

Armenia turns away from the EU

Szymon Ananicz, Armenia odwraca się od UE

After a meeting in Novo-Ogariovo near Moscow on 3 September, the presidents of Russia and Armenia, Vladimir Putin and Serzh Sargsyan, adopted a statement declaring that Armenia has decided to join the Customs Union of Russia, Belarus and Kazakhstan, and wants to take part in creating a Eurasian Economic Union. During a press conference, Sargsyan argued that Armenia's participation in a military alliance established by Russia (the CSTO) is not possible without simultaneous economic integration. The president also said that Armenia's decision did not rule out further dialogue with the EU, and welcomed Brussels' support for his country's domestic reforms. In contrast to previous statements, however, Sargsyan did not mention Armenia's attempts to sign an Association Agreement with the EU.

This decision means a *de facto* halt to the process of Armenia's European integration. First of all, it rules out any chance of signing and implementing the Association Agreement which Yerevan and Brussels had been negotiating over the last four years. This is a blow of prestige for the EU's Eastern Partnership programme. The example of Armenia could also discourage the elites of the EU's other eastern neighbours. Yerevan's policy reorientation is primarily the result of pressure from Moscow, which in recent weeks has worked consistently and with unprecedented intensity to counteract the integration of European post-Soviet states.

A turn-round in Yerevan's policy

The announcement of Armenia's accession to the Customs Union is a clear shift in its foreign policy, which in recent years had quite consistently advocated integration with the EU. In this spirit, negotiations on an Association Agreement had been underway with Brussels since 2010; these were intended to establish a Deep and Comprehensive Free Trade Area (DCFTA) between Armenia and the EU, among other goals. As part of the negotiations Armenia has already introduced a number of reforms intended to harmonise its legislation with EU standards. In comparison with other countries negotiating similar agreements with the EU (especially Ukraine and Georgia), the talks with Yerevan had not experienced any major difficulties, and Brussels had praised it for efficiently preparing the state for integration with the EU common market. The agreement was to have been initialled at the Eastern Partnership summit scheduled for this November in Vilnius.

Hitherto, the Armenian government had approached the possibility of joining the CU with

scepticism, drawing attention to their extensive trade relations with the EU (35% of Armenian exports go to EU markets, and only 19% to Russia) and their lack of a common border with the CU. The move towards the EU also helped the government in Yerevan to gain public support, loosened its dependence on Russia, and strengthened Armenia's position against Azerbaijan and Turkey.

Since it is impossible to reconcile participation in the EU's free trade zone with membership of the CU (as each agreement provides for different customs regimes), Yerevan's decision has effectively torn up the process of association with the EU, and has thus dramatically weakened the European vector of Armenia's foreign policy. In the face of this decision, initialling the Association Agreement at the EU's Eastern Partnership summit in Vilnius has become meaningless.

A success for Russian diplomacy

Yerevan's decision is mainly the result of pressure from Moscow, which in recent months has stepped up its efforts to torpedo any closer relations between former Soviet states and the EU. In recent weeks, growing pressure from Russia has been apparent in the increasingly strong warnings and even threats made by Russian politicians to Ukraine and Moldova, as well as instances of closing the Russian market to imports from these countries. At the same time, Moscow has been pushing its integration project, the Eurasian Economic Union, also known as the Eurasian Union, which is to begin operation on 1 January 2015; its creation involves the participation of Russia, Belarus and Kazakhstan. Kyrgyzstan and Tajikistan have declared that they will join.

Moscow has a wider arsenal of instruments for putting Armenia under pressure than it does for the other Eastern Partnership countries. First of all, it can exploit its position as the effective guarantor of Armenia's security in the latter's conflict with Azerbaijan over Nagorno-Karabakh. Russia recently signalled its ability to change its South Caucasian policy based on favouring Armenia by selling weapons to Azerbaijan for a total sum of US\$4 billion. Another instrument of pressure on Yerevan can also be seen in Vladimir Putin's visit to Baku this August, his first in several years.

Moscow can also use its dominant position in strategic sectors of the Armenian economy, including energy, transport and telecommunications. This July, Russia stepped up economic pressure on Yerevan by introducing a 50% rise in gas prices for individual customers (Russia's Gazprom controls the Armenian gas company ArmRosGazprom), which contributed to significant price increases and heightened public discontent. Armenia unsuccessfully sought Russian subsidies for the gas price increase for several months.

The consequences for Armenia

In the short run, Armenia's decision to join the CU could bring it some benefits, including a reduction in the price of Russian gas, Russian investments in infrastructure and the energy industry, and the delivery of Russian arms. Formal economic integration with Russia will further enhance the security of Armenia, protecting it against possible military attack from Azerbaijan, as Moscow will be interested in maintaining the stability of the Customs Union. Meanwhile, however, Yerevan's decision will lead to the even more complete subordination of its domestic and foreign policy to Moscow. Armenia will find it difficult to return to the policy of balancing Russian influence with relations with the EU. Internally, we should expect a departure from the political and economic reforms that would have brought Armenia up to EU standards. The hardening of the current political and economic system, based on the dominance of the ruling party and related oligarchic groups, is also likely. It should be expected that in the short term, the decision to move away from the policy of integration with the EU and the prospect of even greater dependence on Russia will be met with protests from the pro-European part of the population.

Consequences for the Eastern Partnership

Deepening institutional cooperation with Ukraine, Moldova and Georgia has always been more important for the EU than the relationship with the smaller, more peripherally located Armenia. However, Yerevan's unexpected withdrawal from EU integration is a blow to the prestige of the Eastern Partnership. The failure of the association between Armenia and the European Union will be an incentive for Moscow to ramp up the pressure it is already putting on Ukraine, Moldova and Georgia. The statement by the Georgian Prime Minister Bidzina Ivanishvili on 4 September, in which he did not rule out joining the Eurasian Union if it would be beneficial to the national economy, may indicate that Moscow's calculations have some justification. However, we must note that no other country involved in the association process is as strongly dependent on cooperation with Russia as Armenia is. It is possible that the EU will react to the unfavourable dynamics in the Eastern Partnership countries by easing the requirements set for Ukraine to sign Association Agreement in Vilnius.

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