

On the Crossroads of Integration: Choices of Armenia Heading



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Driving West: Armenia's Aspirations of European Integration

Integration with the European Union (EU) has always been one of the key foreign policy priorities of the Republic of Armenia. Since its independence Armenia has been implementing a number of reforms aimed at enhancing market economy, good governance, democracy, human rights and rule of law in order to meet the European standards. Armenian authorities recognize that building close trade relations with Europe will be quite beneficial for country's economy. Though Armenia lacks common border with the EU and is blockaded by two of its neighbors, most significant percentage of Armenian exports goes to the European Union, clearly indicating that Armenia's European aspirations are well backed by economic causes among others. Therefore, current negotiations with the EU on the Association Agreement as well as on Deep and Comprehensive Free Trade Area Agreement (DCFTA) lay in the hearth of the hearth of the cooperation between Armenia and the EU. Within the framework of DCFTA the European Union can provide not merely funds but also support other international investors to take an interest in Armenia. Moreover, agreement with the EU bear the potential of helping to open the border with Turkey, as the closed borders are against the interests of international trade and the EU principles. Such statement could sound even bolder considering that Turkey is a non-EU member state (along with European microstates) that is participating in the European Union Customs Union (excluding agricultural products). The later, in particular, means that members of the customs union impose a common external tariff on all goods entering the union, in particular in Turkey from Armenia.

All in all, European integration will have a critical positive impact on Armenia's development, but it cannot be achieved swiftly, as Armenia has to overcome a number of economic and political challenges in the upcoming years.

Armenia and the Eurasian Union

Close cooperation with former Soviet Union countries, and particularly with Russia, is another priority of the Republic of Armenia contributing into national security and regional stability. A critical segment in Armenian society continually considers Russia a friendly country and is keen on closer ties with the Russian Federation. There is quite circulated opinion that the prospective Eurasian Union (EUA), forged by Russia and backed by Belarus and Kazakhstan, can serve as an effective platform for Armenia's integration with Russia. There is an opinion that benefits could be more realistic and achievable, if Armenia joins EUA, rather than the programs of European integration. The argument is that a number of goods produced by Armenia cannot compete in the EU market and can be rather marketed within the Commonwealth of Independent States (CIS) is mentioned quite frequently. The potential membership of Armenia in the Customs Union of Belarus, Kazakhstan and Russia is considered in the above-mentioned context

In the meantime, challenges of Armenia's integration into the EUA are being broadly circulated. Several sources claim that one of the members of the Customs Union, Kazakhstan, considers Armenia to join the EUA without the Nagorno-Karabakh Republic (NKR). Beyond political causes, such



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approach means that a customs control must be set up between Armenia and NKR, which is not acceptable for Armenia, as, in some sense, this will result in loss of Nagorno-Karabakh. The Russian Federation wants to see Armenia in the EAU and its Customs Union, but does not want to lose Kazakhstan for the sake of Armenia. Unlike the Customs Union, the EU does not demand from Armenia to set up boundaries with NKR. Besides, there is an opinion that the first states that joined the Eurasian Union (Russia, Kazakhstan and Belarus) are authoritarian regimes, and the integration with EAU may lead to creation of a similar regime in Armenia. At the same time the European Union is considered as the best partner for Armenia in promoting democracy and good governance. Additionally, Armenia does not have a land connection to the Customs Union either.

Armenia's choices between EU and EAU

The political elite in Armenia is trying to achieve trade deals with EU and with the Customs Union simultaneously declaring that EU, CIS and Eurasian integration need not be mutually exclusive. While 2012 Armenia ratified the CIS free trade zone agreement, it is intending to sign an Association Agreement with the EU. Meanwhile, counterparts challenge such vision of Armenian political leadership: in December 2012 the spokesperson for the EU High Representative of the Union for Foreign Affairs and Security Policy, warned that "if Armenia were to join any customs union, this would not be compatible with concluding a bilateral Deep and Comprehensive Free Trade Agreement between the EU and Armenia. Because a customs union has a common external trade policy and an individual member country no longer has sovereign control over its external trade policies."

Despite to this bold and clear statement, the issue whether Armenia's integration choices with EU and EAU contradict each other or may be achieved simultaneously is still broadly discussed. Štefan Füle, the European Commissioner for Enlargement and European Neighborhood Policy, claimed that the EU is not setting preconditions to its partners and the upcoming agreements would not harm relations between Armenia and its close partner Russia, which is so important to Armenia and is in line with its national and security interests. Further Armenia rides on the road of integration with the Europe Union, more balanced, soft and more pulling the messages delivered from this end seem to become. At the same time, with its every single effort to coerce Armenia towards its membership to the Customs Union, Russia pushes the country away from North-East axis. The latest developments including Russia-Azerbaijan arms deal, increase of utility prices driven by Russia owned corporations, miserable treatment of Armenian labour migrants and discrimination on the basis of nationality widely exposed in media prove that Russia failed creating attractive instruments for regional integration and still relies on sticks with no carrots. If this approach will evolve further Armenia could consider diversifying its mechanisms for security as it did with mechanism for economic survival and development beyond closed borders, in the middle of nowhere.

The paper is elaborated based on the opinions passed by the participants of the discussion "EU vs. EAU: Regional Context for Armenia", which took place on June 25, 2013. The roundtable discussion was attended by independent analysts, government officials, and representatives of the international organizations.

The round table was organized within the framework of a BSPN project.