EU: Flexibility and pragmatism necessary with Armenia

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Executive summary:
* The European Union has been pushing some countries in Eastern Europe and the South Caucasus to choose between a comprehensive free trade agreement and integration into Russia's led customs union.
* Although there may be technical arguments in favour of this position, it does not reflect political and security realities on the ground, as clear from recent developments.
* Instead of pushing these countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) to make this hard choice, the EU should strive to gradually build up relations with them, without forcing them to choose between Brussels and Moscow.
* As a pragmatic, business oriented country, the UK is in a unique position to push for such views.

Introduction

Last year, the European Union warned Armenia that she had to choose between the Russia-Kazakhstan-Belarus Customs Union and a free trade agreement with Brussels. Elmar Brok, chairman of the European Parliament Committee on Foreign Affairs, said that the two were legally conflicting. Speaking to Radio Free Europe / Radio Liberty's Armenian service, Brok said that the EU could not sign any comprehensive free trade agreement with a country belonging to the Customs Union. He added that this applied not only to Armenia, but to any other member of the "Eastern Partnership" project, and which therefore they had to choose. At present these countries are Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

A complex situation

1 “German MEP Regrets Armenia's Customs Union Move”, Radio Free Europe, 3 September 2013, available at http://www.rferl.org/content/armenia-customs-union-elmar-brok-russia/25094796.html
Brok’s words may make sense from a purely legalistic perspective, although even this could be open to question. However, they clearly do not reflect any realistic assessment of the situation on the ground. Such an assessment must be based on two facts. First of all, that the European Union retains a clear interest in the region, based on a combination of geographical, historical, economic, and security, factors. Second, that albeit to a different degree in each case, Russia remains the most influential actor in this region, while there is no consensus within NATO to offer membership to interested partners. The current crisis seems to have confirmed both counts.

Georgia’s bid for fast-track membership has clearly failed, and the 2008 war showed that Europe was not ready to confront Russia. Ukraine seemed to be playing a balancing act, with the attraction of the EU single market on one end and political and energy links to Russia on the other, while finally succumbing to a combination of winner-takes-all politics and sudden foreign policy changes. Azerbaijan is an important partner in terms of energy diversification, but seeks to avoid any direct confrontation with Moscow, and has been prudent when it comes to defence integration.

The case of Armenia is particularly poignant, since the continued dispute over Nagorno-Karabakh means that she is likely to remain under significant Russian influence in the foreseeable future. Other factors contributing to this influence are the country’s economic weakness and her large number of citizens living in the Russian Federation. At the same time, though, the historical connections with the Old Continent are clear, reinforced also by the presence of a significant diaspora.

**Summing up the EU’s position**

As mentioned, Europe clearly showed in 2008 (although this was by then already clear) that she was not ready to openly confront Russian interests in the CIS countries. NATO membership was a litmus test, with many European powers rather wary of pushing for another expansion round covering Kiev and Tblisi. However, this went hand in hand with a policy of seeking closer economic links and trade integration. Added to the mix was a regularly emerging but never seriously implemented drive for “energy security”, that is diversification away from Russian natural gas.

At no time in recent years has any realistic alternative been put forward to this policy mix. It is still too early to say what the ultimate consequences of the Crimean crisis will be, but while NATO has been quick to make reassuring noises towards those member states most worried, there is still a significant concern in Europe to preserve good relations with Russia. Washington may have adopted a more robust position, but the need to confront Chinese
expansionism may damp to some extent the enthusiasm for more extensive sanctions. It is no coincidence that Moscow and Beijing signed two major natural gas deals in the middle of the current crisis, the timing seemed a clear reminder by Russia that she has other options, although at the same time national security circles in Moscow are aware of the danger of excessive reliance on Beijing. All this does not mean that relations between the West and Russia will necessarily improve quickly, but there may be an attempt to restrict areas of conflict, seek cooperation on other fronts, and preserve the overall relationship.

Armenia: A balanced policy as the only realistic alternative

The combination of economic and political factors discussed above means that there is only one possible policy towards CIS countries such as Armenia: the promotion of deeper political relations and trade links under the dual premises of gradualism and acknowledgement of Russia's presence and role. There is no point in seeking a confrontation with Moscow when the military means and political will are not there to project force in the region, and what means do exist are being shifted to a great extent to the Pacific. This in no way means that the West should turn its back on countries like Armenia. It does mean, though, that there is no room for statements such as Elmar Brok's. Whatever the legal obstacles, the EU will have to use her imagination to make it compatible for Armenia to join the customs union with Russia, Belarus, and Kazakhstan, and to successfully conclude a free trade agreement with the Old Continent. Furthermore, this must not be taken as the end game but rather as the starting point for a gradual deepening of relations at all levels, building on existing treaties and institutions. At the EU level, for example, we have the Eastern Partnership program. At the NATO level, the Partnership for Peace and the participation of Armenian troops in allied operations in Kosovo and Afghanistan.

There is no point in trying to force Yerevan to choose between the EU and Russia when the former is in no position to guarantee or even significantly contribute to her national security. Instead, Europe must seek to gradually build ties at all levels with Armenia, contributing to the country's development. Membership in the customs union and associated institutions cannot be a bar to further economic and political and engagement with the West.

Conclusions: need for pragmatism

In theory, Armenian membership in the Customs Union may seem to preclude a comprehensive trade agreement with the European Union, but this is not a realistic position. For national security reasons, including Nagorno-Karabakh, Moscow is likely to enjoy a significant degree of influence in the country in the foreseeable future. Since the European Union lacks the means and will to step
in as security provider, there is no point in trying to push Armenia to choose between Brussels and Moscow. Furthermore, at the domestic level this may prompt strong tensions, also contributing to conflicts between the country and her diaspora. Instead, the only realistic proposition is to build on existing cooperation programs, both at the economic and political level, and seek ever higher levels of economic exchange while avoiding a frontal clash with Moscow. This may require additional doses of imagination and extra work by trade lawyers, but if the political will is there then there is no reason why Yerevan may not join the Customs Union and at the same time preserve and enhance her relations with the West. This could provide a template for other cases, although of course each country has its own set of individual circumstances and degree of interest and commitment to economic integration with the Euro-Atlantic region.

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