

# ARMENIA'S CHOICE – WILL IT BE RUSSIA OR THE EU? AND WHY IT SHOULD MATTER TO THE WEST

*President Serzh Sargysan has been pursuing a multi-vector policy between Europe and Russia, but he will soon have to make a choice. Since the presidential elections in February 2013, internal pressure on the president has been mounting. The country's economy is languishing. The government is corrupt and only pays lip service to democratic reform. Armenia needs to choose between Russia's Customs Union and the EU's Deep and Comprehensive Free Trade Area (DCFTA). The West also needs to act and pull Armenia into its orbit. Otherwise, Armenia's dependence on Russia will continue to undermine Western security interests in the South Caucasus.*

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**O**n 18 February 2013 Armenia held presidential elections. Although incumbent Serzh Sargsyan was all but assured a victory, the election was important. After the Armenian Central Elections Commission announced Sargsyan president for a second five-year term, U.S.-born challenger Raffi Hovannisian rejected the official results, claiming himself the winner. From 20 February onwards he organized protests against the election results for approximately two months primarily in Yerevan's Freedom Square but also in several other cities. Although the post-presidential election protests appear over at the time of this writing, citizens are switching attention to Yerevan Municipality elections on 5 May, and a new wave may begin soon after that.

Armenian citizens have good reasons to be frustrated with their government. Armenia's economy is languishing. Poverty and unemployment remain high and thousands of Armenians flee the country for better prospects. The government is corrupt and only pays lip service to democratic reform. Sargsyan has loosened the strings on the media and other civil society but not enough to achieve real reform; this has appeared to be more of a tactic to stay in control.

Armenia's relations with the West have reached a turning point. Sargsyan has been pursuing a multi-vector policy, balancing the possibility of joining Russia's Customs Union and negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with the European Union. However, the two are mutually exclusive and Sargsyan will soon have to make a choice.

Russia has turned Armenia into its strongest foothold in the South Caucasus in recent years and the Kremlin's control is multilayered: political, economic, cultural, and psychological. Although many Armenians see Russia as a protector, choosing Russia would push Armenia down a declining path and undermine Western security interests. The West should use its leverage to pull Armenia into its orbit.

### ***Recent Elections: Improvements and Fraud: An Armenian Spring?***

Upon assuming the presidency in February 2008, Sargsyan faced a legitimacy crisis. Some have claimed that he has used his position and connections – he was sitting Prime Minister and had served previously as Secretary of the National Security Council and Defense Minister – to rig the election against his main opponent, Levon Ter-Petrossian, Armenia's former President. At least 10 people died in the ensuing protests. Nevertheless, Sargsyan was eager to present better elections in the future – both to the West and to Armenian citizens.

Some international observers, such as the Council of Europe noted that in comparison, the February 2013 presidential election was conducted better than the previous 2008 election, though there were still many irregularities.<sup>1</sup> Similarly, in the earlier parliamentary election of 6 May 2012, international observers noted improvements in election conduct as compared to the previous parliamentary election.

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Yet Armenian voters still have little confidence in the election process and the current government. In addition, some observers and analysts noted after the May 2012 parliamentary election that the authorities transformed electoral fraud into less obvious and observable forms, which still benefited Sargsyan's ruling Republican Party.<sup>2</sup>

Many voters expressed their frustration during the February presidential election. Some wrote in their own, bogus candidates into the ballot, for example American actor Chuck Norris. One voter ate his ballot at the polling station. Paper was easier to swallow, he said, than “to digest five more years of this [Sargsyan's] regime.”<sup>3</sup>

Seven candidates registered to run in this year's presidential election but Sargsyan faced no real competition. He was elected, according to official results, by 58.6 percent of the vote<sup>4</sup>— more than the 53 percent he received in the previous election in 2008. Yet he faced no serious challenger. Former president Ter-Petrosian and wealthy businessman Gagik Tsarukyan, leader of the Prosperous Armenia Party — two of Sargsyan's most formidable opponents— declined to run.

Rafi Hovannisian was the one surprise. Few Armenia watchers saw him as a real challenger, yet he came in close second in the election, with 36.7 percent of the vote.<sup>5</sup> Indeed, in 2008, Ter-Petrosian whom observers saw as a stronger challenger than Hovannisian, received 21.5 percent according to official results. The surprisingly large vote for Hovannisian could be the result of several factors. One

1 “Armenian Presidential Election: Generally Well-Administered, Despite Some Shortcomings,” *Council of Europe, Press Release*, 22 April 2013, [http://www.coe.am/?out\\_lang=eng](http://www.coe.am/?out_lang=eng)

2 “Armenia's 2012 Parliamentary Election,” *Policy Forum Armenia*, December 2012, <http://www.pf-armenia.org/sites/default/files/documents/files/PFA%20-%20Report%2012.12%20web.pdf>

3 Mikayel Zolyan, “Armenian Spring in the Making?,” *Osservatorio Balcani e Caucaso (OBC)*, 27 February 2013, <http://www.balcanicaucaso.org/eng/Regions-and-countries/Armenia/Armenian-Spring-in-the-Making-131350>

4 “Post-Election Interim Report 19-26 February 2013,” *Organization for Security and Cooperation in Europe (OSCE)*, 2 March 2013, <http://www.osce.org/odihr/elections/99931>

5 *OSCE* (2013).

of which, is a protest vote against Sargsyan, especially in the absence of two of his strongest challengers.

*“The U.S. alone has provided Armenia with approximately 2 billion dollars in development and humanitarian assistance, the highest aid per capita among all other former Soviet states.”*

The post-election protests have been significant. One opposition supporter said in February 2013, when the protests began, “they [the government] owe us a spring, and we will take it, one way or the other.”<sup>6</sup> It is likely that protests will continue.

Nevertheless, these protests were not large enough to pose a significant threat to the government. Divisions within Armenia’s opposition make it further difficult for the protest movement to grow. Yet the possibility that they may

take a different turn should not be dismissed entirely. The example of Georgia is telling. In October and November 2003 in Georgia, protests against fraudulent elections grew large enough to force president Shevardnadze to resign in what came to be known as the Rose Revolution. In Georgia’s case, protestors mobilized at the last minute in 2003, when no one expected it.

### *State of Civil Society*

Armenia has been struggling with its Soviet past since gaining independence in 1991.<sup>7</sup> The Soviet system placed little emphasis on critical thinking and independent research skills in order to discourage temptation to question the authorities. Armenia was a remote republic in the Soviet Union and the Kremlin used it for its military industry and related technical research.<sup>8</sup> Armenia’s most promising students, particularly in social sciences, typically went to Moscow to study, adding to Armenia’s brain drain in a way that other former Soviet republics geographically closer to Russia did not experience.

The West has poured enormous resources into Armenia since the break-up of the Soviet Union. Since 1992, the United States alone has provided Armenia with approximately 2 billion dollars in development and humanitarian assistance, the

6 Mikayel Zolyan (2013).

7 Gerard J. Libaridian, *Modern Armenia: People, Nation, State* (New Brunswick and London: Transaction Publishers, 2007), p. 211-2.

8 “An Assessment of Research Capacities in Social Sciences and Humanities in Armenia,” *Caucasus Institute*, February 2011, p. 8.

highest aid per capita among all other former Soviet states.<sup>9</sup> In April 2011, U.S. reduced funding – upon completion of a five-year 235.6 million dollar project, the Millennium Challenge Corporation chose not to renew the contract to penalize Armenia for failing to enact democratization reforms.<sup>10</sup> However, the EU had increased its aid package to Armenia to 157 million euros for 2011-13 from 98.4 million euros for 2007-10.<sup>11</sup>

Yet a true dialogue between Armenian authorities and civil society has yet to develop. Despite the government's repeated pledges to enact democratic reforms, overall its democratic accountability record is poor. Strong connections between politics and business hamper meaningful reforms and contribute to corruption.<sup>12</sup> Freedom House has consistently ranked Armenia as “partly free” from 1998 through 2013.<sup>13</sup> The recently-released U.S. Department of State annual Country Report on Human Rights Practices for 2012 concluded that Armenia's

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“most significant human rights problems during the year were limitations on the right of citizens to change their government, corruption and lack of transparency in government, and the limited independence of the judiciary.”<sup>14</sup>

In recent years, Armenian authorities superficially loosened controls on the media and other civil society. Responding to international pressure and fearing of the Arab world uprisings resonating in their country, they approved amnesty for political activists who, in 2008, protested against Sargsyan's election.<sup>15</sup> They allowed journalists and civil society greater freedom. Civil society activists have achieved certain small victories, particularly in environmental protection.<sup>16</sup> Some civil so-

9 “Doing Business in Armenia 2011: Commercial Guide to US Companies,” *Embassy of the United States, Yerevan, Armenia*, [http://armenia.usembassy.gov/uploads/zG/4q/zG4qxj1EQSQ0kwQU-R-Vkw/ccg\\_2011.pdf](http://armenia.usembassy.gov/uploads/zG/4q/zG4qxj1EQSQ0kwQU-R-Vkw/ccg_2011.pdf); “Armenia profile,” *U.S. Department of State*, <http://www.state.gov/outofdate/bgn/armenia/117256.htm>

10 Marianna Grigoryan, “Armenia Debates Reasons for Millennium Challenge Cancellation,” *EurasiaNet*, 20 April 2011, <http://www.eurasianet.org/node/63337>

11 “Armenia,” *European Union External Action Service*, <http://eeas.europa.eu/armenia/>

12 Christopher Walker, “Armenia, Azerbaijan and Georgia: Elections and Democratic Development in the Caucasus,” *Testimony, Commission on Security and Cooperation in Europe* (Freedom House, 23 May 2012), <http://www.freedomhouse.org/sites/default/files/Christopher%20Walker%20Testimony%20-%20Helsinki%20Commission%205-23-12.pdf>

13 See: “Freedom in the World,” reports of *Freedom House* at <http://www.freedomhouse.org/country/armenia>

14 “Country Report on Human Rights Practices for 2012: Armenia,” *U.S. Department of State*, <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>

15 “Freedom in the World: Armenia,” *Freedom House*, 2012, <http://www.freedomhouse.org/report/freedom-world/2012/armenia>

16 See: Liana Aghajanian, “Armenia: Backhanded Victory for Environmental Activists,” *Global Voices*, 2 May 2012, <http://globalvoicesonline.org/2012/05/02/armenia-backhanded-victory-for-environmental-activists/>; Also based on personal interviews with civil society representatives, December 2012, Yerevan.

ciety members report that Sargsyan's government offers more room to work with civil society than Kocharian's.<sup>17</sup> Indeed Armenia's Freedom House score on media freedom in 2012 was among those with most significant numerical improvements.<sup>18</sup>

However, the authorities do not tolerate criticism that fundamentally threatens its power structure. Some journalists and analysts suggest that the loosening of restrictions may only be temporary. As one civil society representative told me when we met in Yerevan in December 2012, "This is the East... They [the authorities] want to hear praise."<sup>19</sup> Furthermore, the government is attempting to control foreign funding distribution, which raises questions about the government's true intentions towards developing a real civil society.<sup>20</sup>

The civil society environment is also highly politicized. Many civil society representatives lack the skills to present their ideas constructively – whether to the government, other civil society members, or the public. The media is not independent. Each tends to report on one narrow part of a story, and to get an accurate picture of a story a person would need to read many different news sources to piece it together. Quality of journalism on the aggregate is poor. The public is apathetic and trusts few sources.

### ***State of Economy: Emigration, Unemployment, Poverty***

Armenia faces serious obstacles to its development. The government remains corrupt and inefficient. As a result, thousands of Armenians leave the country each year. In April 2012, the European Commission estimated that one-third of Armenia's population had emigrated since 1991.<sup>21</sup> According to the latest Gallup survey released on 4 April 2013, 40 percent of Armenians want to permanently leave Armenia – the highest among 12 former Soviet Republics polled.<sup>22</sup> This is all the most significant as Gallup has a poor reputation in Armenia among its civil society representatives

17 Based on personal interviews with civil society representatives, December 2012, Yerevan.

18 Karin Deutsch Karlekar Jennifer Dunham, "Press Freedom in 2012: Muddled East Volatility Amid Global Decline," <http://www.freedomhouse.org/sites/default/files/Booklet%20Essay.pdf>

19 Personal interview in Russian with a civil society member who spoke on the condition of anonymity, 13 December 2012, Yerevan.

20 See the statement from the Eastern Partnership Civil Society Forum (CSF) on 30 November 2012 in Stockholm, Sweden, <http://www.eap-csf.eu/en/news-events/news/statement-on-developments-in-the-civil-society-of-armenia/>; Naira Melkumyan, "Armenia Moves to Control NGOs: Civil Society Leaders Believe the State Intends to Restrict Their Activities," *Institute for War and Peace Reporting*, 20 November 2012, <http://iwpr.net/report-news/armenia-moves-control-ngos>

21 Heghine Manasyan and Gevork Poghosyan, "Social Impact of Emigration and Rural-Urban Migration in Central and Eastern Europe: Executive Summary, Armenia," *European Commission*, April 2012.

22 Neli Esipova and Anita Pugliese, "Desire to Leave FSU Ranges Widely Across Countries Half of Those Who Want to Migrate are Searching for a Better Living Standard," *Gallup*, 4 April 2013, <http://www.gallup.com/poll/161591/desire-leave-fsu-ranges-widely-across-countries.aspx>

who say the ruling Republican Party had coopted them to present studies that present a more positive picture than the reality.<sup>23</sup>

Younger, more educated Armenians head to the West, while their older, blue-collar compatriots head north to Russia through Russia's "compatriots" program, exacerbating Armenia's population decline. The Russian government has eagerly taken in many migrants. However how happy they are in Russia remains to be seen. "I heard...people are not very happy [in Russia]," said Ovsanna Babayan who works on migration issues at OSCE's Democratization Program, "This is a desperate step for many Armenian migrants."<sup>24</sup>

*"The Kremlin plays on Armenia's historic fears to exert its influence in the region and continues to view it as part of its 'privileged sphere of influence.' In reality, Russia only takes from Armenia."*

Indeed, desperation permeates Armenian life. Suicide rate, primarily among young people and pensioners, has steadily increased – 647 recorded incidents of suicides or suicide attempts in 2011 compared to 592 in 2010. The year 2010 saw a 20 percent increase compared to 2009.<sup>25</sup> According to Armenia's statistical services and analysts, economic hardship –mainly unemployment– is the main reason for increased suicides.<sup>26</sup>

Many analysts have been critical of government economic policies. Some, such as Policy Forum Armenia analysts, had warned in 2007 that relying on foreign debt-funded fiscal stimulus –as the government was doing– was a poor policy. Yet the government had not changed its policy. As a result, Armenia's GDP shrunk by 14 percent in 2009.<sup>27</sup> Since then, Armenian GDP has increased slowly while poverty continued to grow. In 2010, eight percent more people were living below the poverty line as compared to 2008, according to official statistics, which tend to be notoriously unreliable and likely to present a rosier picture. In 2011, according

23 Based on personal interviews with civil society representatives, December 2012, Yerevan.

24 Personal Interview, 6 December 2012, Yerevan.

25 Victoria Aleksanyan, "Alarm at Rising Suicide Rate in Armenia: Young People Increasingly at Risk," *Institute for War and Peace Reporting*, 17 June 2011, <http://iwpr.net/print/report-news/alarm-rising-suicide-rate-armenia>

26 Marianna Grigoryan, "Armenia: Suicides Among Pensioners Spike Amid Economic Woes," *EurasiaNet*, 17 February 2012, <http://www.eurasianet.org/print/65018>

27 "Avoiding Economic Catastrophe," *Policy Forum Armenia*, February 2012, p. 4,

[http://www.pf-armenia.org/sites/default/files/documents/files/PFA\\_Crisis\\_Special\\_Report\\_0.pdf](http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Crisis_Special_Report_0.pdf)



to official statistics reported in Armenian press, the unemployment rate was an astonishing 45-50 percent.<sup>28</sup>

Remittances from abroad are an important component of Armenian economy. But many among the diaspora had faced serious administrative harassment in recent years – such as getting swindled out of millions of dollars or bullied by Armenian officials.<sup>29</sup> Although many care deeply about Armenia’s success and have invested a lot into Armenia in the last 20 years, many have long ago concluded that investing in their homeland is a thankless task.

In his inauguration speech on 9 April 2013, Sargsyan identified economic development as first priority for the next five years. He underscored three main economic problems: emigration, unemployment, and poverty. He also highlighted the importance of ensuring Armenia-diaspora cooperation.<sup>30</sup> The issues he identified are correct. Yet he said nothing about how he intends to tackle them. It is difficult to see how his words will be matched by deeds.

### ***Relations with Russia and the West: Leading up to the Present***

Traditionally, many Armenians see Russia as the ultimate protector. Yet the Kremlin historically helped Armenia only so far as it served its own interests, in fact perpetuating dependence and stagnation. “Russia manipulated the vulnerabilities of the [South Caucasus] region...and Russia can manipulate them as long as they allow themselves to be manipulated,” said historian Gerard J. Libaridian.<sup>31</sup>

Armenia’s relations with Russia and Europe go back several centuries. In 1639, the Ottoman and Safavid Persian Empires had signed the Treaty of Zuhab upon conclusion of a 16-year war between the two Empires. The treaty aimed to establish rules for easy cross-border movement for merchants and pilgrims.<sup>32</sup> It brought Armenians relief from war but also subjugation to harsh foreign rule. As they began to search for

28 “Real Unemployment Rate in Armenia Closer to 45–50%,” *Press.am*, 29 September 2011, <http://www.epress.am/en/2011/09/29/real-unemployment-rate-in-armenia-closer-to-45%E2%80%9350.html>

29 Edik Baghdasaryan, “Diaspora Investors - Easy Prey for Armenia’s Authorities?,” *Hetq*, 14 July 2011, <http://hetq.am/eng/news/2927/diaspora-investors---easy-prey-for-armenias-authorities> ; Narek Aleksanyan, “American-Armenian Investor Plans to Sue Armenian Government,” *Hetq*, 30 October 2012, <http://hetq.am/eng/news/20020/american-armenian-investor-plans-to-sue-armenian-government> ;

“Avoiding Economic Catastrophe,” *Policy Forum Armenia*, February 2012, [http://www.pf-armenia.org/sites/default/files/documents/files/PFA\\_Crisis\\_Special\\_Report\\_0.pdf](http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Crisis_Special_Report_0.pdf)

30 “The Newly Elected President Serzh Sargsyan at the Extraordinary Session of the RA National Assembly Assumed the Office of President of the Republic of Armenia,” *Presidency of the Republic of Armenia*, 9 April 2013, <http://www.president.am/en/press-release/item/2013/04/09/President-Serzh-Sargsyan-assumed-the-office-of-President-of-the-Republic-of-Armenia/>

31 Personal phone interview with Gerard J. Libaridian, November 2012.

32 Willem Floor and Edmund Herzig (eds.), “Iran and the World of the Safavid Age,” in Touraj Daryaei (ed.), *Sasnian Persia: the Rise and Fall of an Empire* (New York: Palgrave Macmillan, 2009), p. 82.



alternatives, a more dynamic and liberal by comparison Russia's "Christian King of the North" offered just that. Russia began increasing its military presence in the South and North Caucasus between 1600-1850's and annexed Persian (Eastern) Armenia in 1828, which also opened Armenia to Europe.<sup>33</sup>

East Armenian elites supported Russian advances into Ottoman territory as a way to help free Western Armenians. The Kremlin did not mind if it meant further territories for the Czar. Yet Russian Czar Alexander III closed hundreds of Armenian parochial schools in 1885 in East Armenia. As relations between Russian and Turkey's government improved in the 1890's, the Kremlin actively opposed Armenian anti-Ottoman activities.<sup>34</sup>

After the 1917 revolution, Russian Bolsheviks formed an alliance with Turkish nationalists, thereby destroying Armenia's dream of independence promised in the Treaty of Sèvres signed upon the conclusion of the First World War. In January 1921 Turkey incorporated Western Armenian territories and the Soviet Union took Eastern Armenia, granting full entry into the Soviet Union in December 1922.

Many Armenian elites –both in Soviet Armenia and the diaspora– believed that loss of independence under the Soviet yoke and the absence of democracy it entailed was an acceptable and perhaps even a welcome price to physical security from pan-Turkism. "This fear, both justified and imagined, has been exploited and manipulated to rationalize –even welcome– the absence of independence and democracy,"<sup>35</sup> wrote Libaridian. But as the Soviet Union began to crumble, pogroms in Azerbaijan, starting in Sumgait in 1988 proved this thinking wrong.

In recent years, Armenia has quietly become Russia's primary and strongest foothold in the South Caucasus. Following the war with Georgia in August 2008, Moscow began increasing its influence in the South Caucasus, primarily through Armenia. Russia's influence in Armenia is vast – not only political and economic, but also military, cultural, and psychological. Armenia depends on Russia for gas; Russia

*“Younger, more educated Armenians head to the West, while their older, blue-collar compatriots head north to Russia through Russia's ‘compatriots’ program, exacerbating Armenia's population decline.”*

33 Gerard J. Libaridian, *Modern Armenia. People, Nation, State* (New Brunswick and London: Transaction Publishers 2007), p. 13.

34 Gerard J. Libaridian (2007), p. 15.

35 Gerard J. Libaridian (2007), p. 202.

*“The extension of Russia’s military base in Armenia until 2044 solidifies Russia’s grip and Armenia’s acceptance of this agreement –which Sargsyan himself had initiated– also signals siding with Russia.”*

owns Armenia’s communication and railway networks. In August 2010, the Kremlin also has extended a lease for a Military Base in Gyumri until 2044 on terms most favorable to Russia – in effect Armenia is paying Russia to host its base there. In the absence of finding anything else it could take, Moscow began taking Armenia’s people through the compatriots program in an effort to alleviate its own catastrophic population decline. Psychologically for many Armenians it is difficult to let go of dependence on Russia. Yet Russia only takes from Armenia. It contributes nothing to its development and the younger generation is looking more to the West. The West, however, tends to ignore Armenia, not realizing the benefit of having it in its sphere of influence.

### ***Russia’s Customs Union and EU’s DCFTA: Implications for the West***

Unlike his predecessor Robert Kocharian who openly leaned towards Russia, Sargsyan has been pursuing a multi-vector policy of European integration and closer ties with Russia. The Armenia-Turkey border remains closed since 1993, contributing to Armenia’s economic and political isolation and reliance on Iran and Georgia for accessing the world market. Ankara made opening the border conditional to resolution of Armenia’s conflict with Azerbaijan over Nagorno-Karabakh, which is unlikely to take place in the near future. In this context, Armenia’s best path to development lies in European integration and Western orientation.

In February 2012, The EU Trade Policy Committee launched negotiations towards a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Armenia as part of an Association Agreement between Armenia and the EU. If concluded successfully, DCFTA could provide a number of benefits to Armenia.<sup>36</sup> By extension, the West would also benefit.

<sup>36</sup> Following EU enlargement in 2004, Brussels enacted the European Neighborhood Policy (ENP), which aims to develop closer ties with Europe’s closest neighbors based on shared values. Under this umbrella, Brussels established several regional policy initiatives. These include the Eastern Partnership (EaP) which covers the South Caucasus and Moldova. EaP is the most substantive out of these initiatives both in political and economic spheres. See: “The EU’s Assistance and Development Programmes in Armenia – an Introduction with Concrete Examples,” September 2011, <http://www.eufoa.org/uploads/Documents/-26.pdf>

EU integration is based on shared values of democracy and human rights, rule of law, good governance, and economic development through free markets. To be granted free trade with the EU, a country must meet specific political, economic, and social criteria. DCFTA negotiations push Armenia to carry out regulatory reforms in these spheres. The government would need to align many laws and procedures with the EU, including intellectual property rights protection, rule of law, and transparent government.<sup>37</sup> Such reforms would necessitate democratization and more inclusion of civil society. Integration into the EU internal market would attract more investors and consequentially improve Armenia's economy. All of these changes would help bring Armenia closer to the West.

Meanwhile, the Kremlin has been pressuring Yerevan to join the Russia-dominated Customs Union with Belarus and Kazakhstan.<sup>38</sup> Established in January 2010, the Customs Union is a precursor to the Eurasian Union, which Russian president Vladimir Putin hopes will be a counterweight to the European Union, an attempt to re-create the Soviet Union, according to many experts. Compared with Europe, the Customs Union offers Armenia little.

Given a real choice, Armenians would not want to be dependent on Russia. As Nouneh Sarkissian, managing director of Internews Media Support said, "Russia doesn't feed Armenia."<sup>39</sup> Yerevan has been discussing the Customs Union for some time now, but never made any official commitments. Sargsyan's first official foreign visit after he assumed his second presidential term was to Russia, where reportedly the two leaders discussed the Customs Union. They had also discussed this topic during three meetings between the two Presidents in 2012. Yet they did not reach any concrete agreements.<sup>40</sup> This could suggest that Sargsyan is only paying homage to the Kremlin.

Armenia's national security strategy remained fundamentally unchanged under Sargsyan. Still, he increased cooperation with the West compared to his predecessor. Despite domestic opposition, he sent Armenian troops to Iraq in 2005 – a gesture analysts interpreted as an attempt to strengthen Armenia's relationship with the U.S.<sup>41</sup>

37 Onno Simons, Acting Head of the EU Delegation in Armenia, "EU: Armenia: Challenges and Opportunities in the Negotiations Process Toward a Deep and Comprehensive Free Trade Area," *Remarks at the EUAG seminar on a Deep and Comprehensive Free Trade Area*, 20 July 2012,

[http://ceas.europa.eu/delegations/armenia/press\\_corner/all\\_news/news/2012/2012\\_20\\_07\\_en.htm](http://ceas.europa.eu/delegations/armenia/press_corner/all_news/news/2012/2012_20_07_en.htm) ;

Haroutiun Khachatryan, "DCFTA Between EU and Armenia: Expectations and Implications," *Eastern Partnership Community*, 15 March 2011,

<http://www.easternpartnership.org/community/debate/dcfta-between-eu-and-armenia-expectations-and-implications>

38 Emil Danielyan, "Armenia: Yerevan Keen to Opt Out of New Russian-Led Bloc," *Eurasianet.org*, 13 March 2013, <http://www.eurasianet.org/node/66688>

39 Personal interview with Nouneh Sarkissian, 11 December 2012, Yerevan.

40 Emil Danielyan (2013).

41 *Samvel Martirosyan*, "Armenian Troops Deploy to Iraq," *EurasiaNet*, 20 January 2005,

<http://www.eurasianet.org/departments/insight/articles/eav012105a.shtml>

Sargsyan awarded Georgian President Mikheil Saakashvili an Armenian Medal of Honor in June 2009, less than a year after the Russian invasion of Georgia.<sup>42</sup> Sargsyan almost tripled Armenian troops stationed in Afghanistan in May 2011.<sup>43</sup> In 2012, he openly criticized Putin at a CSTO meeting for supplying weapons to Azerbaijan.<sup>44</sup> Yet the extension of Russia's military base in Armenia until 2044 solidifies Russia's grip and Armenia's acceptance of this agreement – which Sargsyan himself had initiated – also signals siding with Russia.

Russia's Customs Union and European DCFTA are mutually exclusive. Legally, a country cannot be party to both because a customs union has a common external trade policy, depriving each individual member-state of sovereign control of this policy within its borders.<sup>45</sup> Once a country joins the Customs Union, the EU cannot conclude a DCFTA with only one country but with the entire union, all its members, because countries within the Customs Union have a unified trade regime towards non-Union countries.<sup>46</sup> “The EU cannot sign a Deep and Comprehensive Free Trade Agreement with a country that is a member of Russia-initiated Customs Union,” said Elmar Brok Chairman of the European Parliament Committee on Foreign Affairs and Vice-Chairman of the European People's Party (EPP), in March 2013 talking to Armenia's *Radio Free Europe/Radio Liberty*.<sup>47</sup> In the same vein, said the Russian Foreign Ministry official Aleksandr Gorban said on 1 January 2013, “You cannot be a little bit pregnant.”<sup>48</sup>

As Brussels and Moscow are both pressuring Armenia, Sargsyan will have to make such a choice soon – either join the community of democratic states, allying Armenia with the West, or continue further down the path of stagnation and give Russia free rein in Armenia, also undermining Western security interests in the strategically-important South Caucasus. As Georgia will likely move further from the

42 Emil Danielyan, “Armenian President Seen as Getting Cold Shoulder from Putin,” *Eurasia Daily Monitor*, 25 May 2012, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=39418](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=39418)

43 Emil Danielyan, “Armenia to Triple Military Deployment In Afghanistan,” 25 May 2011, *Eurasia Daily Monitor*, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=37970&cHash=94e9456990e01bfa3e5a669114386b6a](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=37970&cHash=94e9456990e01bfa3e5a669114386b6a)

44 Naira Hayrumyan, “Relying on Russia: Sargsyan Slams Azeri Warmongering as Putin Announces New Defense Deal with Armenia,” *ArmeniaNow*, 16 January 2013, <http://www.Iragir.am/index.php/eng/0/country/21997/29150>

45 Robert Coalson, “Invigorated Customs Union Present Russia's Neighbours with Stark Choice,” *Radio Free Europe/Radio Liberty*, 8 January 2013, <http://www.rferl.org/content/customs-union-present-russias-neighbours-with-stark-choice/24818232.html>

46 Guillaume Van der Loo, “Ukraine's Regional Economic Integration: Stuck in the Middle of its Neighbours? A Legal and Political Analysis,” *Eastern Partnership Community*, 4 November 2011, <http://www.easternpartnership.org/publication/economy/2011-11-04/ukraine-s-regional-economic-integration-stuck-middle-its-neighbours-1>

47 “EU Warns Armenia Against Joining Customs Union,” *A1Plus*, 18 March 2013, <http://www.a1plus.am/en/politics/2013/03/18/elmar>

48 He was referring with frustration to Ukraine's attempts to simultaneously pursue DCFTA and Russia's Customs Union but that same frustration would apply to Armenia. Robert Coalson, “Invigorated Customs Union Present Russia's Neighbours with Stark Choice,” *Radio Free Europe/Radio Liberty*, 8 January 2013, <http://www.rferl.org/content/customs-union-present-russias-neighbours-with-stark-choice/24818232.html>

West under new Prime Minister Bidzina Ivanishvili who advocates closer Georgian ties to Russia, Armenia –with deep ties to Iran– becomes all the more important not to lose. Furthermore the West has an interest in preventing an outbreak of hostilities with Azerbaijan. These are important reasons to bring Armenia closer to the West.

### *Conclusion*

Despite paying lip service to democratic and economic reform, Armenia has performed poorly on both. Many Armenians are desperate and see little hope that their lives will improve. Poverty and unemployment remain high and the emigration rate is astonishing. Armenian citizens do not trust the government and the electoral process. That thousands of Armenians protested for weeks after the presidential election in February is further evidence of citizens' frustration.

In the South Caucasus, Armenia is the country that is most dependent on Russia and is under the most Russian influence. The Kremlin plays on Armenia's historic fears to exert its influence in the region and continues to view it as part of its "privileged sphere of influence." In reality, Russia only takes from Armenia. It has no interest in helping Armenia to develop into a strong, independent, and prosperous nation. Armenia's relationship with Russia puts Armenia right in the center of the Russia-Iran axis, creating a triangle that –given Armenia's deep ties to Iran– undermines Western security interests in the South Caucasus.

It is in the West's interest to see Armenia as a democratic nation with a strong civil society, which would be an ally in the Caucasus. And the West can help Armenia by using its leverage – aid and DCFTA negotiations. It should use this leverage to help pull Armenia into its sphere. In addition, although for the time being Russia remains Armenia's ultimate guarantor of security, NATO can continue to cooperate with Armenia on defense reform, helping train the next generation of the officers corps, for example. Such continuous cooperation would provide more balance in relationships for Armenia. Who is going to protect Armenia security-wise though? The lack of prioritization of this issue by the West deprives Armenia of having a choice. Given a real choice, Armenians would not want to be dependent on Russia, but they feel boxed in and can only turn to Russia –and to some extent Iran. The West has a direct advantage in having Armenia be part of its community of democratic states. Even though only Armenia can make the final choice if it musters the political will; but the West should do its part.



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