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## THE COVID-19 PANDEMIC IN THE SOUTH CAUCASUS

*Special Editor: Stefan Meister (Heinrich Böll Foundation – South Caucasus Office)*

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## Introduction by the Special Editor

### COVID-19 in the South Caucasus—Successful Lock Down, Structural Deficits

From the beginning of the dissemination of COVID-19 in the South Caucasus, the governments of Armenia, Azerbaijan and Georgia have understood that their health systems are not prepared for a fast growth of infections. Therefore, they quickly started to lock down public life and the economy to protect their health system from collapse. While in Georgia the management of the crisis was from the beginning given to specialists and there was no politicization of the pandemic, this was not the case in Armenia and Azerbaijan. The management of the crisis was in Armenia always in the hands of the government and Prime Minister Pashinyan also restricted information about the pandemic for a couple of weeks in March and April. In Azerbaijan, President Aliiev used the pandemic to start a new wave of repressions against any independent voice.

This issue focuses on the structural challenges the pandemic has made visible in all three South Caucasus states. As Armen Grigoryan shows, the post-revolutionary government in Armenia was hit by the pandemic in a difficult phase of its reform policy. Prime Minister Pashinyan reacted with media restrictions in his fight against “fake news” and the government attacked an array of media outlets, not just the ones dominated by the former ruling elites. At the same time, the vulnerability of the economy and its dependence on remittances from labor migrants in Russia made it impossible to delay the lifting of restrictions. Armenia has lifted restrictions more comprehensively than any other in the region, despite a renewed growth of infections. The government did not have the power to enforce its restrictions consequently, in part due to persistently low institutional trust. To upgrade democratic standards is even more needed during this crisis than it was before due to the increased need of cohesion between government and society.

While Azerbaijan was hit not only by the pandemic but also by the temporary collapse of oil prices under 20 US-Dollars per Barrel, its leadership decided to use this crisis as an opportunity to silence independent voices from opposition parties, journalists and bloggers. As Bahruz Samadov argues, every opposition leader who was not willing to agree to “dialogue” with the government after the February 2020 parliamentary election has become an “enemy of the state”. President Aliiev could be preparing with this repressive policy for the growing economic crisis, which will be fueled by a global economic downturn and low energy prices. Typical friend-enemy narratives as well as the restriction of internet access and the use of social media for critical voices have been used to silence opposition in Azerbaijan during the pandemic.

In a move perhaps unusual for Georgia, the opposition and the ruling Georgian Dream party agreed to a “cease-fire” during the most dangerous first phase of the pandemic and ahead of the parliamentary election in Autumn. The sober reaction to the pandemic by Prime Minister Gakharia and the handing over of key decisions to epidemiologists was viewed positively by the country’s population. At the same time, according to Ia Eradze, despite the successful management of the pandemic and the adoption of an economic package by the government, the deficits of Georgia’s socio-economic policy of the last 12 years have become visible. The one-sided dependency of the economy on tourism, the privatization of functions of the state including the health system, and an economy which depends primarily on capital inflows makes Georgia particularly vulnerable to external shocks.

The role of the state will increase as a result of the current crisis in the three states of the South Caucasus, but all three countries are poorly prepared to protect their citizens within the next difficult months and probably years. Even more vulnerable are the disputed regions, with their weak governance, low accessibility, and isolation.

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## Corona Pandemic as an Amplifier of Socio-Economic Crises in Georgia

By Ia Eradze (Leibniz Centre for Contemporary History in Potsdam)

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### Abstract

The Coronavirus pandemic is changing our reality, from individuals' daily lives to the global order. A majority of countries worldwide are going through unexpected socio-economic crises while trying to tackle the impacts of the virus. Yet, the pandemic is not only creating new problems, but is also exacerbating existing systemic issues. This paper engages with the case of Georgia and analyses major challenges and the government's response to the crisis, as well as raising fundamental questions about rethinking the pre-Coronavirus socio-economic and political order. The article argues that, while the Georgian government might be preventing the worst through tackling the immediate causes of the crisis, it is not responding to mid- and long-term challenges of an unsustainable economic model. The Georgian state and its socio-economic order require rethinking now more than ever.

### Introduction

The Coronavirus pandemic has changed the world, and yet more is to come. Millions have been "locked down" due to state of emergencies, often without income and fearing hunger. Health and economic well-being have been set on the opposite sides of the global dilemma. While countries of the Global North might achieve a balance between the both ends, the policy space for developing countries is more limited. Yet, it is not all about rich and poor: the type of state and socio-economic structure also matters.

How shall states solve economic and social challenges? How prepared is the health system? What to do with the businesses in crisis? How to ease the burden of the unemployed? Political leaders must provide answers to these questions. The time has come for governments to retreat from their policies of self-regulated free markets, privatised healthcare and marketized social relations. Yet, the crucial question is how the governments 'come back' and what kind of order will be established. While the dominant political discourse strives for restoring 'normality' worldwide, the crisis also offers a possibility of questioning and rethinking the existing order not only locally, but also on the global level. Development, solidarity and wealth distribution requires a new conceptualization.

The Coronavirus crisis has unravelled existing structural issues in Georgia and worsened the socio-economic burden of the society. Therefore, this paper aims to point out Georgia's major socio-economic challenges, provide a brief assessment of plausibility of government responses and raise fundamental questions about the sustainability of pre-Coronavirus 'normality'.<sup>1</sup>

### Government Responses to the Crisis: Preventing the Worst, Preserving the Best?

Coronavirus has been spreading in Georgia since the end of February, albeit on a smaller scale than in European countries. The Georgian government reacted rather early to the pandemic through suspending flights from 'risky' countries, setting mandatory quarantine requirements for those arriving from abroad, and closing schools, as well as nurseries (Civil Georgia, 2020a). On the 21<sup>st</sup> of March a state of emergency was declared, which continues today.

On the 13<sup>th</sup> of March the Georgian government introduced its anti-crisis economic plan, in which tourism was promised the biggest support, as the most vulnerable sector. The government announced such measures as: state assistance for small hotels in loan repayment for six months, increase of capital spending, doubling VAT refunds, postponing of income and property tax payments for tourism-related businesses until November, and loan restructuring for all companies, as well as for retail borrowers (Government of Georgia, 2020b). On the 1<sup>st</sup> of April, a 2 Billion Lari (app. 624 Million USD) package was announced to support the economy. Expenditures for health would increase by 350 Million Lari (app. 109 Million USD) and imports of nine commodities (flour, wheat, pasta, oil, sugar, milk powder, beans and buckwheat) would be subsidised. The government also began financially aiding the poorest part of the population through paying their electricity, gas, water and sanitation bills from March to May (International Monetary Fund, 2020a). Those who lost a job during the pandemic will receive a monthly support of 200 Lari (62 USD) for 6 months, while informally-employed

<sup>1</sup> A recent piece by Luka Nakhutsrishvili and Barbare Janelidze on state of emergency in Georgia inspired me to think about the sad irony of the government's determination to restore 'normality' (see (Janelidze and Nakhutsrishvili, 2020)).

labourers and the self-employed are eligible for a one-time payment of 300 Lari (94 USD) if they prove their previous employment. Yet, babysitters, street vendors and private teachers will most likely remain without any financial support due to the difficulty of proving the lost income. Socially vulnerable people will also receive additional monthly state support for 6 months, from 70 Lari (22 USD) (a single person) to 100 Lari (31 USD) (families with three children under the age of 16, people with severe disabilities and children with disabilities). Financial assistance was also promised to employers who did not lay off their employees. For monthly wages under 750 Lari (234 USD), employers will be freed from income tax and for salaries between 750 and 1500 Lari (468 USD) only the income above 750 Lari will be taxed. The government also introduced a pension indexation scheme to avoid inflationary effects on pensions—pensions will increase annually (from 2021 on) in accordance with the inflation rate and for people over 70, by an additional rate of 80% of the economic growth (Government of Georgia, 2020a).

While Georgia tries to prevent economic collapse, it is now more dependent on international financial assistance than ever. The IMF will provide 375 Million USD for the Ministry of Finance and National Bank of Georgia, and international organisations will contribute 1.5 Billion Dollars to the private sector and the financial system of Georgia (National Bank of Georgia, 2020d). The European Union also allocated 183 Million Euros for Georgia (Civil Georgia, 2020b). Yet most of the money is issued as a credit, which increases Georgia's foreign debt.

Georgia's anti-crisis plan has been the smallest possible response to the immediate impacts of the pandemic, and does not provide answers to mid- and long-term challenges of the economy. A discussion on rethinking the current development model has not started yet. As preventing the worst has become a motto for preserving the existing order, tiny steps of supporting the poorest of the country cannot be seen as a turn from neoliberalism, but rather as a strategy to avoid social unrest. This seems to be one of the motives behind the generosity of international organisations, as well (see (Shalal, 2020)).

### **Socio-economic Challenges of Georgia: Triple Dependency, Social Insecurity and the Pandemic**

As the global economy enters a recession, global value chains melt down and exporting countries turn to more nationalistic policies, small and peripheral economies like Georgia's face multiple threats and constraints. One can describe the Georgian economy in terms of its triple dependency, as it strongly relies on foreign goods, cap-

ital and currency. Georgia has a high trade deficit (-42%) (Geostat, 2020a, p. 2). The Georgian financial system is based on foreign capital—14 out of 15 banks operate in foreign ownership, and foreign direct investments (FDI) (7% of GDP) and remittances (10% of GDP (National Bank of Georgia, 2020a, p. 6)) play a significant role in the functioning of the economy. FDI remains one of the main sources of financing the current account deficit (National Bank of Georgia, 2018, p. 31). High level of financial dollarization (52,6%) (National Bank of Georgia, 2020b, p. 16) makes the Georgian economy vulnerable to exchange rate fluctuations and the depreciation of the Lari increases debt burden for those with debts in foreign currencies, including the government, firms and individual households. Almost 90% of Georgia's external debt is denominated in foreign currency (National Bank of Georgia, 2020c).

As no Georgian government has managed to revive industry and agriculture or strengthen the national currency since independence, the economic structure built on the assumption of uninterrupted foreign capital inflow and tourism has proven to be unsustainable. Wholesale and retail trade represented the largest share of Georgian GDP in 2019 with 14,4%, followed by real estate activities (11,5%), manufacturing (10%) and construction (8,6%). Agriculture, forestry and fishing make up around 7% of the GDP (Geostat, 2020b, p. 1). Tourism revenues have been increasing over the last years, and it has been the main source of financing trade deficit of goods (National Bank of Georgia, 2018, p. 28), but this sector will suffer most from the Coronavirus pandemic. Foreign capital inflow will also decrease in terms of foreign direct investments and remittances. The Georgian Lari has depreciated by 14% in the 6 March – 6 April period, and the National Bank of Georgia has sold 100 Million US Dollars to support exchange rate stability (International Monetary Fund, 2020b). As the recent government anti-crisis plan reveals a primary focus on the revival of tourism (Civil Georgia, 2020d), along with supporting agriculture (Civil Georgia, 2020c), it becomes clear that no fundamental restructuring of the economy should be expected after the pandemic.

The inevitable economic collapse in Georgia will not remain hollow statistics, but rather influence the vast majority of the population. It's true that every economic crisis does so, but the results are more severe when the state does not guarantee basic social rights and more than 20% of the population lives in poverty (income below \$1.90/day), while almost 50% are on the verge of poverty (World Bank, 2018, p. 10). While the number of beneficiaries of targeted subsistence allowance has remained fairly stable over the past months, from March to April 2020 it increased from 922,000 to 933,000

beneficiaries (Social Service Agency, 2020). Unemployment<sup>2</sup>, undernourishment and a high income inequality gap remain key challenges for the Georgian society (see (Gugushvili, 2016; Kakulia, Kapanadze and Qurkhuli, 2017; UNICEF, 2018)). The 'successfully' implemented wave of neoliberalization after the Rose Revolution (2003) has weakened social rights of Georgian citizens and constitutionalized the irreversibility of neoliberal reforms (for example the Liberty Act, see (Saakashvili and Bendukidze, 2014)). The Georgian labour code reform of 2006 deprived workers of formerly-held rights (Lazarus, 2013, p. 9; Gugushvili, 2016, p. 3) and the country still brags to have one of the most employer-friendly labour codes and no social taxes (Invest In Georgia, 2020). To this day there is no minimum wage or overtime payments, and health and safety in the workplace are not guaranteed in practice<sup>3</sup>.

Employers enjoy their privileges in times of crisis, as well. Many of them have sent their employees home due to the state of emergency, often without any payment or compensation. The government can only hope that private companies will show social responsibility, or at best remind them of their duties (Commersant, 2020). Yet, a large share of the Georgian labour force is self-employed (more than half of the employed labour) (UNICEF, 2018, p. 7). The self-employed, such as street vendors, babysitters, private teachers, apartment cleaners do not have formal employers to ask for compensation from, and they cannot turn to the government for help either.

### **Lessons from the Corona Pandemic: Rethinking Development and the Neoliberal State**

The Corona pandemic has uncovered structural socio-economic issues in Georgia and makes the need of a fundamental change urgent. While the Georgian government has been trying to tackle the social impacts of the crisis, a new vision of economic development based on lessons learned from the Corona crisis is still missing. It is time to admit that the modernization<sup>4</sup> agenda of

development is outdated. Free trade does not automatically bring welfare, and more FDI does not always create more jobs, as is often argued in political and expert circles in Georgia. Dependency on imports, foreign capital and foreign currency makes Georgia vulnerable to global changes. Even though limited resources is usually named as a barrier to fundamental reforms in Georgia, it must also be stated that it matters how these resources are used.

Therefore, Georgia has to rethink its socio-economic development, be it through supporting agriculture or investing in manufacturing, processing of valuable minerals or the IT-sector. Most importantly, there is a need for a mid- and long-term industrial development plan, which would not only be based on economic pillars, but include encouragement of relevant education programs to prepare the labour force for economic reforms as well. New policies must be socially and ecologically sustainable, and here an active involvement of different civil society and social groups is crucial. Furthermore, the financial sector needs to be directly involved in supporting this process to provide capital and encourage innovation, especially through financing small and medium size companies, which is not the case so far. The National Bank of Georgia should also facilitate economic development; setting up a development bank could encourage economic development initiatives.

Socio-economic changes depend on the type of the state and the art of governance. The neoliberal state is not oriented on societal welfare, but rather organises social and political life around markets. Neoliberalism changes state logic towards financial cost-benefit calculation calculus-based principles, in which audit and management practices acquire significant importance beyond democracy and politics (Davies, 2018, p. 280). In neoliberalism the state does not care for social rights and it operates along economic principles (Madra and Adaman, 2018, p. 115). Therefore, the neoliberal logic of protecting markets through the state (Davies, 2018, p. 273) must be replaced by a logic of protecting citizens in Georgia. The Corona pandemic has made clear that there is an urgent need to rethink the role of the state in Georgia.

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*See overleaf for References.*

2 Measuring unemployment in Georgia is a contested issue. The data from the statistics department differ from independent research results. Mismatches in the data are related to different definitions of unemployment and status of self-employed people, especially in agriculture.

3 Articles 17 and 35 of the Labour Code of Georgia regulate the overtime work and health and safety.

4 See on modernization theory <https://oxfordre.com/internationalstudies/view/10.1093/acrefore/9780190846626.001.0001/acrefore-9780190846626-e-266>

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

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### 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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## Azerbaijan—COVID-19 and a Divided Opposition

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### Abstract

This article demonstrates that the COVID-19 pandemic presented an opportunity for the Azerbaijani government to crack down on political opponents, selectively targeting opposition leaders and activists.

### Introduction. A Special Quarantine Regime

The outbreak of COVID-19 has affected political and economic landscapes all over the world. Many critical authors, such as Giorgio Agamben and Slavoj Žižek, alert that normalisation of restrictive measures that have been taken by governments may potentially lead democratic societies into digital authoritarianism (Žižek, 2020). Other authors warn about the further strengthening of authoritarian and hybrid regimes such as in Hungary and Turkey (Bieber, 2020), including the implementation of digitalised methods of surveillance and collection of private data (Limbago, 2020).

Azerbaijan has its place among authoritarian countries. The history of Aliyev's regime begins with Heydar Aliyev, who was appointed as the first secretary of the Central Committee of the Communist Party of Azerbaijan in 1969 and continued to rule after a six-year break in 1987–1993 until 2003—followed by his son, Ilham Aliyev, who still rules today.

However, it is not a closed and fully-fledged dictatorship, such as Turkmenistan or North Korea, but rather a hegemonic electoral authoritarian regime, as the country holds elections and has a multi-party system (LaPorte, 2015). In such regimes, elections are not genuinely free and fair and the multi-party system exists mostly formally. While opposition parties are allowed to compete, they have no real chance of winning elections, except when it meets the government's interests (Howard and Roessler, 2006). One specific characteristic of the regime is its “red lines,” e.g., direct criticism of the ruling family. Crossing a “red line” may potentially lead to imprisonment.

The authorities declared a special quarantine regime on March 24, which has since been prolonged until May 31 (May 1, Reuters 2020). Measures include the prohibition of entrance into Baku from regions, the closure of the Baku Metro, shopping malls, squares and parks, enterprises, and organisations. Citizens have been obliged to send an SMS to a particular number to get out of their homes for a maximum of three hours (Juarly, 2020). The government launched a caring service for citizens over 65. According to Code of Administrative Offenses, violation of the rules of the special quarantine regime imposes a material fine up to 200 manats (\$117) for first-time offenses, and administrative arrest up to 30 days in the event of repeated violations.

Since the quarantine regime was announced, three journalists and more than a dozen oppositional activists have been arrested, being accused of violating the quarantine, disobeying police, and spreading disinformation. International organisations warned that the government is using the quarantine regime for a new crackdown on the opposition (April 16, HRW, 2020).

According to official statistics for May 12, the overall number of infected in the country is 2693, with 1735 successful recoveries and 33 deaths (May 12, KoronaVirusInfo, 2020).

### The Elections and COVID-19

Azerbaijan held snap parliamentary elections on February 9, 2020. The ruling party's argument for the snap elections was that the parliament, following the President's “new reformist strategy,” needed a renewal (Guliyev: 2020, 9). The government aimed to improve its image by letting a few younger progressive and oppositional candidates participate in the elections. However, leakage of video reports on widespread electoral fraud on social media and re-election of many former parliamentarians shattered these efforts (February 10, OSCE, 2020). As a result, it has negatively affected the legitimacy of the regime.

The outbreak of COVID-19 started within little more than a month after the elections. To overcome the economic difficulties of citizens, the government proposed a stimulus package. Under the plan, each unemployed person would receive 190 manats (app. 112\$) per month in April and May. The government would also provide financial support for small and medium-size entrepreneurs who had been affected by the lockdown. According to the official media report, 2.5 billion AZN (app. \$1.5 billion) from the state budget was allocated to reduce the economic effects of the quarantine regime. (April 11, Azertag, 2020). Additionally, the Coronavirus Response Fund was created based on donations totalling around 113 million AZN (app. \$66 million) (May 5, Report, 2020).

Critical commentators, such as independent economists Togrul Veliyev and Natig Jafarli, mention that the “majority of day labourers in temporarily closed sectors are left without a livelihood,” and due to the fall in oil prices and pandemic restrictions, problems in tourism

and logistics are visible (Kitachayev, 2020). Mass unemployment due to the quarantine regime and reduced income have affected working and middle-class families. Additionally, the fall of oil prices creates long-term risks for the oil-dependent economy of Azerbaijan, and may potentially lead to further belt-tightening.

### **A Dialogue and Crackdown in Time of COVID-19**

In mid-February, several meetings between the Head of the Department for Relations with Political Parties and Legislative Authority of the Presidential Administration, Adalet Valiyev, and opposition parties representatives, including the Republican Alternative Party, took place (February 29, Turan, 2020). However, two major oppositional parties, the Azerbaijani Popular Front Party (APFP) and the Musavat Party, did not participate in this process. They insisted that specific discussion topics should have been announced beforehand. The leader of the APFP, Ali Karimli, argued that through the imitation of dialogue, the authorities had the goal of “reviving the tale of reform,” while those who rejected this format were labelled as “radicals opposed to reform” (March 10, Turan, 2020).

The first sign of a new crackdown against the opposition, journalists, and bloggers can be found in President Ilham Aliyev’s Nowruz speech on March 19 (Kucera, 2020). He addressed issues related to coronavirus, praising the governmental countermeasures, and mentioned that there were “provocations” from the “fifth column”:

“At the same time, we see open provocations. Where do these provocations come from? From the very fifth column, from the enemies who are among us, the elements calling themselves opposition, the traitors who receive money from abroad.”

In the same speech, Ilham Aliyev stressed the dialogue between political actors and the governments “deniers”:

“As for the groups that rejected the dialogue proposal, they know better. In any case, I have already said this but want to reiterate that we will not be the losing side, and there will be no place for traitors and corrupt representatives of the fifth column in the new political configuration. Azerbaijan is cleaning up, as it should, from traitors and representatives of the fifth column.”

After this address, a wave of charges against and administrative arrests of party activists started. More than 20 activists of the Popular Front Party were accused of violating the “special quarantine regime” and received 10 to 30 day prison sentences (April 30, OC Media, 2020). Additionally, an eminent opposition figure, former political prisoner and a member of the Musavat Party who is known to be close to Ali Karimli, Tofiq Yagublu, was arrested and charged with hooliganism.

From the other side, the Supreme Court of Azerbaijan acquitted the chairman of the ReAl Party Ilgar

Mammadov and human rights defender Rasul Jafarov and dropped all criminal cases against them (Afandiyeva, 2020). Interestingly, both Ilgar Mammadov and Tofiq Yagublu were jailed convicted of “organising mass riots” and using “violence against police officers” in the town of Ismayilli in January 2013. The acquittal of Ilgar Mammadov legally allows his further participation in elections.

It could be assumed that the regime’s new strategy includes a change in its treatment of the ReAl Party, reciprocating its decision of participation both in the parliamentary elections and in Aliyev’s dialogue proposition. Simultaneously, the “old opposition” has again been declared the enemy and has been a target of the new crackdown.

### **“The Enemies of the Nation”**

The fact that the main opposition parties criticised the organisation of meetings with government officials and the overall structure of the proposed dialogue caused an extreme reaction of the government. The President’s emotional and harsh response and the use of such labels as “the fifth column” and “traitors” assured the radical exclusion of the Azerbaijani Popular Front Party, Musavat Party, and other critics (such as the activists of the NIDA Civic Movement and critical bloggers) from the political landscape, portraying them as a threat to the nation and stability. Ali Ahmadov, the deputy chair of the ruling New Azerbaijan Party, used a virus metaphor on his Facebook post, writing that there are “two viruses” in Azerbaijan: COVID-19 and the opposition (hinting at the Azerbaijani Popular Front Party) (April 23, OC Media).

President Aliyev, in his speech on April 14, stated:

“They want an increase in the number of dead, they want an increase in the number of patients, they are glad that people are dying. That is, it is hostility not against the government, but the state. I call everything by their names. If someone is hostile to our people, the state, then he has only one name—the enemy.” (April 15, JamNews, 2020).

In this excerpt, the President used an extreme label, “the enemy of the nation,” hinting at the “old opposition” parties. Although these labels have been used in his speeches before, their repetition in the situation of the pandemic serves to revive the language of “fifth column” and conspiracy theories to neutralise opposition criticism amid lingering economic problems, and to justify the introduction of strict control measures.

### **The Digitalisation of Repressive Practices**

COVID-19 restrictions were extended into the digital realm, where the authorities sought to cut off the opposition from their audiences on social media.

A day before Aliyev’s second speech, the internet service of the Azerbaijani Popular Front Party’s leader Ali Karimli was disrupted (April 23, OC Media, 2020).

For Karimli, who has no access to local TV channels, interviews with pro-opposition internet-based news outlets are the only way to communicate with the public.

Along with the internet disruption, the mobile connection has been blocked within Karimli's apartment, which means that neither he nor his family members are allowed to leave the house as it is impossible to notify via SMS that they are going out.

More than 20 arrested party activists and three journalists were accused of violating the special quarantine regime; two of them reported that they had been tortured in detention (April 30, OC Media, 2020). Two pro-democratic activists, Ilkin Rustamzade of the NIDA Civic Movement and critical blogger Bakhtiyar Hajiyev, both ex-political prisoners, have claimed to have received insulting messages from unknown phone numbers not registered in Azerbaijan (April 23, OC Media, 2020). In addition, a critical online news platform abzas.net experienced hacking which resulted in its news archive for the previous month being deleted (April 24, Azadliq, 2020).

However, this is not the first digital pressure on the government's critics. The government has long used "cheap and widely available" digital tools against its opponents before, such as malware and phishing emails (see Runey and Kaminski, 2018). Many independent media websites are still blocked, while the government uses a "troll army" on social media. However, social media, an important alternative source of information, is freely available in the country.

Thus, Azerbaijan is far away from the Chinese model of authoritarian digital management. The government's intent is to weaken existing critical voices and to muzzle them in exceptional and risky situations such as the recent pandemic, not to establish a fully controlled society, which has no access to independent media sources.

### Conclusion: Authoritarianism after COVID-19

The outbreak of COVID-19 and the oil price crash occurred after unpopular parliamentary elections, at a time when the regime felt more vulnerable to criticism.

#### *About the Author*

Bahrz Samadov is a PhD candidate at Charles University Prague. He obtained his MA at Central European University. In his PhD research, he focuses on authoritarian hegemony in Azerbaijan from a heterodox and post-structuralist political science perspective. Currently, his research activities are supported by the grant SVV 260 595: "Political order in the times of changes." He is also a political activist and author of several opinion articles on Azerbaijan.

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A series of detentions and the effective house-arrest of Ali Karimli that followed targeted opposition figures with mobilisation potential and experience whom the government considered as potential instigators of bread-and-butter protests. Their arrest has been a preventive measure to pre-empt possible mass mobilisation in the wake of the unpopular February vote.

The reaction of the Azerbaijani government to potential political, economic, and social risks in times of pandemic crisis shows that the crisis has not heavily affected its customary logics and practices. As the pandemic occurred concomitantly with a time of proposed "political dialogue," the special quarantine regime has been used for renewed crackdown on the demonised opposition, mainly on the Azerbaijani Popular Front Party and independent critical activists and bloggers.

Importantly, the political logic of difference (Laclau and Mouffe, 2001) has been applied within the opposition camp, splitting it into the "dialogic" Republican Alternative Party, and the "old" but "principal" Azerbaijani Popular Front Party and others, deepening the controversy within the oppositional forces.

By favouring the strategy of manageable dialogue, the government seeks a new plan aiming not just to weaken the opposition, but also to demonstrate to European institutions and Western governments its capacity to cooperate with "constructive" political forces together with the continuous "political reforms." To prove that, the only deputy member from the ReAl Party, Erkin Gadirlı, was included in the delegation of the Azerbaijani legislative body to PACE (April 27, Turan, 2020).

At this stage, the Azerbaijani government uses digital suppression only on concrete targets and not for the transformation of the country into a "digital Gulag." The internet limitation for the APFP leader is likely a temporary measure. At the same time, the arrests and imprisonments of APFP activists had been normalised before the pandemic. Quarantine has both been used as an opportunity for a new crackdown and played the role of administrative exercise for the authorities.

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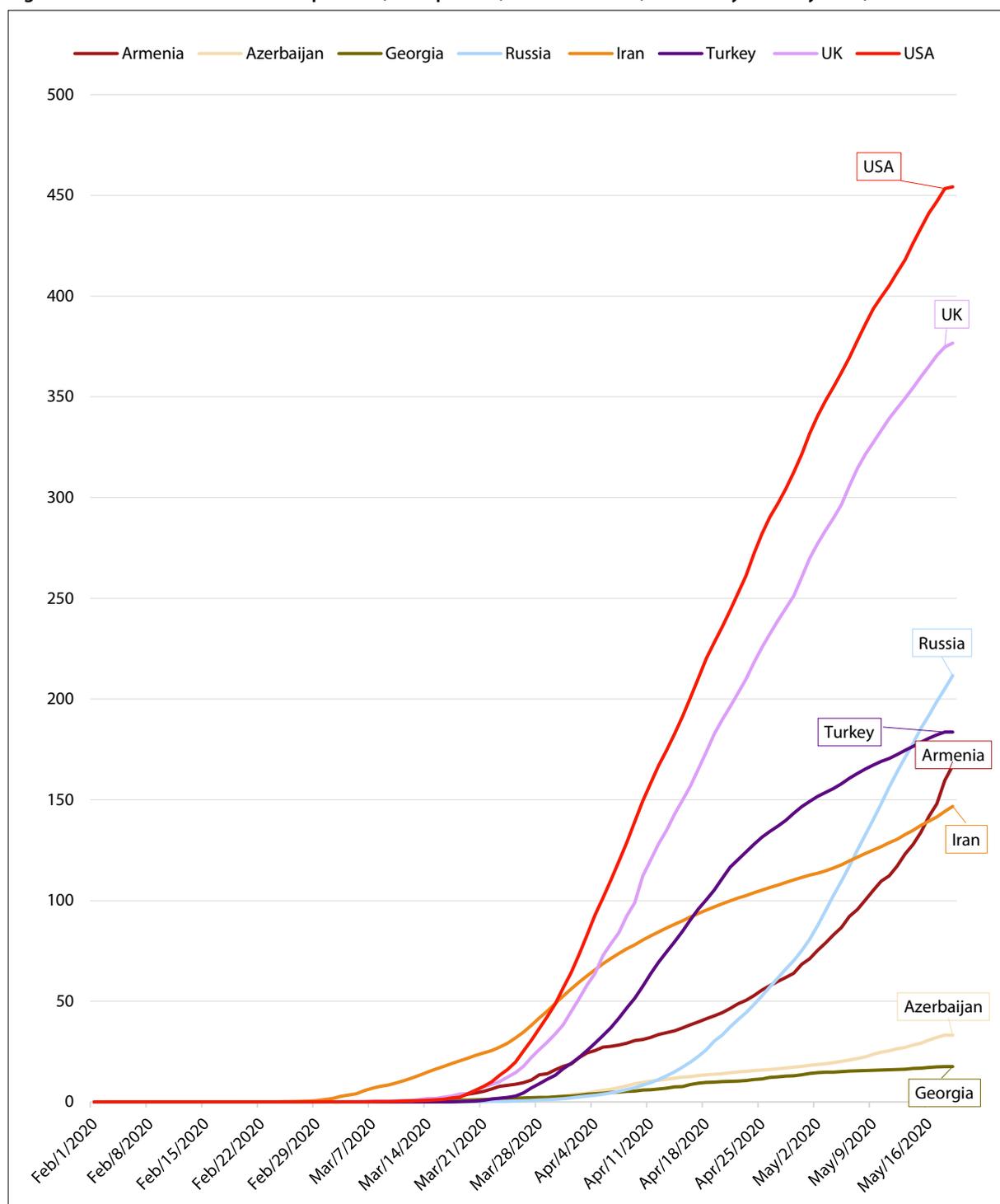
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## STATISTICS

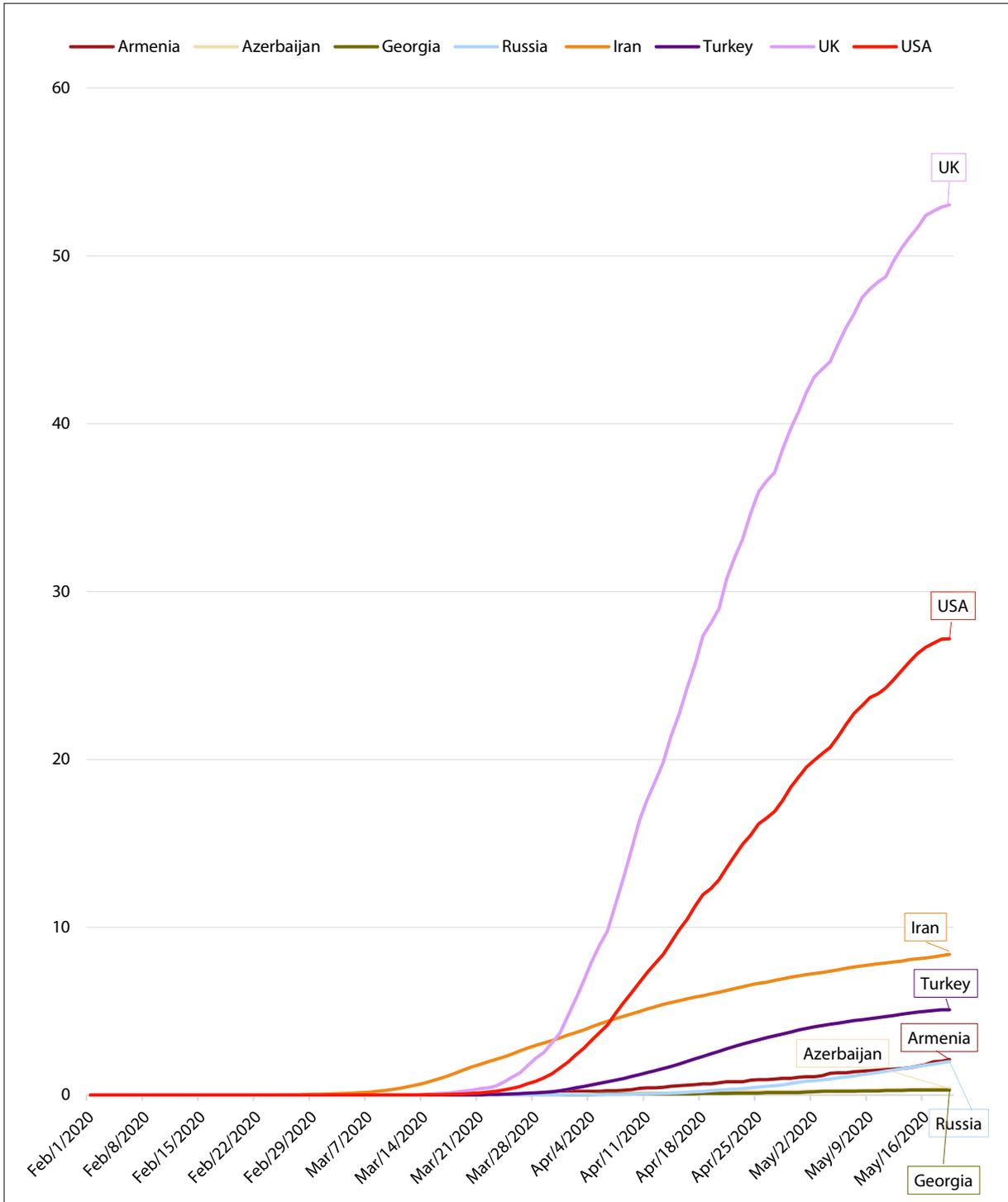
## COVID-19 Cases in the South Caucasus in Comparison

Figure 1: COVID-19 Cases in Comparison (cases per 100,000 inhabitants, 1 February – 19 May 2020)



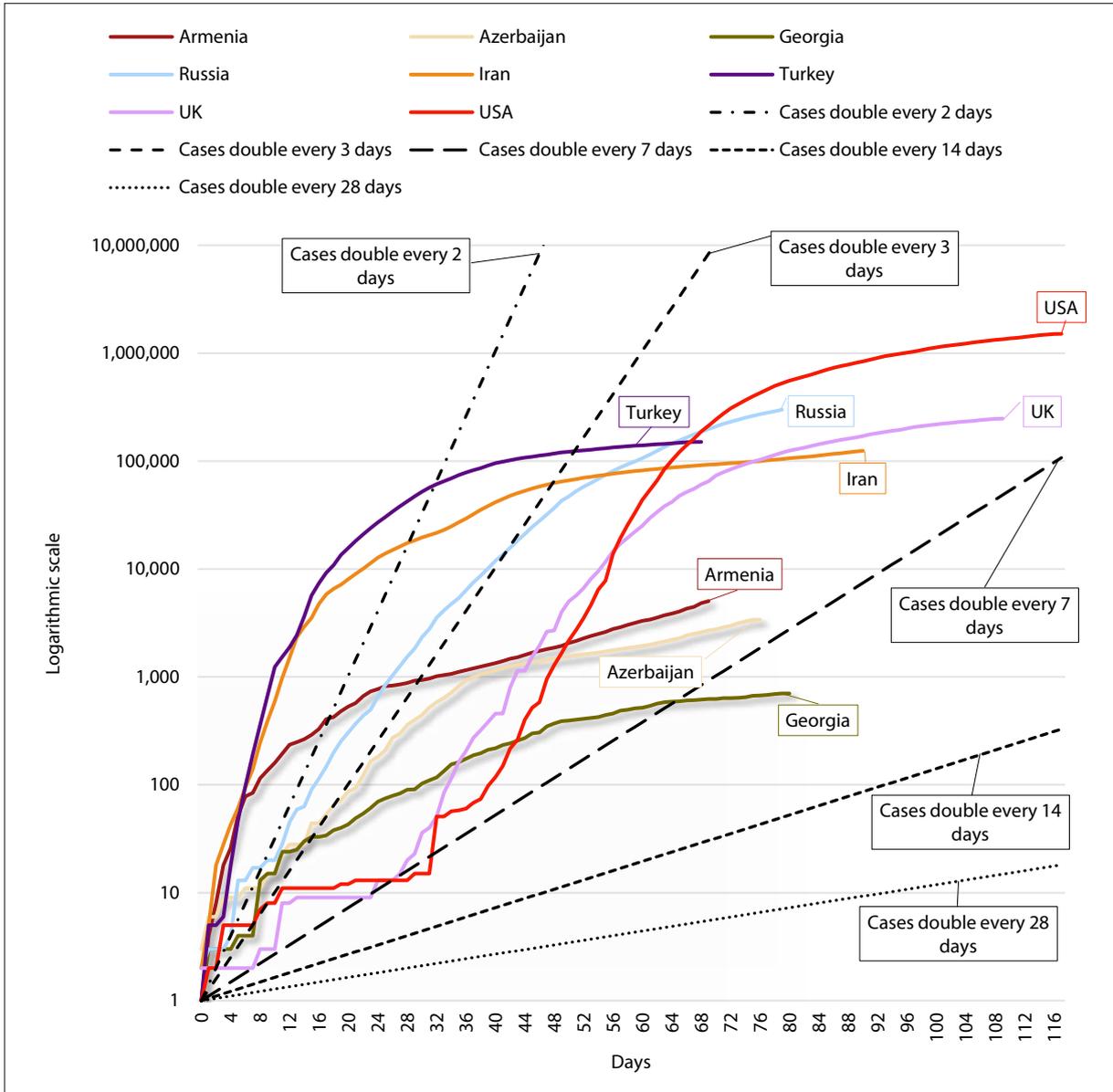
Source: Johns Hopkins University. 19 May 2020, 4:32 PM CEST, <https://coronavirus.jhu.edu/map.html>; [https://github.com/CSSEGISandData/COVID-19/blob/master/csse\\_covid\\_19\\_data/csse\\_covid\\_19\\_time\\_series/time\\_series\\_covid19\\_confirmed\\_global.csv](https://github.com/CSSEGISandData/COVID-19/blob/master/csse_covid_19_data/csse_covid_19_time_series/time_series_covid19_confirmed_global.csv); population figures: CIA World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/>

Figure 2: COVID-19 Deaths in Comparison (deaths per 100,000 inhabitants, 1 February – 19 May 2020)



Source: Johns Hopkins University. 19 May 2020, 4:32 PM CEST, <https://coronavirus.jhu.edu/map.html>; [https://github.com/CSSEGISandData/COVID-19/blob/master/csse\\_covid\\_19\\_data/csse\\_covid\\_19\\_time\\_series/time\\_series\\_covid19\\_deaths\\_global.csv](https://github.com/CSSEGISandData/COVID-19/blob/master/csse_covid_19_data/csse_covid_19_time_series/time_series_covid19_deaths_global.csv); population figures: CIA World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/>

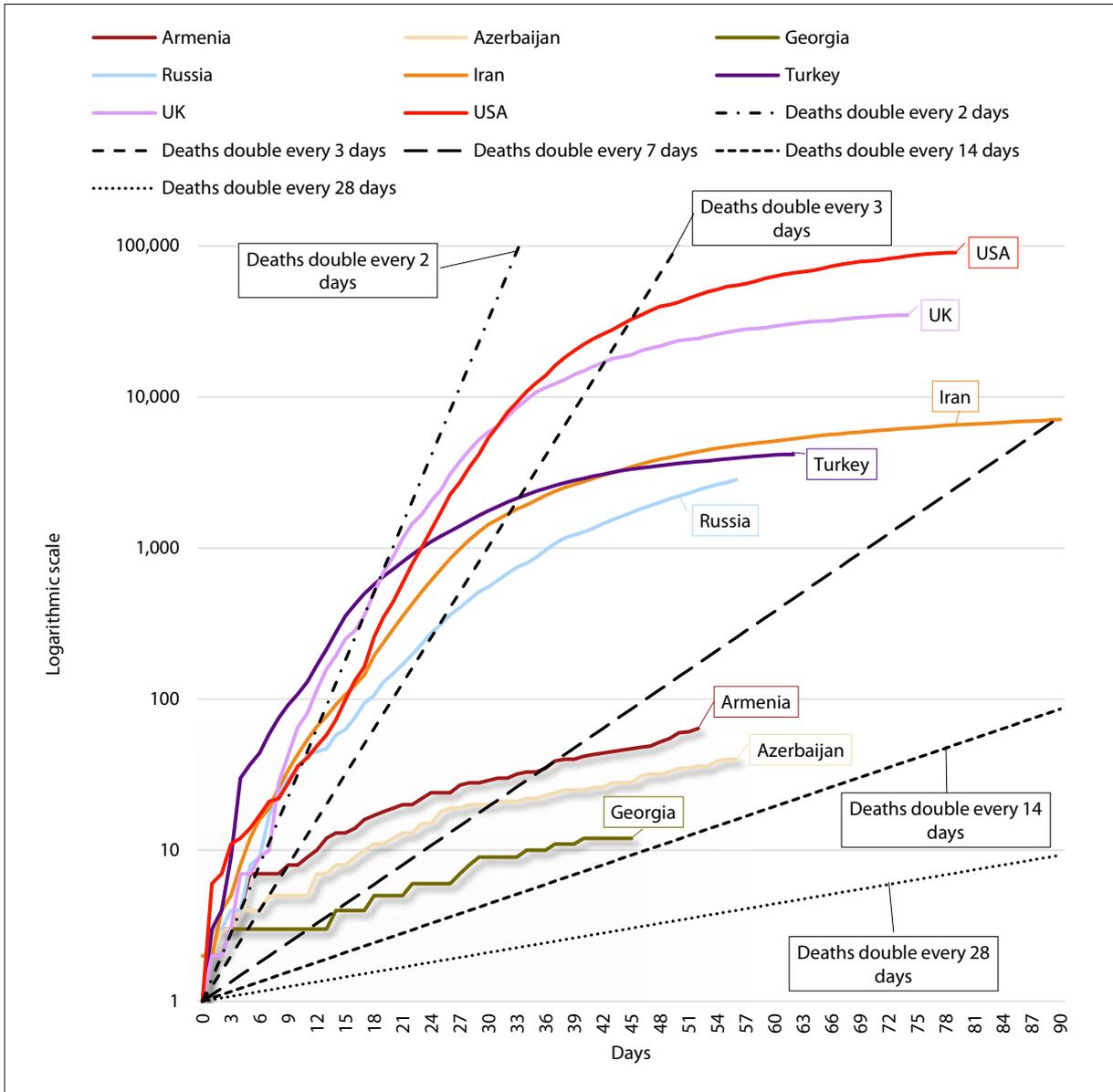
Figure 3: COVID-19 Doubling Rates in Comparison: Confirmed Cases



Day Zero is the last day with one confirmed case, or the number closest to one case.

Source: Johns Hopkins University. 19 May 2020, 4:32 PM CEST, <https://coronavirus.jhu.edu/map.html>; [https://github.com/CSSEGISandData/COVID-19/blob/master/csse\\_covid\\_19\\_data/csse\\_covid\\_19\\_time\\_series/time\\_series\\_covid19\\_confirmed\\_global.csv](https://github.com/CSSEGISandData/COVID-19/blob/master/csse_covid_19_data/csse_covid_19_time_series/time_series_covid19_confirmed_global.csv)

Figure 4: COVID-19 Doubling Rates in Comparison: Deaths



Day Zero is the last day with one confirmed death, or the number closest to one death.

Source: Johns Hopkins University. 19 May 2020, 4:32 PM CEST, <https://coronavirus.jhu.edu/map.html>; [https://github.com/CSSEGISandData/COVID-19/blob/master/csse\\_covid\\_19\\_data/csse\\_covid\\_19\\_time\\_series/time\\_series\\_covid19\\_deaths\\_global.csv](https://github.com/CSSEGISandData/COVID-19/blob/master/csse_covid_19_data/csse_covid_19_time_series/time_series_covid19_deaths_global.csv)

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