



Integrated Country Strategy

ARMENIA

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1. Chief of Mission Priorities

The U.S. Mission in Armenia advances American interests by helping Armenia succeed as a secure, prosperous, and democratic country, at peace with its neighbors, and more closely integrated with the Euro-Atlantic community. The U.S. relationship with Armenia is evolving, at the Embassy's direction, from one largely shaped by assistance programming to one shaped by trade, mutual security interests, and shared values. The peaceful Armenian-led transition of power in May, 2018, to a new government committed to rule of law, ending corruption, and strengthening human rights presents opportunities to further U.S. policy goals and our interests in the Caucasus. Taking full advantage of those opportunities will require increased U.S. Government engagement to strengthen political stability and increase the likelihood of the government achieving our shared goals. Embassy Yerevan uses diplomatic engagement, development assistance, military aid, public diplomacy, and rule of law programs to help Armenia normalize relations with its neighbors, contribute to the security goals of the United States, liberalize and open its markets to U.S. trade, enhance the country's energy security, identify and counter Russian disinformation, and strengthen rule of law and human rights institutions. As a result of Mission efforts and U.S. investment in assistance and diplomatic engagement, U.S. trade and investment has grown in Armenia over the past two years; Armenia is slowly reducing its reliance on Russian energy sources; is a partner in providing regional stability as the only Collective Security Treaty Organization (CSTO) member state to contribute troops to NATO in Afghanistan; and the Armenian media and public have grown increasingly sophisticated in resisting Russian disinformation and malign influence.

Improving the Business Climate: Countering Corruption

The Mission seeks to move Armenia to self-sufficiency; however, our work to achieve durable and sustainable outcomes in favor of U.S. interests is not done. Challenging the Mission's work is the cross-cutting issue of corruption, which undermines Armenia's governance, national security, rule of law, and stability. It also has a grave impact on Armenia's business climate. Mission Armenia is implementing a comprehensive effort to fight corruption to further U.S. interests, building on the potential opportunity the 2018 change in government presents, as this is a common priority throughout the new government. We partner with non-governmental and governmental institutions that demonstrate a commitment to fighting corruption and condition our support on the attainment of measurable achievements.

Countering Russian Influence: Supporting Armenian Sovereignty and Resilience

Sustained U.S. assistance to and diplomatic engagement with Armenia remains essential in bolstering Armenia's ability to counter Russian leverage and malign influence. Post-Soviet Armenia has traditionally followed a policy of triangulation between Russia and the West as the best way to minimize its international isolation while guaranteeing its military and economic security in a complex neighborhood. Armenia shares borders with Iran to the south, with Syria and Iraq nearby as well, so a USG focus on security and countering proliferation and transnational organized crime coming from or through Iran is of particular U.S. interest.

However, the destabilizing Iranian behavior that triggered U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA) creates a point of bilateral friction with Armenia, which, though it recognizes the dangers of that behavior, is eager to improve its economic ties with Iran. With a new government at the helm perceived to be more aligned with Western values, Armenia's multipolar foreign policy might come under increasing pressure from a resurgent Russia.

Armenia has traditionally viewed Russia as the guarantor of its territorial security, while also relying on Russian energy supplies. While Armenia formally entered the Eurasian Economic Union (EaEU) in early 2015, it has not adopted in tandem, despite what we assess was pressure from Moscow to do so, the Russian political model: limiting space for civil society, shutting down opposition media outlets, and limiting foreign funds to opposition candidates. It was the fact of this open political space for civil society, the media, and an opposition that allowed the Armenian people to successfully organize, remain united, and ultimately peacefully remove a government that they assessed had maintained power through illegal and undemocratic methods. Armenian civil society remains active, although not yet self-sustainable. A progressive and Western-leaning law on Public Organizations was passed in 2017, which provides NGOs greater opportunities for sustainability. Our assistance programs supporting energy security, democratic governance, and independent media are intended to reduce Russian leverage, enhance Armenia's ability to exercise sovereign choices, and increase the sustainable elements of civil society.

Armenia has attempted to balance its reliance on Russia by completing a unique Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU in 2017 and increasing its participation in NATO deployments. In 2015, Armenia signed a Trade and Investment Framework Agreement (TIFA) with the U.S. Government, trying to remove trade and investment barriers. The previous government, despite the pressure from Moscow and decision to join the EaEU, did not deviate from demonstrating continued commitment to reform and that it had not closed the door to the West. This was demonstrated by Armenia's growing contributions and participation in NATO deployments; civil aviation reform; liberalization of the energy market; and adoption of laws that bolster citizens' rights in line with Western Europe and American values. Armenia's progress in leveling the playing field for business has been rewarded with hundreds of millions of dollars in new U.S. investment and led to an over forty percent increase in bilateral trade in 2017. The new government, in its initial dialogue with the U.S. Government, has been clear it too intends to continue this "open door" policy of balanced relations with West and East.

Achieving Peace and Regional Integration

The conflict with Azerbaijan over Nagorno-Karabakh and the seven surrounding territories prevents the normalization of Armenia's relationships in the region, drains government resources from addressing development needs, directs Armenian foreign policy in unconstructive ways, and constrains economic growth. The conflict also increases Russian

leverage because it is a supplier of weapons to both parties and through Russia's security guarantees to Armenia. The Mission will continue to support the U.S. Minsk Group Co-chair in mediating a resolution to the conflict, as well as utilizing assistance and public affairs funds and programs to encourage people-to-people exchanges and economic integration efforts across the region to include improving ties with Azerbaijan, Georgia, and Turkey.

Keeping Armenia on a Path to the West

Given Armenia's geographic, economic, and security realities, it cannot and will not make a definitive choice between its partnership with Russia and the West. We would be ill-advised to push for such a choice because we are not in a position to provide the security guarantees to Armenia that Russia now does. Armenia will seek to continue to balance its engagement and commitments with regional and global powers. That reality acknowledged, the inspiring Armenian-led movement that took to the streets in April 2018 demonstrated the desire of the Armenian people to deepen democracy and human rights in ways that are in common with the values of the United States and our partners. While the country is bound by its current unique realities, the situation is not fixed and may change in ways that will enable Armenia to make more independent choices, once NK is resolved and Russian economic and energy leverage in the country is reduced. U.S. investments and engagements that support Armenians' inclination toward Western values is an investment that takes on both substantive and symbolic dimensions that will deliver on the interests of the United States.

2. Mission Strategic Framework

MISSION GOAL 1: PROMOTING U.S. VALUES AND COUNTERING RUSSIAN LEVERAGE

Mission Objective 1.1: Through continued U.S. military engagement, the Armenian government advances defense reform, strengthens Armenia's Western orientation, increases its contributions to regional and global security, and increases its disaster preparedness, positively impacting protection of both U.S. and Armenian citizens and reducing Armenian military dependence on Russia.

Mission Objective 1.2: More participatory, effective and accountable governance (CDCS DO 2)

Mission Objective 1.3: Understanding of U.S. values, culture, and English language

MISSION GOAL 2: PROMOTE AND PROTECT U.S. INTERESTS ABROAD

Mission Objective 2.1: Protection of U.S. citizens

Mission Objective 2.2: Secure U.S. borders and reduce transnational organized crime

Mission Objective 2.3: Reduce trade and investment barriers and improve the business enabling environment

MISSION GOAL 3: ENSURING A STABLE, PROSPEROUS, SECURE ARMENIA AT PEACE WITH ITS NEIGHBORS

Mission Objective 3.1: Regional economic and energy integration

Mission Objective 3.2: More inclusive and sustainable economic growth (CDCS DO 1)

Management Objective 1: Improve the security of the facilities to protect staff and visitors

Management Objective 2: Renovate the facilities to ensure safety and protection of USG resources and staff.

Management Objective 3: The embassy has disposed of the majority of unused items and is now relying on virtual auctions.

3. Mission Goals and Objectives

MISSION GOAL 1: PROMOTING U.S. VALUES AND COUNTERING RUSSIAN LEVERAGE

Description and Linkages: This goal reflects Pillar 4 of the 2017 National Security Strategy, which seeks to advance American influence. It also supports the State-USAID 2018-2022 Joint Strategic Plan, Goal 1, Objective 1.4, Goal 2, Objective 2.2, and Goal 3, Objective 3.2, as well as Goals 2 and 3 of the EUR Joint Regional Strategy. We will continue to deepen our partnership with Armenia to counter Russian leverage and promote U.S. values, advancing our shared principles and interests as we support Armenia's path toward its democratic potential.

Mission Objective 1.1: Through continued U.S. military engagement, the Armenian government advances defense reform, strengthens Armenia's Western orientation, increases its contributions to regional and global security, and increases its disaster preparedness, positively impacting protection of both U.S. and Armenian citizens and reducing Armenian military dependence on Russia.

Justification: Armenia's defense reforms touch on all aspects of Armenian society due to mandatory conscription of eligible males necessitated by the Nagorno-Karabakh conflict. Defense reform serves as an important driver in Armenia's deepening ties with the West. Armenia's participation in international peacekeeping operations and training programs enhances Armenia's capability to reform and further integrates Armenia into the international community.

Mission Objective 1.2: More participatory, effective, and accountable governance (CDCS DO 2)

Justification: The development hypothesis underlying this DO/MO is that more participatory, effective and accountable governance will result if: (1) citizens are engaged in and exercising oversight over the policy process; (2) policymaking and reform implementation are transparent and responsive to the citizenry; and 3) decision making authority is decentralized to the lowest competent level in government. USAID will therefore seek to enhance the competition of ideas through access to information and mechanisms that foster input and debate, and will seek to strengthen competition between branches and levels of government through accountability. Employing a democratic and participatory approach to advancing reform across sectors, the impact of DG's interventions will permeate the entire portfolio and not be limited to traditional areas. Working more collaboratively with the government, the Mission will employ a "learning by doing" approach using the reform areas as tools to develop and reinforce a set of key competencies, institutions, and practices within civil society and the government. Civil society and the media have vital roles to play in ensuring government

effectiveness in reform as advocates and watchdogs while also promoting the government's own capacity to monitor its progress toward reform.

Mission Objective 1.3: Understanding of U.S. values, culture, and English language

Justification: Armenians who understand and appreciate U.S. culture and values support democracy and human rights, resist malign Russian influence, and want to do business with American companies. Many of the more than 4,000 alumni of U.S. government-funded exchange programs to the United States are advocates for U.S. values in their jobs, communities, and families. English language learning is a vital tool to advance U.S. policy and counter negative Russian narratives in Armenia. Armenians with enhanced English skills have more exposure to Western narratives and values, and broader access to non-Russian sources of information and viewpoints. Enhanced English also creates new educational opportunities for Armenian youth, advancing their employability and capacity to serve as agents of change, and preventing them from migrating to Russia for work where they are influenced by Kremlin propaganda that they in turn share with their families and friends in Armenia.

MISSION GOAL 2: PROMOTE AND PROTECT U.S. INTERESTS ABROAD

Description and Linkages: This goal reflects Pillar 3 of the 2017 National Security Strategy, which seeks to promote U.S. interests abroad. It also supports the State-USAID 2018-2022 Joint Strategic Plan, Goal 1, Objective 1.3, and Goal 3, Objective 3.3 as well as Goals 2 and 5 of the EUR Joint Regional Strategy. We will continue to protect U.S. interests and security through partnerships with the Armenian government, and promote U.S. property rights, trade, and investment opportunities.

Mission Objective 2.1: Protection of U.S. citizens

Justification: The 2017 National Security Strategy includes the promotion of U.S. interests abroad and the protection of U.S. citizens among its goals. As increasing numbers of Armenian-Americans return to Armenia to establish roots or open businesses, we foresee a growing demand for assistance, protection, and communication on consular matters with the government of Armenia.

Mission Objective 2.2: Secure U.S. borders and reduce transnational organized crime

Justification: The 2017 National Security Strategy includes among its top goals the promotion of U.S. interests abroad and the protection of U.S. citizens. This will require

enhanced border security, communication, and law enforcement cooperation. Achieving these objectives also means continued work on Armenian Justice Sector reform. This also entails a continuation of work focused on counter proliferation, nuclear security and safety.

Mission Objective 2.3: Reduce trade and investment barriers and improve the business enabling environment.

Justification: In order to become an attractive market for trade and investment, Armenia must reduce the uncertainties associated with doing business in the country. Armenia suffers from the inconsistent application of customs and tax regulations that serve to privilege monopolistic interests, inadequate protection of intellectual property rights, widespread corruption, and an a lack of transparency. Despite having a strong legal framework, rule of law remains a significant concern for the private sector. Armenia’s participation in the Eurasian Economic Union (EAEU) may limit trade with non-EAEU members as it conforms with poorly planned or implemented EAEU standards or imposes unclear documentation requirements. Trade relations with neighboring countries are complicated by a trade embargo with Azerbaijan, a closed border with Turkey, high transport costs through Georgia, and sanctions against Iran. In this context, Armenia is exploring the possibility of expanded economic cooperation with China, particularly as it seeks to attract investment in infrastructure and a range of sectors including industry, agriculture, energy, mining, and information technology.

MISSION GOAL 3: ENSURING A STABLE, PROSPEROUS, SECURE ARMENIA AT PEACE WITH ITS NEIGHBORS

Description and Linkages: This goal reflects Pillar 3 of the 2017 National Security Strategy, which seeks to promote stability, prosperity, and political reform. It also supports the State- USAID 2018-2022 Joint Strategic Plan, Goal 2, Objectives 2.2 and 2.3, and Goal 3, Objective 3.1 as well as Goals 1 and 4 of the EUR Joint Regional Strategy. We will continue to advance U.S. interests in the region by promoting Armenia’s stability and prosperity.

Mission Objective 3.1 Regional economic and energy integration

Justification: Armenia’s frozen conflict with Azerbaijan over the disputed territory of Nagorno Karabakh, and subsequent closing of the border with Turkey, hinder trade and investment, allow pro-Russia oligarchs to control imports and exports, spur corruption, and cause outsized public expenditure on defense and security instead of human capital. The Mission will invest in key government officials, current and future opinion leaders, journalists, and civil society representatives who, together with their counterparts in Turkey and Azerbaijan, can work toward resolving regional conflicts. This will create investment opportunities over the long-term for U.S. companies.

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Mission Objective 3.2 More inclusive and sustainable economic growth (CDCS DO 1)

Justification: The Mission's development hypothesis underlying this DO/MO is that more inclusive and sustainable growth will be achieved if the enabling environment is more attractive for trade and investment and the competitiveness of targeted sectors is strengthened. Recognizing the concentration of economic resources, the Mission will work to increase more inclusive economic growth which creates and expands economic opportunities. The Mission will work to enhance more inclusive growth by supporting competitive industries that generate more productive employment, increasing access to markets and resources for small to medium enterprises (SMEs), focusing on rural development and leveling the playing field for investments, businesses and entrepreneurs. Sustaining inclusive growth entails effective policies, increased regional integration, a diversified economy, an enterprising workforce that can drive future growth, and strategic use of resources.

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4. Management Objectives

Management Objective 1: Improve the security of the facilities to protect staff and visitors.

Justification: In order to maximize our current space, this embassy property needs additional modifications that were not among the initial design of New Embassy Compounds at the time. The newer NECs come with a separate entrances for employees and consular applicants, but the earlier models such as Embassy Yerevan did not include this separation which is intended for safety and security.

Management Objective 2: Renovate the facilities to ensure safety and protection of USG resources and staff.

Justification: In order to maximize our current space this embassy property needs additional modifications that were not among the initial design of New Embassy Compounds at the time.

Management Objective 3: The embassy has disposed of the majority of unused items and is now relying on virtual auctions.

Justification: Embassy Yerevan is moving toward an online auction platform for several reasons. In order to reduce the storage component of the warehouse, it's ideal to dispose of items more frequently rather than having items stored in the warehouse from one year to the next. Additionally, by holding the auction virtually, Embassy Yerevan hopes to cut down on the overtime required to implement a live auction which has nearly 1,000 lots. This will also cut down on the costs to hire auctioneers.