

The Eurasian Union: A View from Armenia

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Abstract

Armenia has traditionally been over-dependent on Russia, but it has so far refused to join the Eurasian Union project. While seeking to maintain a strong relationship with Russia, it has established closer ties with the European Union and hopes soon to sign an Association Agreement and a Deep and Comprehensive Free Trade Agreement.

Introduction

Since its independence in the wake of the collapse of the Soviet Union, Armenia has struggled to overcome a daunting set of challenges, ranging from the inherent limits of its small size and landlocked geography to a virtual “state of war” with Azerbaijan over the unresolved Nagorno Karabagh conflict. Equally daunting, Armenia embarked on a difficult path of state-building, bolstered by ambitious economic and political reforms. For much of the past two decades, Armenia sought to maximize its strategic options, based on the imperative to surmount the deeper threat of isolation, exacerbated by the closure of two of the country’s four borders.

At the same time, Armenia’s “strategic partnership” with Russia has been largely one-sided, limited by its inherent lack of parity, as Armenia has most often received insufficient dividends from this relationship. Over time, the gradual expansion of Russian power and influence has only enhanced Armenia’s over-dependence on Russia. Although close relations with Russia are essential for Armenia over the longer term, the asymmetry of the bilateral relationship has become increasingly evident. Moreover, after a questionable “asset-for-debt” agreement between Armenia and Russia in 2002–2003, whereby Russia acquired several key strategic enterprises, Russia has gained control over key sectors of the Armenian economy, including much of the country’s energy sector, and its sole nuclear power plant, after securing the consent of overly-compliant Armenian officials. More recently, Russia has also widened its economic leverage by taking over the Armenian railway network, acquiring a significant share in the mining sector and gaining a serious share in the country’s telecommunications sector.

The “Eurasian Union”

But more recently, a new challenge to Armenia has emerged, as Russia is now increasing efforts to launch its “Eurasian Union” project of broader reintegration within the former Soviet area. Against a backdrop of a steady extension of Russian power and influence, the Eurasian Union represents a further attempt by Russia to consolidate its power and influence within the “near

abroad,” a Russian term for the former Soviet states.¹ For Russia, the concept of the “Eurasian Union” represents an attempt to consolidate Russian measures aimed at integrating the states within the near abroad. The move is a natural expansion of existing Russian-led projects of reintegration, based on the Commonwealth of Independent States (CIS), but further building on both the Russian-dominated “Eurasian Customs Union” and the “Common Economic Space.”²

Yet in many ways, the concept of the Eurasian Union is both incoherent and undefined, marked more by its lack of practical benefits and absence of substance. And even the potential economic incentive for states to enter the Eurasian Union is fairly weak. For example, in the cases of Belarus and Kazakhstan, membership would offer rather meager and marginal economic benefits, while gains from the Union would mostly accrue to Russia. While Russian attempts to institutionalize the reintegration of economic, trade and transport within the near abroad is not new, the timing of this project does represent a Russian response to shifting geopolitical circumstances.

An Opportunity or a Threat?

For Russia, the Eurasian Union is a clear reaction to a recent trend of greater European Union (EU) engagement along Russia’s periphery, and a response to the effectiveness of the EU Eastern Partnership program,³

1 The “near abroad,” or *blizhneye zarubezhye* (ближнее зарубежье), has generally been elevated to a concept of a Russian “sphere of influence” over and within the former Soviet states; also referred to as the “post-Soviet space.” For more on the concept of “near abroad,” see: Porter, Bruce and Carol Saivetz, “The Once and Future Empire: Russia and the Near Abroad.” *The Washington Quarterly* 17 (1994), 75–90.

2 First launched in 2011, the “Eurasian Customs Union” is composed of Belarus, Kazakhstan and Russia, although in April 2013, Kyrgyzstan has also expressed interest in joining. Those three states also formed the “Common Economic Space” in January 2012, a mechanism to “allow the free movement of capital, labor, goods and services.”

3 Since its launch in May 2008, the Eastern Partnership (EaP) is an ambitious project initiated by Poland and Sweden that seeks to forge closer relations with six key former Soviet states, including Armenia, Azerbaijan, Georgia, Belarus, Moldova and Ukraine, as part of the European Neighborhood Policy (ENP).

which has already been bolstered by ongoing negotiations between the EU and several key states over Association Agreements and Deep and Comprehensive Free Trade Agreements (DCFTAs).⁴ But the Western reaction to the Eurasian Union has been mixed, with Brussels and Washington taking different approaches.

More specifically, as noted analyst Olga Shumylo-Tapiola, a visiting scholar at Carnegie Europe in Brussels, stated in an October 2012 event at the EU-Russia Centre in Brussels, the driving vision behind the Eurasian Union also stems from Russia's long-standing desire to be accepted by the EU as more of an equal partner. The success of the project now depends on three factors: whether Ukraine would lean towards the EU by completing an association agreement or join the Eurasian Union, to what degree Belarus and Kazakhstan can influence decision-making within the process, and lastly, how the EU would deal with Russia, and if European suspicion of Russia would limit opportunities for cooperation with Moscow.⁵ The US position differs from such European acceptance of the Eurasian Union as an opportunity rather than a threat, however. Most notably, in December 2012, US Secretary of State Hillary Clinton warned that the Eurasian Union represented not only a bid to seek greater economic integration in Eurasia, but was also "a move to re-Sovietize the region."⁶

Nevertheless, for each of the former Soviet states, the main determinant of their position on the Eurasian Union will depend more on their own national interests, and less on the Western response, although they will also be impacted by any serious Russian pressure on them to join. And although Ukraine is much more of a strategic priority for Russia's bid to forge the Eurasian Union, Armenia's handling of this issue will also be significant, both in terms of the future course of the close Armenian–Russian relationship and also as a test of Russian resolve. Further, despite the marginal role of Armenia within the development of the Eurasian Union,

any blatant Armenian reluctance to cede to Russian pressure may suggest a degree of Russian weakness when dealing with other prospective members.

Balancing Between Russia and the West

In the face of both the inherent trend of Armenian overdependence on Russia and the serious degree of Russian power and influence in Armenia, the pressure from Moscow for Yerevan to join the Eurasian Union seems overwhelming. Yet Armenia has consistently resisted and rebuffed the Russian overtures, demonstrating a surprising degree of political will and insisting on defending its own independence. Although the Armenian response to the Eurasian Union seems to represent an uncharacteristic reversal of its traditional subservience to Russia, in strategic terms, Armenia has consistently defended its own interests, but in the case of Russia, only in cases of paramount importance. For example, in the broader context of foreign policy, Armenia has always pursued a "small state" strategy of pursuing policies designed to maximize its options and expand its room to maneuver amid much larger regional powers.

More specifically, for much of the past decade, Armenian foreign policy has successfully bridged the division between its "strategic partnership" with Russia and its deepening of ties and orientation with the West. This particular foreign policy, termed "complementarity," incorporates Armenia's strategic imperative of security, based on a reliance on its strategic alliance with Russia and a positive relationship with Iran, while simultaneously expanding its role within Western and Euro-Atlantic security structures. Moreover, this policy of complementarity, although seemingly contradictory, is in fact a natural result of Armenia's historical and geopolitical considerations. The strategic partnership with Russia is both rooted in history and necessity, especially given the closure of the country's Turkish and Azerbaijani borders, which has forced Armenia to look beyond its traditional trade and export routes, thereby encouraging ties with Iran. Although these inherently contradictory impulses have at times seemed insurmountable, the Armenian policy of complementarity offers an enhanced degree of security based on accommodating and exploiting the interests of traditionally competing powers.

In the military security area, Armenia's "strategic partnership" with Russia offers an essential security umbrella, especially critical given the constant threat of war from Azerbaijan. Yet even with the lack of parity in the relationship, Armenia has forged a degree of flexibility within the constraints of its mounting overdependence on Russia. In the defense sector, for example, Armenia continues to deepen ties with the West, through both bilateral agreements with a wide range of countries

4 The European Union's Deep and Comprehensive Free Trade Agreement (DCFTA) represents more than a standard free trade agreement, covering not only the liberalization of trade in all areas, by lifting customs barriers and trade quotas, but also the harmonization of partner countries' trade-related legislation with EU standards and the *acquis communautaire*. Membership in the World Trade Organization (WTO) is a precondition for entering negotiations on the DCFTA, which means that Azerbaijan and Belarus, which are not WTO members, are ineligible to enter into negotiations on a DCFTA with the EU. For more, see: www.easternpartnership.org/content/eap-s-bilateral-dimension

5 Shumylo-Tapiola's comments were from an EU-Russia Centre panel discussion, "Putin's Dream—The Eurasia Union," held on 23 October 2012. www.eu-russiacentre.org/eu-russiacentre-news/putins-dream-eurasia-union.html

6 "Clinton Calls Eurasian Integration an Effort to Re-Sovietize," Radio Free Europe/Radio Liberty (RFE/RL), December 7, 2012.

(France, Germany, Greece, the United States, etc.) and within the context of institutional cooperation within the NATO Partnership for Peace (PfP) program. At the same time, as the only member of the Collective Security Treaty Organization (CSTO) in the South Caucasus and as the only country in the region to host a Russian military base, Armenia has simultaneously maintained its strategic military and security relationship with Russia.

This trend in military and security reform has also tended to enhance the effectiveness of complementarity, modeled on the same foreign policy of balancing the inherent contradictory impulses of a “strategic alliance” with Russia with a pro-Western orientation. This too has only bolstered Armenia’s strategic significance to the West while also elevating its value as Russia’s reliable regional ally. Although Armenia remains fully reliant on Russian arms and discounted weapons stocks obtained through the CSTO, in terms of operational training, doctrine and modernization, Armenian defense reforms have adopted a firmly pro-Western perspective. Yet Armenia has been careful not to trigger Russian concern over Armenia’s apparent Westward shift, however, and has repeatedly ruled out any aspirations for full NATO membership and has consistently reiterated its commitment to maintaining the Armenian–Russian strategic relationship while only increasing the country’s active participation within the Russian-led CSTO security bloc.

Armenia’s Western Embrace

Beyond the political and military-security dimensions of the Armenian–Russian relationship, an additional aspect of Armenia’s policy of complementarity is rooted in the deepening of ties with the United States and its integration with the West. And more recently, this embrace of the West has resulted in a notable achievement, as Armenia is now set to conclude an “Association Agreement” and complete negotiations over a “Deep and Comprehensive Free Trade Agreement” (DCFTA) with the European Union (EU). This is particularly important for Armenia in light of the impact of the global economic and financial crises, which triggered a severe economic downturn in Armenia, and after several years of double-digit economic growth ended abruptly. And with these agreements nearing fruition, Armenia is especially hopeful for a new opportunity to draw closer to Europe and, more specifically, to benefit from greater

integration with European markets.⁷

To date, the Armenian leadership has followed a cautious policy of fulfilling its obligations within the negotiations with the European Union while prudently avoiding any direct dissent with Russian goals. For example, in a Russian media interview, Armenian Prime Minister Tigran Sarkisian noted that the country’s reluctance to join the Russian-led Customs Union was rooted in several factors. First, the absence of common borders with Russia, or with Belarus and Kazakhstan, the two other members of the Customs Union, posed a logical impediment to such a move. Second, the prime minister explained that “the structure of the Armenian economy is very different from that of the economies of the Customs Union’s countries that have substantial deposits of energy resources and pursue a policy of supporting domestic manufacturers through quite high customs duties.” He further noted that “on the whole, the level of such duties in the Customs Union is twice as high as those levied in Armenia,” adding that as “Armenia was one of the first CIS countries to join the World Trade Organization” (WTO), such a switch to the Russian-dominated Customs Union would be very complicated, if not impossible.⁸

Clearly, the main issue is the practical contradiction between the European Union and the Customs Union, as the foundation for the Eurasian Union. As Armenia recognizes the overwhelming advantage from a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, it also accepts the warning of the EU’s foreign and security policy chief, Catherine Ashton, who clearly stated that Armenian membership in the Customs Union “would not be compatible.”

Eurasia or Europe: Forced to Choose?

But Armenia may face greater pressure from Russia to commit to the Eurasian Union. Such Russian pressure may be a predictable, but belated response to Armenia’s deepening ties with the European Union. From a broader perspective, Moscow may adopt a harder line against Armenia, and more assertively challenge Armenian aspirations, in order to both send a strong message deterring other former Soviet states from pursuing a similar course and to try to halt or at least hinder greater EU engagement in the region. Thus, the real test for Armenia will be how to respond to Russia’s Eurasian Union while still concluding its agreements with the European Union.

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7 Armenia is widely expected to successfully complete the negotiations and sign both the Association Agreement and the “Deep and Comprehensive Free Trade Agreement (DCFTA) at the EU Summit set for November 2013 in Vilnius, Lithuania.

8 Danielian, Emil, “Prime Minister Cites another Hurdle To Armenian Entry Into Russian Bloc,” Radio Free Europe/Radio Liberty’s (RFE/RL) Armenian Service, February 4, 2013.