. According to Deputy Prime Minister Tigran Avinyan, the government hopes to reduce the daily number of new cases to roughly 140 by the beginning of September, thereby allowing the reopening of schools that were shut down in March.

On July 29, Ministry of Health spokeswoman Alina Nikoghosyan attributed the improvement to the enforcement of social distancing, the mandatory wearing of face masks in public, and other government-imposed restrictions. For his part, Health Minister Arsen Torosyan also noted that earlier concerns over an overwhelmed health care system have eased, as around twenty percent of intensive-care hospital beds remain available.

ECONOMIC

Tax Collection Declines

As an important indicator of the downturn severity for the Armenian economy, the State Revenue Committee (SRC) announced on July 20 that tax collection has declined by 4.6% in the first half of the year, attesting to the impact of the coronavirus-driven recession. In the tax reporting for the country's 20 largest businesses, a domestic tobacco company remained the largest corporate taxpayer, paying \$54 million in various taxes from January-June. The national gas distribution company owned by Russia's Gazprom giant was the second largest, followed by the large Zangezur Copper-Molybdenum Combine (ZCMC) mining company. In addition, the 1,000 largest corporate taxpayers, accounting for more than 72% of all tax revenue, contributed just over \$1 billion in combined tax revenue.

Prime Minister Nikol Pashinyan noted on July 30 that the country will be able to overcome the coronavirus crisis by September

FOREIGN POLICY

Border Clashes Erupt After Azerbaijani Attack on Armenia

The clashes on the Armenia-Azerbaijan border tensioned on July 12. In a series of three failed attempts to seize a strategic hilltop on the Armenian side of the border, the skirmishes quickly escalated until abating on July 16, with at least 12 Azerbaijani soldiers, including a general and several officers, and five Armenian soldiers killed in the fighting.

Another dozen or so of Azerbaijani military unmanned aerial vehicles (UAVs) were also downed or destroyed by

Opposition Party Loses Parliamentary Seat

In part reflecting the pressure of looming criminal charges against oligarch Gagik Tsarukyan and his Prosperous Armenia party, one of his parliamentarians resigned on July 23. The departure of deputy Sergey Bagratyan is a blow to the party, which as the second largest parliamentary bloc has become embattled since its outspoken shift in opposition to the Pashinyan government in early June. Bagratyan has become embroiled in his own corruption investigation and may face charges related to alleged financial impropriety during his tenure as governor of the Vayots Dzor region from 2010-2012. Although Bagratyan has vowed to remain as an independent deputy, the departure leaves the opposition party with 24 seats in the 132-seat parliament.

Western Funding Approved for Solar Energy

In an announcement on July 15, the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) approved \$17.7 million each in financing a solar energy project supported by the World Bank. With another 3 million euros (\$3.4 million) from an EU "investment grant," the Spanish renewable energy company Fotowatio Renewable Ventures (FRV) will build Armenia's first large solar power plant. The company contracted with the Armenian Energy Ministry back in July 2018, after winning an international tender for the construction of the planned 55-megawatt facility near Lake Sevan.

Once completed, the new plant will ease Armenian energy dependence, which currently relies on imported fossil fuel for roughly 70% of its electricity production. As part of this renewable energy project, the Armenian government approved a \$9 million contract earlier this month with the Russian Kaskad-Energy company to reconstruct and modernize an electricity substation located nearby that will handle electricity transmission from the solar plant.

the defenders. The fighting broke out some 300 kilometers from the so-called "line of contact" between Karabakh and Azerbaijan. Throughout the clashes, the Karabakh frontline remains peaceful and calm despite occasional ceasefire violations there consisting of sporadic sniper fire.

Armenian Defense Minister Visits Nagorno Karabakh

On a two-day visit to Nagorno Karabakh (Artsakh) from July 30-31, Armenian Defense Minister Davit Tonoyan met

with senior officials and the Karabakh Army commander, Major-General Jalal Harutiunyan, and inspected military positions. The visit is seen as a demonstration of Armenia's commitment to defending Karabakh in the face of renewed military threats by Azerbaijani President Ilham Aliyev that Armenian forces "must leave our lands before it's too late." Several frontline units of the Armenian armed forces were also put on heightened alert on July 31 after the start of a large military exercise between Azerbaijan and Turkey on July 29 that included artillery, armored units, infantry and combat aircraft. According to the Armenian Army's Chief of Staff, Lieutenant-General Onik Gasparyan, the alert coincided with a test of readiness and an inspection of ballistic missile sites and long-range artillery systems.

New Tension in Armenian-Russian Relations

Armenian relations with Russia suffered fresh tension after Russian law enforcement officials announced on July 30 that another Armenian fugitive will not be extradited to Armenia despite an outstanding arrest warrant issued in May. The announcement effectively shields Armenian oligarch Ruben Hayrapetyan from prosecution after he fled to Russia in March to escape criminal charges. The fugitive, who holds dual Armenian and Russian citizenship, was a close associate of the former Armenian President Serzh Sargsyan and was well-known in Armenia for acts of violence, corruption and criminal activities. Hayrapetyan, who was also once the head of the Football Federation of Armenia (FFA), joins the stream of other former senior Armenian officials currently hiding in Russia to evade criminal prosecution in Armenia.

Bilateral relations have also been under greater strain in recent months, exacerbated by Russian pressure on Armenian leaders and difficult gas price negotiations. . The most

notable example came on July 28, when Prime Minister Pashinyan forcefully rejected allegations reported in Russian state-run media accusing him of undermining relations and supporting Western-funded groups hostile to Moscow. On July 21 Margarita Simonyan, the ethnic Armenian editor of the "Russia Today" television network and other Kremlin-funded media outlets, accused Pashinian of turning Armenia into a "bridgehead of anti-Russian forces in the Caucasus" and of having "inundated" Armenia with NGOs that are "training young people how to overthrow the government in Russia." In a social media post, Simonyan also heatedly denounced Armenia's failure to formally recognize Russia's annexation of Crimea and defended former Armenian President Robert Kocharian, who she termed "Russia's perennial ally," against ongoing criminal charges.

Armenia Calls on Israel to Halt Weapons Deals with Azerbaijan

Armenian Foreign Minister Zohrab Mnatsakanian called on Israel to stop supplying weapons to Azerbaijan. In a more detailed statement published on July 29 in an interview with "The Jerusalem Post" newspaper, the Armenian foreign minister warned that the "arms trade with Azerbaijan is fatal because Azerbaijan never hesitates to use those weapons against civilian infrastructure and the civilian population," adding that "Israel should stop this deadly business with Azerbaijan." For much of the last decade, Israel has sold billions of dollars worth of advanced military hardware to Azerbaijan, with much of these advanced weapons, including anti-tank rockets and attack drones, in the several days of fighting over Karabakh in April 2016. More recently, Azerbaijani forces also deployed Israeli-manufactured drones against Armenian military and civilian targets during the recent deadly fighting on the Armenian-Azerbaijani border in mid-July.

Azerbaijan: Authorities' War on Two Fronts

Turan News Agency (Baku, Azerbaijan)

In July domestic and foreign policies in Azerbaijan were all about the military actions that took place on the state border with Armenia.



Protest in Baku on July 14 in support of the army.
Photo credits: krymr.com

DOMESTIC POLICY

Protests as a Reason to Crack down on the Opposition

July 12 was marked with clashes that broke out on the border of Armenia and Azerbaijan. Each side blamed the other for the hostilities outbreak. The parties mainly used artillery and mortars. As a result of the battles, Azerbaijan announced 12 soldiers, including a major general, and one civilian dead. The Ministry of Defense of Azerbaijan reported that Armenia lost about a hundred of its military servants but hid the losses. Armenia

40 members of the Popular Front Party were arrested and criminal cases were launched against 18 members.

officially announced seven people dead.

Against the background of hostilities, in the evening of July 14, tens of thousands of Azerbaijani citizens went on a street march to support the army, despite the strict quarantine regime. The protesters gathered in the main square of Baku, Azadliq, and marched to the Alley of Martyrs, a burial place for the victims of the January 1990 tragedy and the Karabakh war. Then the protesters gathered in front of the parliament building, and a group of them broke inside. They were pushed out of the building by the police who reacted rapidly.

On July 15, at a Cabinet of Ministers meeting on the socio-economic results of the second quarter of 2020, the main part of President Ilham Aliyev's speech was about the street march. He accused the opposition Azerbaijani Popular Front Party (APFP) of trying to destabilize the situation in the country. In his opinion, the opposition took advantage of the hostilities at the border. He asked law enforcement agencies to thoroughly examine the persons who entered the parliament building. "If they are guilty, then we must finish this fifth column off. Law enforcement agencies should also thoroughly examine the social networks and analyze the posts which the APFP members wrote during these days," he said.

Law enforcement agencies took the president's speech as an order for action and started large-scale arrests of the Popular Front Party members. According to the party, about 40 of its members were arrested. The party reported that after being detained, they were tortured and asked to

confess that the party's chairman, Ali Karimli, was planning a coup. According to the APFP, criminal cases were launched against 18 party members. A criminal case under the article of an attempted coup was also launched against Fuad Gahramanli and Mammad Ibrahim, both the members of the party praesidium.

The party chairman Ali Karimli, who declared his solidarity with the state and the army when the hostilities broke out on the border with Armenia, appealed to the authorities on the arrests of his party members. He offered to take him under arrest in exchange for his party members' freedom. Besides, Ali Karimli said that he is ready to resign at the next party congress, in the fall of 2020, and never get back to politics if the authorities stop prosecuting the members of his party. The authorities showed no reaction to his statement.

ECONOMY

The Negative Impact of COVID-19 on the Economy is Ongoing

According to the State Statistics Committee, the coronavirus pandemic still negatively impacts the country's economy. Thus, according to the results of the first half of the year, announced in July, Azerbaijan's GDP decreased by 2.7%. And GDP per capita fell 3.4% in the annual quantities. In the reporting period, the country faced 3% inflation. In the first half of the year, non-oil exports decreased by 6.9%, amounting to \$911.9 million. Industrial production for the same period decreased by 1.5%. Housing prices in the country fell by 0.1%.

A 22% drop in road freight transportation is also associated with the coronavirus pandemic. Against this background, rail freight transportation, including cargo transit from the Asian region, increased by 3.1%. In the first half of 2020, the seaports of Azerbaijan increased the transshipment of goods by 12.5% - up to 4 million 498.6 thousand tons.

In July the government had to get serious about water problems. The ongoing drought led to severe water shortages in some areas along the Kura River. River shallowing and sea level rising led to the sea and river water confluence. As a result, the river water became significantly salty and not suitable for both drinking and technical purposes.

On July 23 President Ilham Aliyev chaired a meeting on the water management issues. At the meeting, it became clear that the country's water balance had no correction for decades, and on the main reservoirs there were no devices to measure outgoing water. Loss of water before entering the citizens' apartments reaches 50%. A similar situation is with the irrigation water, which is mainly brought to the cultivated area not by concrete, but by soil canals.

According to the forecast, in 2020 the country's water resources are to be 2.8 billion cubic meters less than the previous year - 34.1 billion cubic meters. At the beginning of the year, it was reported about 10.6 billion cubic meters of water in the reservoirs' balance, and during the year, the country's water reserves are to reach 23.5 billion cubic meters. As forecasted, 70% of the surface water resources, formed in the country, this year will come from the neighbouring countries, and about half of the volume will come from the Kura River. On July 27 Ilham Aliyev approved the "Action Plan to ensure efficient use of water resources for 2020-2022". According to the decree, the Cabinet of Ministers was instructed to approve the water sector balance annually and adopt the rules for the water usage within two months. To collect mountain rivers water, 10 reservoirs will be built and 22 land-improvement canals will be repaired.

FOREIGN POLICY

The Military Shot, but the Diplomat Lost His Post

In July all the activities within the Azerbaijani foreign policy were connected with the military operations on the state border with Armenia. The Azerbaijani diplomats actively contacted their counterparts in Russia, the diplomats of other OSCE Minsk Group co-chairs (France and

the United States), and international organizations representatives as well.

On July 15 at a meeting of the Cabinet of Ministers, President Ilham Aliyev harshly criticized the Azerbaijani Ministry of Foreign Affairs and the Foreign Minister Elmar Mammadyarov, in particular. The President called the Azerbaijani diplomats "toothless" and said that, in most cases, during the negotiations with their colleagues, they

do not pay attention to the main problem of Azerbaijan, which is the Karabakh conflict.

On July 16, by the head of the state's order, the Ministry of Foreign Affairs head Elmar Mammadyarov was released of the post which he took in 2004. The Minister of Education Jeyhun Bayramov was appointed to this post instead. At a video meeting with the new minister, Ilham Aliyev asked him to make some urgent improvements in the situation in the ministry and disclosed his awareness on the betrayals of

40 members of the Popular Front Party were arrested and criminal cases were launched against 18 members.

some diplomats, who cooperated with other countries. Ilham Aliyev also asked the new minister to speed up and finalize the negotiation process with the European Union on a new treaty. He noted that the Azerbaijani side can compromise on some issues that are not settled yet. Besides, the head of the state ordered the new minister to pay special attention to the relationship of Azerbaijan with the United States and Great Britain.

Belarus: Pre-Election Repressions and Economic Voluntarism

Vadim MOZHEIKO, Belarusian Institute for Strategic Studies (BISS) (Minsk, Belarus)

The public uprising was met with unprecedented repressions. The EU sanctions and economic problems caused by voluntaristic decisions of authorities are on the horizon.



Arrests in Minsk

Photo credits: Deutsche Welle

DOMESTIC POLICY

Unprecedented Levels of Violence and Solidarity

On July 14, the Central Election Commission registered 5 candidates for presidency: Svetlana Tikhanovskaya, Sergei Cherechnya, Andrey Dmitriev, Anna Kanopatskaya, and Alexander Lukashenko. There are only 25 days left for campaigning.

Viktor Babariko and Valeriy Tsepkalo were not registered, which caused spontaneous protests: in Minsk and throughout Belarus, thousands of people came out to the streets, the demonstration lasted until the late evening

despite massive arrests (of about 250 people, including the press) and beatings of the protesters. Some clashes between the protesters and police occurred.

The unregistered candidates' headquarters united around Svetlana Tikhanovskaya, which caused great enthusiasm in the society. The pickets of their supporters gathered thousands of people all over the country. Valery Tsepkalo left Belarus with his children, and the Tikhanovsky children left Belarus with their grandmother.

Human rights activists recognized 25 people as political prisoners, and noted an unprecedented level of [violence](#) during the election campaign, as well as all-time high

[discriminatory](#) conditions for participation. Since the announcement of the election campaign, the total number of arbitrary detentions exceeded 1,200. More than [\\$165](#)

[thousand](#) were collected to support the victims of the repressions.

ECONOMY

Voluntarism and Pressure on Banks

With the elections approaching, the authorities focused their efforts on the short-term purchase of loyalty of the state-owned companies' and public sector employees. Thus, Prime Minister Roman Golovchenko promises his [support](#) to the large enterprises, and Alexander Lukashenko promises large-scale [investments](#) and the return to the planned economy. Salaries in budgetary organizations [rose](#) to 84% of the national average, which is 7.2% more than a month earlier. The authorities are trying to command private business as well while the president [de-manded](#) that the private enterprises pay salaries at a level no less than the "top 10 enterprises".

The government and the National Bank [appointed](#) the state representatives to the commercial banks in which the state has a stake. The National Bank recommended that commercial banks [reduce](#) "unreasonably high" interest rates on loans. At the same time, since the beginning of the year, the debt of organizations on credits and loans [grew](#) by more than 13.2% while the procedure for collecting money from the commercial banks' debtors becomes more complicated.

Such economic voluntarism could pose a threat to Belarus of increased inflation and a new devaluation of the national currency after the elections.

FOREIGN POLICY

EU Sanctions are on the Horizon

On July 17, a group of 53 MEPs appealed to the EU High Representative for Foreign and Security Policy Josep Borrell and the European Commissioner for Neighborhood and EU Enlargement Oliver Verhoyen with a request to consider the possibility of imposing sanctions against those guilty of violating rights and freedoms in Belarus. The head of the EU Delegation in Minsk Dirk Schuebel also highlighted the EU's expectations from the upcoming elections and hinted at the possibility of re-imposing sanctions.

In response, the Ministry of Foreign Affairs of Belarus [stated](#) that "people will make their own choice without any prompts from the "well-wishers" from the outside. Neither the European Union nor any outside party will determine

the electoral process in our country".

On July 17, the heads of the EAEU countries' governments met in Minsk for the first time after the pandemic outbreak. Trade barriers elimination in the EAEU internal market became one of the most important topics of this meeting. The Prime Minister of Armenia Nikol Pashinyan described this meeting as productive, saying that the parties agreed on the main approaches and made some progress in removing the barriers.

A few days later, the Russian Prime Minister Mikhail Mishustin [stated](#) that he "holds a strong belief" in the potential of the Union Treaty with Belarus but they can discuss energy prices after the roadmaps approval (the 31st of which presupposes political integration unacceptable for Belarus, which became a sticking point back in December, 2019).

Thousands of people came out to the streets in Minsk and throughout Belarus, despite massive arrests and beatings of the protesters

Georgia: First Parliamentary Candidates are Registered

Lasha Tugushi, Liberal Academy Tbilisi (Georgia)

Georgia is entering an active phase of the parliamentary election campaign. While the ruling party has already presented some of the candidates, the opposition failed to unite.



Congress of Deputies of the “Georgian Dream”

Photo credits: <https://www.ekhokavkaza.com/>

DOMESTIC POLICY

The Pre-election Race Has Started

Although the pre-election period in Georgia officially starts on August 31, the parties have already poured gasoline into the engine of the “electoral machine” and are moving at high speed through the political labyrinths.

The ruling political actor “Georgian Dream” became the first party to present a list of 30 majoritarian candidates. However, only one out of those 30 candidates is a woman. The ruling party promised to correct the gender balance in the proportional list.

As for 150 members of the Georgian parliament, only 30 will be elected by the majority system, while the remaining 120 will be elected by proportional lists.

On the opposition front, the situation is more complicated. Despite the “optimistic” forecasts, the opposition failed to unite. The only thing that the majority of the opposition parties managed to agree on is a list of common candidates in 6 out of 8 constituencies in Tbilisi, while consultations on the other two are still ongoing. However, it seems that, as with the other 22 majoritarian

mandates and proportional electoral lists of 120 people, the general opposition unity should not be expected. In other words, the “all against one” slogan announced by many representatives of the opposition including Mikhail Saakashvili, did not come into reality. Nevertheless, the overwhelming majority of the opposition is still trying to reach an agreement and to some extent coordinate their activities in the regions.

The step expected by the opposition from the Georgian

The ruling political actor “Georgian Dream” became the first party which presented a list of 30 majoritarian members to the public.

President Salome Zurbishvili to de-radicalize the elections was never made. She refused to grant amnesty to Giorgi Rurua, one of the founders of an oppositional TV channel. It should be noted that a few hours before the adoption

of this decision, Salome Zurbishvili had a meeting with the Prime Minister Giorgi Gakharia.

A hot August is coming, which can paradoxically cool the society yearning for rest, and drown the electoral battles in routine party work.

ECONOMY

Domestic Tourism is not a Save for the Economy

According to a study by the Policy and Management Consulting Group (PMCG), in the third quarter of 2020, the domestic tourism maximum potential for replacing international tourism by income is only 33%. Upon the government decision, the market opened for domestic tourism on June 15. The study says that “due to the significant share of foreign visitors in Georgia’s tourism sector, domestic tourism is unlikely to offset the revenues expected from tourism in general.”

As for the external tourism, according to the decision of the Interdepartmental Coordinating Council dated July 8, Georgia unconditionally opened the borders for 5 EU member states (Germany, France, Latvia, Lithuania, and Estonia). This was preceded by a similar decision by the

mentioned countries. Citizens of these five countries can come to Georgia with any kind of visit.

Despite the decision to open the borders, the exact date of the regular flights’ resumption is unknown. Negotiations with airlines on resuming flights with the listed countries are underway. At this stage, an agreement was reached only with Lufthansa, which starts with 2 flights a week from Munich in August.

Georgia is optimistic about the readiness of the tourism infrastructure. At the same time, due to low rates of COVID-19 spread, the country is cautiously optimistic about the prospect of external tourism opening.

According to Tengiz Tsertsvadze, the head of Infectious Diseases, AIDS and Clinical Immunology Research Center, a sharp increase in coronavirus cases after the opening of the borders is not expected in Georgia. Tsertsvadze announced this to reporters on July 28.

FOREIGN POLICY

Criticism from the USA

Six American congressmen sent an appeal to the US Secretary of State Mike Pompeo, which says that the current government of Georgia, under the leadership of the “Georgian Dream”, manipulated by the Russian oligarch Bidzina Ivanishvili, is trying to expel American businessmen from the country, and “this is done to increase investments from Russia, China, and Iran.” There are two cases involving American business that became a problem in Georgia. One of them is connected with energy resources, and the other - with a Black Sea port.

Senator Jim Risch, chairman of the Senate Foreign Relations Committee, responded to the situation in Georgia

and asked the Georgian president to grant an amnesty to Giorgi Rurua, one of the shareholders of the opposition TV channel Mtavari.

Such critical letters and appeals from Washington became frequent, which makes the ruling Georgian political actor nervous and wondering if the direction of the wind blowing from the West has changed.

In response to these messages, the Georgian Prime Minister stated that nothing threatens the strategic partnership between the United States and Georgia, just as nothing threatens the interests of American business in Georgia. Regarding criticism from the congressmen, Gakharia said that the political spectrum in the US is diverse, and “some congressmen praise Georgia, while others criticize it.”

Moldova: Economy Remains Fragile and Domestic Stability Volatile

Victor Chirila, Foreign Policy Association of Moldova (Chisinau, Moldova)

As Moldovan struggle to overcome pandemic continues both in healthcare and economy, political situation heats up in the face of upcoming elections.



Photo: Member of parliament Ștefan Gațcan nearly destroyed parliamentary majority

DOMESTIC POLICY

Ongoing Struggle with Pandemic

According to Nicolae Furtuna, Director of the National Agency for Public Health (ANSP), Moldova has not yet overcome the first wave of the Covid-19 pandemic. The numbers of daily coronavirus infections are worrying, and the situation remains grave. In the view of the Chief of the National Agency for Public Health, the reasons for worsening situation are the violation of the epidemiologic rules and the hasty reopening of the economy. Therefore, the

Moldovan Government has decided to extend the state of public health emergency until August 31. The self-isolation for those coming from abroad will also remain mandatory at least until August 7. According to the latest travel alert published by the Moldovan Ministry of Foreign Affairs, several European countries restricted the access of travelers from the Republic of Moldova, which is considered a country at risk. In the meantime, Moldovan authorities have decided to take a €70 million loan from the Council

of Europe Development Bank to cover the costs of fighting the COVID-19 pandemic. The loan was approved by the government on July 20th. In their turn, the EU and World Health Organization (WHO) have donated medical equipment worth €2,8 million to Moldovan authorities to help them in combating the spread of Covid-19.

The Covid-19 pandemic has not tempered the political battles between the opposition and the governmental parties as presidential elections set for November 1 are approaching. At the beginning of this month, the Socialist Party, controlled by the current Moldovan President Igor Dodon, and the Democratic Party led by former prime minister Pavel Filip, were on the brink of losing their parliamentary majority. MP Stefan Gascan

announced his decision to leave the legislative group of the Socialist Party and join the newly created Pro-Moldova legislative group led by former Speaker Andrian Candu and composed of ex-members of the Democratic Party that are loyal to fugitive oligarch Vlad Plahotniuc. Gascan's decision triggered a violent response from the Socialist Party that used state institutions, such as the State Guard and Protection Service (SPPS) controlled by President Igor Dodon, to coerce Gascan into reviewing his decision. Supposedly Gascan was abducted in the Parliament premises, maltreated, and then taken out of the country to Romania, where according to him, he underwent a "psycho-emotional rehabilitation". After a couple of days of rehabilitation in Romania, Stefan Gascan canceled his decision and was brought back to Chisinau under protection of the State Guard and Protection Service (SPPS).

In this mobster way, the Socialist Party managed to ensure necessary quorum and majority in the Parliament for approving the governmental assumption of respon-

There is a growing anxiety among the opposition parties and the civil society that the free and fair character of the upcoming presidential elections could be compromised by the current governmental coalition

sibility necessary for rectifying the budget. Changes included social and financial measures with a potential electoral impact, such as a €35 pension supplement for 660 000 pensioners. Moreover, the governmental majority succeeded in withstanding the motion of no confidence brought up by the Dignity and Truth Platform Party with

the aim of dismissing the current government controlled by the pro-Russian President Igor Dodon and replacing it with a new pro-European government composed mainly of technocrats. The motion of no confidence was also supported by MPs of the Party of Action and Solidarity led by ex-Prim-minister Maia Sandu and the Pro-Moldova Party led by Andrian Candu, yet with only 48 votes pro out of 101.

There is a growing anxiety among the opposition parties and the civil society that the free and fair character of the upcoming presidential elections could be compromised by the current governmental coalition. On July 9, the Parliament adopted in first reading a series of changes to the electoral code at the proposal of the Socialist Party. According to those proposals, it would be allowed to use the state institutions' images in the election campaign; the voting day would be reduced by two hours; the electoral agitation that incites to hate and discrimination will be banned; the involvement of religious cults in the election campaign will be penalized, etc. The new electoral code has been criticized by civil society, 35 non-governmental organizations representing the Civic Coalition for Free and Fair Elections issued a statement warning that the new code contains several controversial and even dangerous provisions that risk to compromise the free and fair elections.

ECONOMY

The State of Moldovan Economy Remains Fragile

As a result of the economic crisis caused by the Covid-19 pandemic, Moldova's state debt has exploded, reaching 60 billion MDL (€3 billion), and by the end of the year it could increase to 78 billion MDL (€3,9 billion). To mitigate the worsening economic conditions, the Moldovan government has rectified the national budget by assuming its responsibility before the parliament. It managed to do it only with two votes margin. According to the civil society expert and ex-finance minister of Moldova, Veaceslav Negruta, the budget rectification does not take into consideration the latest macro-economic developments. In his view, the IMF's economic forecasts regarding Moldova

are much worse, hence the growth of the Gross Domestic Product could be less than expected.

However, the latest budget rectification did not include the revision of the budget revenues. Concurrently, IMF staff and the Moldovan authorities have reached staff-level agreement on an economic reform program to be supported by three-year Extended Credit Facility and Extended Fund Facility (ECF/EFF) arrangements. Access under this arrangement is proposed to be set at about \$558 million. The staff level agreement is subject to approval by IMF Management and the Executive Board. Considerations of the new program by the Executive Board is expected in September, subject to the authorities' implementation of several prior actions, including in areas of the Central Bank independence, financial sector oversight, and fiscal

transparency.

At the same time, Moldovan Prime-minister Ion Chicu has announced that the government will relaunch its negotiations with the Russian Federation on a €200 million loan agreement, which was declared unconstitutional by the Moldovan Constitutional Court last April.

The Covid-19 pandemic has knocked down the fragile economy of the Transnistrian separatist region, which has been hit hard by frosts, floods, and current drought. Ac-

ording to latest data the revenues to the regional budget have sharply decreased and the Russian Federation has not yet transferred the money for pension supplements (\$8 for every Transnistrian pensioner). Therefore, the separatist administration is in dire straits to pay pension and salaries on time. To cope with the economic and financial hardships, the separatist administration has appealed to the Russian Federation authorities for humanitarian and technical assistance.

FOREIGN POLICY

The European Union stands by Moldova in these difficult times

On July 10, the European Commission, has approved the disbursement of €30 million in macro-financial assistance (MFA) to the Republic of Moldova. This was the second and final disbursement under Moldova's current MFA program following the first instalment of €30 million in October 2019. It is composed of €10 million in grants and €20 million in low-interest, long-term loans. The disbursement followed the fulfilment of the policy commitments agreed with the EU, as laid down in the Memorandum of Understanding. These included important measures in the fields of financial sector governance, public sector governance, the fight against corruption and money laundering, energy, and business climate and the implementation of the Deep and Comprehensive Free Trade Area (DCFTA).

At the same time, the European Commission had to cancel the third and final tranche of €40 million of the same macroeconomic aid because the MFA program expired on 18 July 2020 and Moldovan authorities managed to fulfill only six out of ten agreed conditions by that time. On the other hand, Moldovan authorities and the European Commission have finally signed the agreement for a

€100 million macro-financial assistance from the EU. The assistance will be provided in two equal tranches, yet the release of the second payment will be conditional on the fulfillment of older reform commitments, including the investigation and prosecution of the mega-bank fraud. Nevertheless, the high-level dialogue between Brussels and Chisinau remains cold mainly due to the gloomy reform progresses achieved by the current governmental coalition, especially in the field of justice reform. The latest events could undermine even further the EU trust in political will of the current Moldovan authorities to promote real/substantial changes in the justice sector.

On July 28, the Superior Council of Magistrates appointed new chiefs to the Supreme Court of Justice and the Court of Appeal. These appointments have been severely criticized by the civil society and opposition parties because the selected magistrates have gravely harmed Moldova's image by their past court decisions. They have also caused Brussels to raise eyebrows. In this context, the Head of the EU has expressed his disappointment with the appointments made by the members of the Superior Council of Magistrates, underlining that the changes within the justice system depend heavily on promoting people with impeccable reputation.

Ukraine: Hot July before Political Summer Break

Sergiy Gerasymchuk, Foreign Policy Council “Ukrainian Prism”(Kyiv, Ukraine)

The last month before the political summer break brought some significant developments. The head of Ukraine’s National Bank resigned which brought about stirring up the currency market. Meanwhile, the attempts to make amendments to the legislation on education spawned tensions in the hot language issue. The statements of Hungary’s ambassador in Ukraine resulted yet again in strenuous relations between Hungary and Ukraine.



Photo: Former head of the National Bank Yakov Smolii
Photo credits: <https://biz.censor.net.ua/>

DOMESTIC POLICY

Hyperactive Parliament ahead of Summer Break

Early June brought some high-profile appointments and resignations in Ukrainian political establishment. On July 1 Yakiv Smolii, the head of NBU (National Bank of Ukraine – the central bank of the country), submitted his resignation to the President of Ukraine. The motivation behind such a decision was systematic political pressure. In just two days

MPs approved such a decision by 286 votes. This is quite an extraordinary event (Smolii was supposed to act as NBU’s Head until 2025) and it spawned light panic at Ukraine’s currency market. Among other things, some questions were raised by Ukraine’s international partners and creditors: one of the main conditions of receiving IMF’s next tranche was the independence of the central bank.

Two weeks later Kyrylo Shevchenko, who had previously acted as the head of one of Ukrainian state banks, was

appointed the main banker of the country by 332 votes. It is worth noting that two pro-European parties – “European Solidarity” and “Voice” (or “Holos”) – did not give a single vote for appointing the new head of the National Bank.

However, the parliament’s work was not limited to resignations and appointments. In the middle of July MPs, despite the outbreak of COVID-19 epidemic in the country, adopted the bill to hold upcoming local elections in late October.

Another significant development happened when a draft bill by M. Buzhansky, a member of a ruling party, on the state language in terms of learning process, was “frozen”. Among other things, this draft bill provided for the cancellation of some chapters of the law on language – namely, the one on pupils of 5-11 classes in Russian-language

schools switching to studies in Ukrainian starting from September 1, 2020. The notorious draft bill got neither the support of the profile committee nor the support of some MPs and was not part of the session.

However, if the “battle” for Ukrainian as the main language of education was won in the Verkhovna Rada, “the war” is still ongoing. The battle moved to the Constitutional Court of Ukraine. At the beginning of the month the latter launched the claim made by 51 MPs of the previous convocation – mostly members of the parliamentary faction of the pro-Russian “Opposition Bloc” on compliance with the norms of the Constitution of Ukraine and its law “on ensuring the functioning of the Ukrainian language as the state language”.

ECONOMY

NBU, IMF, Eurobonds and Eternal State Budget Deficit

Kyrylo Shevchenko, recently appointed head of the National Bank of Ukraine, despite all the pessimistic forecasts, started by holding a meeting with IMF representatives – IMF mission chief to Ukraine Ivanna Vladkova Hollar, the IMF resident representative in Ukraine Goesta Ljungman, and IMF alternative executive director Vladyslav Rashkovan. During the meeting, the leading banker of the country highlighted that IMF has always been and will continue to be Ukraine’s key strategic partner in general and the partner of the National Bank in particular. The head of the central

bank also reassured his western colleagues that full and complete implementation of IMF cooperation is his personal priority among other things. To reduce the level of gossip surrounding NBU’s independence, Kyrylo Shevchenko comforted the representatives of international organizations that he has the outmost respect for the independence of the National Bank. Against the backdrop of banking twists and turns the State Treasury Service of Ukraine found a fly in the ointment and reported state budget deficit making up UAH18,8 bn (approximately \$671 mln) in the six months of 2020. However, things brightened up a bit when the news of Ukraine successfully settling record USD2 bn in Eurobonds of 12 years maturity came up.

FOREIGN POLICY

Non-Existing Truce

In late July in the framework of the TCG (Trilateral Contact Group – Ukraine, Russia and OSCE) another agreement was reached between the opposing sides, Ukraine and Russia, with OSCE acting as a mediator, with this agreement ensuring ceasefire and peace and calm for the population in Donbass starting July, 27. However, just as previous dozens of ceasefire agreements, this one was no exception: already during the first hours following reaching the truce Russian terroristic forces violated the agreement.

Despite their bitter experience of “ceasefire agreements”, Ukrainian diplomats continue to actively cooperate with their western allies to create new formats in order to assure their support including their fights with the aggressor state, the Russian Federation. One of such formats is the so-called “Lublin Triangle”, the creation of which was announced on July 28 by the Ukraine’s minister of foreign

affairs D. Kuleba during his visit to Poland. This triangle included Ukraine, Poland and Lithuania. According to the Ukrainian minister, the main focus of this format is “developing and strengthening Central Europe as well as establishing Ukraine’s role as a full member of European and Euroatlantic family”.

Ukraine manages to find common language with its Polish and Lithuanian partners. However, the situation remains controversial in relations with its Hungarian neighbors, despite recent visits and agreements. In his recent interview Hungary’s ambassador in Ukraine Istvan Ijgyártó

stated that Hungary will continue to veto Ukraine-NATO commission meetings at the ministerial level due to particular three reforms, allegedly “extremely negative to Hungarians”, that are now being implemented in Ukraine. According to the ambassador, these reforms are the following: the administrative reform, the educational reform and the language use reform.

The resignation of the head of Ukraine’s National Bank spawned light panic at Ukraine’s currency market

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www.prismua.org



Belarusian Institute for Strategic Studies (BISS) is an independent think-tank, founded in 2007 by a group of leading scientists and civil activists. BISS's mission is to provide a holistic picture of socio-political processes in Belarus based on empiric studies.

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The Regional Studies Center (Armenia) is an independent think tank based in Armenia. The RSC conducts a wide range of strategic analysis and objective research, implements a number of educational and policy-related projects, and develops policy initiatives aimed at bolstering political and economic reform and conflict resolution in the broader South Caucasus region.

www.regional-studies.org



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www.ei-lat.ge



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www.ape.md