



Armenia: Russia first, EU second?

by Erika Balsyte

Following recent constitutional changes, Armenians are set to go to the polls on 2 April to vote in parliamentary elections. The elections will show the effects of the December 2015 amendments to the constitution, as well as recent changes in the electoral code which reduced the number of parliamentary seats from 131 to 101 and extended presidential terms from five to seven years. But with the country having shifted from a presidential to a parliamentary republic, the new parliament will be significantly more powerful than before. Moreover, the political system remains highly centralised, and President Serzh Sargsyan and his ruling Republican Party of Armenia (RPA) are looking to safeguard the power they have accrued.

President Sargsyan has promised that the upcoming elections will be more transparent and show improved levels of democracy. But it looks as if the RPA and the president will dominate political life in Armenia for some years to come. Regardless of the outcome, however, the increasingly anti-Russian mood within Armenian society is likely to pose a serious challenge to whoever forms the next government.

Russia's role

Against the backdrop of the elections, Russia looms large. First, Russia is an important trade partner: it remains the second largest destination of Armenian goods after the EU, and its principal

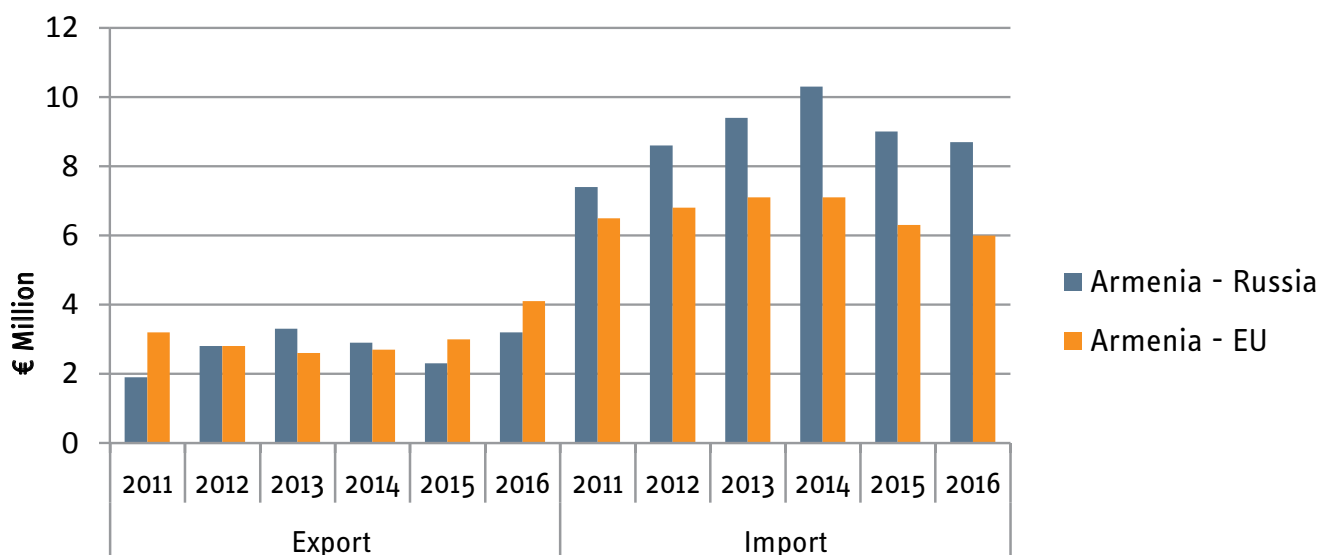
source of imports. Moscow is also Yerevan's main military ally and acts as a security guarantor. That said, relations between the two countries have not always been rosy, and new generations of Armenians tend to see Russia's role in a less positive light than those born under Soviet rule.

Several developments in recent years have tarnished Russia's image in the eyes of Armenia's society. In one recent incident, the murder of six members of an Armenian family by a Russian soldier near a Russian military base in April 2016 caused uproar in the country. But more broadly, in recent years Moscow has continued to increase its arms sales to rival Azerbaijan, to the chagrin of many Armenians. The four days of conflict which then broke out in the disputed enclave of Nagorno-Karabakh in April 2016 left many Armenians doubting Russia's claim that it is a close strategic partner. Finally, the visits of Russia's foreign minister to Yerevan in summer 2016, as well as one by Vladimir Putin in October 2016, were both met with widespread anti-Russian demonstrations.

Russian investors now dominate almost all infrastructure in Armenia. And while Yerevan benefited from Russian investments, persistently high levels of corruption and the entrenchment of an oligarchic class is undermining the functioning of the country. Armenian discontent with Russia was visible during the so-called 'Electromaidan' protests which occurred in June



Armenian imports and exports: Russia vs EU (2011-2016)



*2016 data is calculated from January to November

Data sources: European Commission, Eurasian Economic Union.

2015, after the country's main electricity provider, Electric Networks of Armenia (which belonged to the Russian company Inter RAO UES), raised pre-planned electricity prices. It is also well known that the Kremlin has provided financial support to ruling parties in Armenia, and the appointment of former Gazprom Armenia (then ArmRosGazprom) chief executive Karen Karapetyan as prime minister in November 2016 did little to dispel the notion that Russia wields undue influence in politics. Finally, the overall economic situation in the country has worsened since Armenia joined the Moscow-backed Eurasian Economic Union (EAEU).

Yet the Kremlin has not stood idly by while an increasingly anti-Russian mood developed in what it deems to be a partner country: Moscow delivered on its promise to supply Yerevan with Iskander missiles, which were then put on display during Armenia's 25th Independence Day parade on 21 September 2016, and offered compensation to help make amends for the murderous actions of the Russian soldier.

A balancing act

As Armenia is still very much dependent on Russia, the government's hands are largely tied over major foreign policy decisions. It took, for example, more than a gentle nudge for Armenia to join the EAEU. And relations between the EU and Armenia continue to be hampered due to the entrenchment of the Nagorno-Karabakh conflict. However, Armenia's leadership is attempting to diversify its

current policy, albeit in a careful way so as not to upset Moscow.

The EU is Armenia's primary export destination and trade forms the cornerstone of the bilateral relationship. In early 2015, the EU begun negotiations with Yerevan over a new format of cooperation that is compatible with Armenia's EAEU membership. The negotiations for this new Association Agreement (AA) were concluded in February 2017, which paves the way to signing the deal. The new AA does not include trade and customs-related aspects, and is designed to replace the outdated Partnership and Cooperation Agreement (PCA) which is currently in place. The AA not only shows Yerevan's desire to reduce dependence on Russia, but it also opens the door to financial assistance provided through the European Neighbourhood Instrument (for the period 2014-2017, the EU is due to allocate €140-170 million).

Looking at the recent opinion polls, the pro-EU block 'Tsarukian', led by Gagik Tsarukian, has seen a surge in popularity. But while most of Armenia's political parties are in favour of some form of closer relationship with the EU and show an interest in furthering the process of European integration, the country's close relationship with Russia still holds Yerevan back from fully engaging with the Union. Regardless of the outcome of the upcoming elections, this is unlikely to change much for the foreseeable future.

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