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# Russia plays, Europe pays: Armenia's Customs Union adventure (1)

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Armenian President Serzh Sarksyan's declaration that Yerevan will join the Russian-led Customs Union (CU) has unseated an enduring and continuing debate both domestically and internationally.

Undoubtedly, the decision has come as a surprise to the wider public -- but not to high-level European Union officials. As stated by EU Commissioner for Enlargement and European Neighborhood Policy Stefan Füle, Armenia only informed the EU about the possibility of its accession to the CU on Aug. 31, just three days before the official declaration of the decision. It seems likely that President Sarksyan made his final decision during an unexpected visit to Croatia on Aug. 28, where he met with Ara Abrahamyan, a Russian-Armenian businessman and president of the Union of Russian Armenians. According to speculation in the Armenian media, Abrahamyan arranged for Sarksyan to meet with Putin, and while still in Croatia, Sarksyan notified the EU of his decision.

What is now clear is that an EU Association Agreement is no longer on the table with Yerevan at the November Vilnius Summit. Armenia's decision will have important consequences for both the EU and the South Caucasus region. From the EU's perspective, Armenia has ended its "either-or" dilemma between the EU and the Russian-sponsored CU and Eurasian Union. On Sept. 12, the European Parliament passed a resolution proclaiming Russia's actions towards the Eastern Partnership (EaP) countries "unacceptable," and called upon the European Commission to take definite action. In reality, this resolution is merely a demonstration of political frustration and is unlikely to influence Moscow's behavior. In another statement, the EU has said that it is trying to draft a workable road map for EaP countries to finalize an agreement with the EU while also meeting Moscow's demands. According to Füle, "it may certainly be possible for members of the EaP to increase their cooperation with the CU, perhaps as observers; and participation in Deep and Comprehensive Free Trade Area (DCFTA) agreements is of course fully compatible with our partners' existing free trade agreements with others in the Commonwealth of Independent States (CIS)." Ukraine has already taken this middle path by signing a deal to become an observer in the CU trade bloc while still hoping to finalize an EU Association Agreement in Vilnius.

Armenia has not yet declared the specifics of its CU alignment, i.e., whether it will hold observer status, or full membership -- but the latter seems more likely.

However, the EU has not abandoned all hope. During his visit to Armenia on Sept. 12-14, Füle insisted that the EU will seek possibilities for a continued partnership with Yerevan through a new legal framework for cooperation.

Armenia has long struggled with the EU-Russia dilemma; Yerevan found itself in a situation wherein "Russia plays, Europe pays." It relied on the EU's high-profile financial support in harsh economic conditions, while at the same time Russia continued to bolster its political and economic influence in the country.

On the eve of the Vilnius Summit in November, the EU-Russia-Armenia

triangle looks set to open up several short and long-term political questions.

First of all, Armenia may suggest that it can still sign the Association Agreement without its economic component, and, apparently, the EU might agree to this solution to avoid losing all ties with Armenia. Armenia in this regard is likely to play for time, because under normal regulations, such agreements -- including CU accession or EU alignment -- must be approved by parliament. And for now, no formal agreement has yet been negotiated on the CU accession, which requires a full assessment of the current customs regulations before the CU regulations can be implemented. President Sarkisyan is unlikely to risk his personal reputation and relationship with Moscow by putting the decision on CU membership to referendum, but he could arrange this by some behind-the-scenes management of political groups in parliament. By doing this, Sarkisyan could avoid burning his political capital, allowing him to say that the decision was reached democratically, by the public.

The second possibility, which is unlikely, is that Armenia will rely on dissent from the current members of the CU, Kazakhstan and Belarus. However, there is no obvious argument that Belarus or Kazakhstan could or would raise, and the timeline is very short: In October the CU summit will take place, during which its three members are supposed to approve Armenia's membership. But it will not be a final decision; Armenian Speaker of the National Assembly Hovik Abrahamyan announced that the possible dates for signing the Treaty of Accession to the CU could be arranged for 2014. Not surprisingly, as stated above, Abrahamyan also acknowledged that there is still no final text of the treaty, and it is likely that Armenia will not accept the text or that parliament will vote against it.

The third possibility, which was on the European agenda, is to win Armenia back to EU orientation by revitalizing the Turkish-Armenian rapprochement process, which collapsed in 2009 for various reasons, but mainly the unresolved Nagorno-Karabakh conflict. Some political experts have suggested that the last-ditch attempt to rescue Yerevan from Moscow's domination will be by trying to open the Turkish-Armenian border. But taking into account the stalemate on the Nagorno-Karabakh conflict, the current passivity in the conflict-resolution process, and the fact that after its CU decision Armenia is more dependent on Moscow, the unfortunate conclusion is that the conflict-resolution process has ended up in the hands of Russia. This will affect Azerbaijan's role and strategy towards Russia as well as the conflict-resolution process itself.

In the next section of this column, I will discuss the potential impact of Armenia's CU decision on Yerevan's domestic policy along with the Azerbaijani and Georgian positions.

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