
Armenia's Tectonic Shift To The East: Challenges And Possibilities

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Following the meeting in Moscow on September 3, the Presidents of Armenia and Russia signed a joint statement, which confirms Armenia's desire to join the Customs Union (CU) and willingness to participate in the formation of the Eurasian Union (EUA) by 2015.

The government of Armenia on Thursday, September 19, approved an action plan to join the Customs Union. Seven working groups have been set up to accelerate the process.

These developments came as a big surprise especially for the EU, as Brussels expected to sign an Association Agreement along with a Deep and Comprehensive Free Trade Area (AA/DCFTA) component with Armenia and other Eastern Partnership (EaP) states in Vilnius this November.

For months, both the EU and Russia made it clear that Armenia had to make a decision between Customs Union membership and a closer association with the EU. The incompatibility of both blocs was the center of gravity, despite official Yerevan's continuous (and unsuccessful) attempts to break free of that imposition.

Both the EU and Russia claim that their geo-strategic plans do not contradict one another, and even claim the opposite. If this were the case, Russia and the EU would be more willing to work together to find a mutually agreeable format of cooperation with the six EaP states instead of moving towards a head-to-head collision.

Considering the close collaboration between Armenia and Russia in the economic, political, and military spheres, this news should not come as a total surprise. Russia maintains an army base in Armenia, owns most of the country's critical infrastructure, is the leading foreign investor, and is home to the largest Armenian Diaspora in the world.

Having so much political and economic leverage over Armenia, Russia did not face a major challenge in "convincing" Armenia of the greater virtues of the CU over the AA/DCFTA.

Armenia's chances for possible membership in the EU are currently close to zero, whereas the CU and consequently EUA membership might prove to be beneficial in increasing Armenia's international relevance as part of a much larger entity. Taking into consideration all the above-mentioned factors as well as the cultural and historical connections with Russia, the CU was a more natural choice for Armenia than the AA/DCFTA.

In making its decision, the Armenian leadership was not provided with many (equally good) alternatives. Just like Russia, the EU was not eager to allow Armenia much maneuvering space. Thus, Brussels has its own share of the blame in regards to recent events. In choosing between national security and further trade with the EU, Armenia chose the former.

Armenia became a "victim" of the contention of the two sides, regardless of its commitment to work with both. The question now, however, is no longer if official Yerevan should choose between the East or West, but rather how

it should reap the utmost benefits from the current situation and overcome its foreign policy challenges.

First, the Armenian leadership should, at the minimum, maintain the same level of cooperation with the EU as it has thus far. The EU remains a major trading partner and home to a sizable Armenian Diaspora. This should be viewed in light of the country's policy of "Complimentarity" in foreign affairs- Armenia cannot afford to have tense relations with Russia, the EU, or other major powers due to its geopolitical situation.

The challenge for Armenia now is, parallel to the Russian projects, trying to draw other foreign investments into the country to make sure that the state does not become too dependent on Russia (as it is the largest and richest member of the CU). Continuous interaction and attraction of both Russian and non-Russian (even Belarusian and Kazakh) foreign investments into Armenia is important. Additionally, Yerevan should focus on increasing Diasporan investments into the country, which will solve several issues at once, including deeper commercial interaction with compatriots abroad, domestic job creation, economic growth, and (hopefully) repatriation.

Proactive diplomacy can turn the balance to Armenia's advantage. Given the current strategic and political realities, Armenia can and should capitalize on the situation to the maximum. The leadership must be more engaged in the region and promote the state's national interests.

In exchange for the decision to join the CU over AA/DCFTA, Armenia should attempt to reap greater benefits from Moscow - be they economic, political, military, or otherwise. Additionally, Yerevan should try to mediate relations between Georgia and Russia, since normalization in relations would benefit Armenia as well. This will not only serve Yerevan's geopolitical interests, but also raise the country's international image as a successful mediator and reliable partner.

Inclusion of Artsakh, even informally, in the CU ought to be an important objective. In a press briefing, Secretary of the Armenian National Security Council Arthur Baghdasaryan assured that Artsakh will be incorporated into the CU- something very unlikely to have happened with the AA/DCFTA.

Parallel to the "Complimentarity" policy towards Russia and EU, Armenia should look into further deepening its ties with India, China, and others- something that the leadership has not given as much priority as available thus far. Further cultivation of a policy inclined to develop and strengthen ties with the East should be one of Yerevan's top priorities. This will enable Armenia to create more alternatives for itself and loosen its dependence on both Russia and the EU, hence allowing for more flexibility in its foreign and domestic policies.

It is now in Yerevan's absolute interest to work towards and lobby for Ukraine's (also Georgia and Moldova) membership in the CU, as Ukraine's accession would ensure CU's, and subsequently ECU's viability. Ukraine is a major economic and political player in Eastern Europe and its accession to the CU will be a great benefit for Armenia. Since the CU accession decision has already been made, Yerevan can no longer afford to stand on the sidelines and needs to take a much more proactive role in promoting the CU, together with Russia.

Aside from Ukraine, Armenia should particularly push for Georgia's CU membership (or at least some other level of engagement) - something not very likely in the near future, but not impossible either.

Georgia's membership would solve the issue of not having a common

border with the other CU states, and would provide Armenia with better conditions to access the Black Sea region and international markets as part of a single economic space. In such a scenario, the unilateral coercive blockades of Azerbaijan and Turkey would be obsolete and would additionally ensure Azerbaijan's relative regional isolation from the ongoing processes.

In short, Armenia should intensively use its diplomatic clout, the Diaspora, and other channels present in Ukraine, Moldova, and Georgia in a vigorous campaign to get those countries to join the CU, or at least gain observer status.

Finally, Yerevan should push to accelerate the process of finalizing the railway and oil pipeline projects with Iran, which would further integrate Armenia into regional development projects and solidify its position as a transit hub of goods and resources. This is a project that Moscow and Beijing have shown interest in during recent discussions with Armenian officials. A North-South transit route would further (economically) legitimize the Eurasian Union project, and prove to be a major boon to trans-regional firms engaged in global commerce. Aside from regional and international benefits, Armenia would simultaneously strengthen its domestic political and economic environments.

If such a scenario is to play out, which is quite realistic, Armenia will come out much better positioned in the region and globally than if it were to sign an AA/DCFTA with the EU. It is not too late to act (if not already), but in this case time is running out for Armenia.

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