
Armenia Seeks Stronger Ties With Russia

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Serzh Sarkisian, whose controversial election as president of Armenia precipitated political violence in Yerevan, is hoping closer ties with Russia can hasten a return of stability in the South Caucasus country.

Sarkisian -- the current prime minister who is scheduled to be inaugurated as President Robert Kocharian's successor on April 9 -- flew to Moscow on March 24 for meetings with Russia's presidential tandem, outgoing chief executive/incoming prime minister Vladimir Putin and president-elect Dmitry Medvedev. [For background see the Eurasia Insight archive].

Already Russia's closest ally in the region, Sarkisian said he was committed to "deepening and expanding" Armenian-Russian ties. He also expressed gratitude for Moscow's support of the Armenian government's handling of the political crisis in Yerevan. [For background see the Eurasia Insight archive]. "We always felt your assistance in the election process," Sarkisian said during a meeting with Putin. "To be honest, we never expected such clear-cut" support.

Putin and Medvedev seemed happy to take the Armenian leader up on his offer of closer relations. "This is your first visit after the elections, and, of course, we see special symbolism in this fact," Medvedev said.

Putin, meanwhile, clearly indicated that Armenia's current domestic difficulties would not hamper the Kremlin's ability to do business with Sarkisian. "I know that political processes in Armenia are complicated," Putin acknowledged. The Russian leader then expressed confidence that "no matter how the internal political process in Armenia unfolds, what has been built in the past years in relations between the Russian Federation and Armenia will be maintained and will develop in the future."

Sarkisian indicated that his incoming administration would seek to quickly restore a sense of stability in the country, pledging to create "an atmosphere of tolerance." The centerpiece of his emerging stabilization program is an initiative to boost social welfare and economic opportunity. [For background see the Eurasia Insight archive].

The two countries have been doing a lot of business in recent years.

Trade between Russia and Armenia reached \$800 million in 2007, marking a 60 percent increase over the previous year, according to the Russian official statistics. Moscow voiced expectations that bilateral commerce would top \$1 billion in the near future.

Trade between Russia and Armenia has been hampered by transportation bottlenecks. For over a year, Sarkisian has been lobbying Russian officials to expedite the opening of ferry service connecting Russian

Black Sea ports and the Georgian city of Poti, a move that would ease Armenia's transport woes. Moscow's recent decision to ease transport restriction with Georgia could revive hopes that ferry service could begin soon. [For background see the Eurasia Insight archive].

One notable bilateral trade development occurred February 6, when Atomredmetzoloto, a uranium mining subsidiary of Russia's nuclear monopoly Rosatom, created a joint venture in Armenia to develop uranium reserves estimated at 30,000-60,000 tons. The deal was clinched during a visit to Armenia of the Prime Minister Viktor Zubkov, who was accompanied by Sergei Kiriyenko, head of Rosatom.

In Yerevan, Kiriyenko pledged to participate in a tender to build a new nuclear power plant in Armenia. The initial estimated cost of the project is \$1 billion. Zubkov and his Armenian counterpart Sarkisian also inked an agreement covering Armenia's participation in the International Enrichment Center in Angarsk, in Russia's Irkutsk region.

One potential trouble spot in relations centers on energy supplies.

Armenian officials have hoped to ensure, through their expressions of loyalty to Moscow, that the Kremlin-controlled energy conglomerate Gazprom would give Armenia a preferential price for gas. Armenia currently pays \$110 per thousand cubic meters (tcm) and this contract price remains effective till January 1, 2009. That price is far lower than what some other former Soviet states pay Gazprom. Yet, even if Gazprom was inclined to maintain Armenia's favorable rate, events now seem to mandate that Yerevan will face a substantial price increase in 2009. Gazprom's recent pledge to pay "European market" prices to Central Asian producers means that the gas that it obtains from the region with cost the Russian company upwards of \$300/tcm. It will have no choice, then, but to pass costs on to its customers. [For background see the Eurasia Insight archive].
