
Armenia : A Russian outpost in the Caucasus ? - Feature

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Moscow/Yerevan, Armenia - Just as Russia has aggressively increased its economic presence in Armenia, impending presidential elections that have aggravated relations with its neighbouring states have seen the political leadership leaning toward the West. Armenia is perched high in the Caucasus Mountains flanked on one side by Georgia, internationally important for security reasons, and by crucial players in the energy game, Iran and Azerbaijan, along its southern border.

Armenia's unique situation - with over one-fifth of its nationals living abroad - has significant economic influence on the smallest post-Soviet state, though the diaspora is stripped of voting power.

According to data from the European Bank for Reconstruction and Development, remittances from the 8-million-strong Armenian diaspora pushes the country's GDP per capita higher than that of its neighbour, rising economic power Georgia.

Formerly known as the Soviet Union's manufacturing hub, Armenia has remained firmly within Russia's radius since its industry fell apart with the 1991 collapse of the communist regime.

Compounding its military presence in the country, Russia has ramped up its economic presence in recent years, now owning near total control over Armenia's energy and transportation sectors.

A vital pipeline project to diversify energy dependency away from Russia by carrying gas from Iran has also come under Russian gas monopoly Gazprom's control in 2006.

Russian ties are in part to offset political embargoes along two of its borders due to unresolved territorial disputes with Azerbaijan and a failure to achieve reconciliation over the 1915 Armenian genocide by the Ottoman Empire.

But amid election campaign opposition accusations that Russia's growing economic presence poses a threat to Yerevan's sovereignty, the current administration has been more circumspect about its alliances.

The special relationship showed fault lines over Russia's warming relations with Armenia's longtime foe Azerbaijan and its economic blockade of Georgia, which has a spill-over effect on Armenian business.

In response, Yerevan has turned towards the West, where a large Armenian diaspora is actively lobbying the small state's interest.

"Yerevan is finding it increasingly important to balance Russia against a dialogue with NATO and interesting the European Union," said Thomas Gomart, head of the Russian/CIS programme at Paris-based Institut Francais des Relations Internationales.

But whatever the inter-state relations, Armenia's ties to Russia through the diaspora there are the most important, said Gegam Khalatyan, the president of the Association of Armenians in Russia.

The Armenian diaspora in Russia counts about 2 million, and - unlike other

diasporas - has grown exponentially in the past five years with over two thirds of immigrants making Russia their home.

Remittances sent home from Russia amount to 1 million dollars - the total Russian investment in the country last year.

Russian Prime Minister Viktor Zubkov tacitly displayed Russia's interest and support for the incumbent presidential candidate by paying his counterpart a visit two weeks before Armenia's elections.

The meeting reinforced Russia's economic domination with crucial bilateral deals signed that handed Russia's state railway company the management of Armenia's network for the next 30 years.

The joint construction of Armenia's first power plant and smoothing out the last wrinkles in dividing almost total control of the country's energy sector between Russian state-monopolies Gazprom and Unified Energy Systems was also agreed upon.

But, surprisingly, the latest Russian takeovers in the region - where it is fast losing influence to the West - seemed to reinforce the leadership's move for closer ties to other governments.

Though none of the nine Armenian candidates competing for the executive office are indifferent to Russia, opposition leaders and local analysts have grown increasingly suspicious of Russia's economic power during the election campaign.
