



Behind – and beyond – Armenia’s choice

by Nicu Popescu

In September, Armenia stunned EU foreign policy watchers when it gave up on its association and free trade deal with the EU just a few weeks after negotiations had been finalised. The move followed Russian demands for Armenia to join the Russia-led Customs Union, thereby excluding the possibility of a free trade agreement with the EU. But even if Armenia’s U-turn was the direct consequence of Russian pressure, it nevertheless touched a raw nerve in the EU. It is therefore useful to ask what Yerevan’s U-turn means for EU foreign policy in general, and for the Eastern Partnership (EaP) in particular.

The shape of things to come?

That a country of 3 million people and a nominal GDP of roughly €7.3 billion would turn its back on the world’s biggest market (with over half a billion people and a GDP of nearly €12 trillion) would have previously been virtually unthinkable. The EU, which has spent the last two decades managing a queue of almost two dozen countries vying to enter the club, is simply not used to being rejected by countries such as Armenia.

Armenia’s sudden change of direction seems to suggest that one of the most prized things the EU can offer (access to its market) can be countered by other powers – and offers. It was not Armenia’s decision *per se* that shook the EU foreign policy community, but a fear of the possible shape of things

to come – and a feeling that a multipolar world is emerging not only at the expense of US power, but also of EU influence.

The Union is right to feel uneasy. Its influence in world affairs should not be taken for granted and it will become increasingly dependent on the ability of member states to stick together in economic, security, and foreign policy matters. But Armenia’s abrupt choice is no cause for introspection or surprise. If anything, the real surprise was that Armenia managed to advance so far in its relations with the EU, openly defying Russian preferences in the process. The very fact that a country like Armenia attempted to move closer to the EU and reduce its reliance on Russia through a policy of so-called ‘complementarity’ is indeed cause for greater soul-searching in Moscow rather than Brussels.

A player, not a victim

European policy circles also reacted with outpourings of pity for Armenia. The prevailing view was that a small state had been bullied by a former imperial master into acting against its will and interests. However, whilst these feelings of sympathy are partly justified, they should not be exaggerated. True, when the Russian and Armenian presidents jointly declared that Armenia was to join the Customs Union, the negative body language of both leaders did not suggest that their conversation had been pleasant, or that their announcement was a long-desired historical



step. The reality, however, is that all international alliances are package deals with mutual benefits and obligations that often span political, economic and military fields. Thus, although Armenia may have been bullied, it is not unusual that Moscow did not like the idea of an *à la carte* partnership with Yerevan where the latter cherry-picks what it wants from the alliance whilst attempting to diversify its foreign policy.

Armenia's reliance on Russia has its roots in the battlefields of Nagorno-Karabakh and its open conflict with Azerbaijan over the region. As part of the Russian-led security alliance, the Collective Security Treaty Organisation, Armenia is shielded by Russia's implicit military guarantees and is granted access to Russian-made weaponry at reduced rates. Moreover, Armenia's most coveted economic assets are to a large extent in Russian hands. This situation is at least partly because the Armenian economy remains unattractive for foreign investors due to high degrees of corruption and the vested interests of oligarchs.

In the broader context, Armenia is not simply a victim of Azerbaijani or Russian policies, but rather a player in its own right. Armenia has itself also contributed to the region's difficulties. It certainly has not gone out of its way to solve the Nagorno-Karabakh conflict: it still has troops stationed not only in Armenian-inhabited Nagorno-Karabakh, but in much wider swathes of Azerbaijani territory, well beyond the settlements of its ethnic kin. Furthermore, in negotiations over conflict settlement, it has been as inflexible as Azerbaijan. Although this is regrettable, states and political elites have to live with the consequences of their actions and unlike most other post-Soviet states, Armenia has placed *itself* in a situation where it cannot say no to Moscow.

A two-tier eastern partnership?

There are several lessons to be drawn from Armenia's U-turn. The first is to understand that the EU does not have a monopoly on attractiveness. Increased multipolarity will mean that other powers (be it China, Russia or Gulf petro-states) can also make equally attractive offers regarding trade access, investment, assistance and security cooperation – offers that may sometimes be difficult to refuse. This, in turn, means developing competitive packages in

order to effectively operate in the marketplace of international relations.

The second lesson is the need to deliver effectively on the benefits of Association Agreements for those countries still waiting in line. Russia's diplomatic blitz is unlikely to be repeated as easily with Moldova, Georgia or Ukraine. However, a sustained offensive in the form of trade restrictions or energy-related pressures could still derail the association process. Thus, faster moves to open EU markets, even before formal free trade agreements are in place (in the case of Moldova and Georgia), is one way forward. Another important issue is to proceed with visa liberalisation.

Finally, in the case of Armenia, it may be in the EU's interest to pursue a calibrated response. On one hand, the relationship as it was conceived, planned and designed over the past few years is almost in tatters: without the free trade component, an Association Agreement is but an empty shell. The Union has little

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interest in giving 'more for less', and Association Agreements are designed for states that wish to enter into serious and substantial political and trade deals with the EU. Armenia is now not one of them by choice.

On the other hand, the relationship should not be allowed to grind to a halt: the EU has relations with many states without comprehensive free trade agreements. As an alternative, the EU and Armenia may pursue a scaled-down relationship, perhaps based on a new category of agreements – such as 'neighbourly cooperation agreements' – to be signed with countries that do not wish for (or cannot afford) the creation of free trade areas.

In the end, what could emerge is a 'two-tier' Eastern Partnership, encompassing countries in favour of strong relations with the EU (Ukraine, Moldova and Georgia) and countries that are not. The top layer should include Association Agreements, free trade areas and dialogues on visa-free travel. The second layer (destined by default rather than design, for Armenia, Azerbaijan and Belarus), would be much more modest in scope. This 'two-tier' Eastern Partnership may well provide the sole way forward, at least so long as these countries do not want 'more' from their relations with the EU.

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