The Prospects of the EU–Armenia Partnership within the ENP Review: Is a Eurasian Economic Union - EU balance feasible?

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Abstract

Armenia’s puzzling decision to join the Russian-led Eurasian Economic Union (EEU), seems to devastatingly obstruct its long-desired profound rapprochement with the European Union. According to widely held views the path to the Eurasian Economic Union was predetermined for Armenia, given Russia’s increasing assertiveness towards the EU in the wake of Association Agreements profound advancement (Popescu, 2013; Terzyan, 2016). Notwithstanding recent ups and downs, the European Neighbourhood Policy (ENP) review and the European Council’s decision on granting mandate to the European Commission and the High Representative to open negotiations on a new, legally binding and overarching agreement with Armenia in late 2015, seems to breathe new life into EU-Armenia scaled down partnership.

This paper scrutinizes the prospects of the EU-Armenia further partnership in the face of Armenia’s membership in the EEU and ensuing dire constraints. It delves into the possibilities offered by the ENP review in terms of boosting EU – Armenia partnership. The study relies on a discourse analysis of the relevant speeches, statements of Armenia’s foreign policy-makers, as well as appropriate official documents. In turn, interviews with relevant officials from the European Commission are used to examine the prospects of the EU-Armenia partnership from the ‘norm–sender’ EU’s perspective. The paper concludes that a major breakthrough in bilateral ‘edited’ partnership cannot
be expected anytime soon due to Armenia’s large-scale Eurasian integration along with ensuing constraints on achieving a Russian-European balance.

**Keywords:** Armenia; European Union; ENP review; new framework.

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**The ENP review and its implications for EU – Armenia partnership**

The ENP review, inaugurated on November 18, 2015, has seemingly breathed new life into the waxed and waned partnerships between the EU and its neighbours. Evidently, one of the core constraints that the EU has encountered is essentially on how to foster fulfilment of commitments by neighbours assumed within the ENP, as a recipe for applying its vision of a prosperous, secure and stable neighbourhood. Recent studies have been quite critical of the ENP review, contending that “the new ENP represents little more than an elegantly crafted fig leaf that purports to be a strategic approach to the EU’s outer periphery, but masks an inclination towards a more hard-nosed Realpolitik” (Blockmans, 2015). Basically, the ENP review does not put forward a profoundly enhanced package, capable of producing a major breakthrough on the EU’s neighbourhood policy. It is often viewed as a candid admission of the EU’s modest influence on its neighbours which, in a sense, heralds a shift from an idealistic value driven foreign policy to a classical, pragmatic one (Kostanyan, 2016).

One might rightly point out that the EU has suffered from ‘expectation – capability’ gaps and its toolbox proved largely impracticable in its volatile neighbourhood. The EU Commissioner for European Neighbourhood Policy & Enlargement Negotiations, Johannes Hahn, aptly noted that the most formidable challenge for the EU is to mitigate volatility in the EU’s neighbourhood and stabilize it, given that it has degenerated from a ring of friends to one of fire or volcano (Hahn, 2015).

A question arises on how the key provisions of the reviewed ENP would translate into concrete commitments in the EU-Armenia partnership.

In essence, the European Council’s decision on granting mandate to the European Commission and the High Representative to open negotiations on a new, legally binding and overarching agreement with Armenia seemed to breathe new life into waning partnership, plagued with Armenia’s membership in the EEU (Eeas.europa.eu, 2015b).

Remarkably, negotiations on the Comprehensive and Enhanced Partnership Agreement, which will replace the current EU-Armenia Partnership and Cooperation Agreement, were successfully concluded on 26 February 2017. It will be followed by the necessary procedural steps designed to enable the initialing and signature of the agreement. In this regard the president of the European Council Donald Tusk emphasized the importance of stronger
cooperation in sectors such as energy, transport and the environment, for new opportunities in trade and investments, and for increased mobility. Pointing to the commitment to shared values such as democracy, human rights, and the rule of law, which underpin the new agreement and the future cooperation, he expressed hope that the scope of cooperation could be further expanded (Consilium.europa.eu, 2017).

Clearly, boosting the partnership is considerably contingent on Armenia’s ability at skillful balancing of the European and Eurasian paths, which might significantly suffer from the escalation of the EU-Russia relations, as well as the EU’s ability to identify an ingenious framework of further partnership. Nevertheless, it is premature to jump to far-reaching conclusions and claim that Armenia’s further European integration has reached an impasse. The launch of negotiations between the EU and Armenia on a new overarching framework for the deepening of their bilateral relations on December 7, 2015 engenders moderate optimism. Armenia’s foreign minister, Edward Nalbandian expressed confidence that the new framework opens a new promising page in the Armenia-EU mutually beneficial relations (MFA.am, 2015).

One of the core questions to be addressed is identifying the extent to which Armenia’s commitments assumed within the EEU are compatible with the new framework of the EU-Armenia partnership and the application of the reviewed ENP provisions.

**Can Armenia achieve an EU – EEU balance?**

The reviewed ENP places pronounced emphasis on stabilization as its main political priority, striving to spread the EU’s model of stability, built on democracy, human rights and the rule of law and economic openness into its turbulent neighbourhood. Therefore, it commits the EU to do more in terms of promoting democratic reforms in its neighbourhood, deeming vibrant civil society and independent justice system crucial to economic and social stability (Europa.eu, 2015).

An EU official from the External Action Service (EU diplomatic service) pointed out in an interview that democracy promotion and related democratic reforms are pivotal to elevating a neighbour’s status for the EU and boosting the partnership. Moreover, the lack of democratic reforms is viewed as a red-line for the EU, namely, it interferes with all other areas of cooperation (Interview with EU official 1, 2015). Putting aside the fact that this approach has not so far influenced EU’s partnership particularly with Azerbaijan, the question remains whether the EU is endowed with the capacity to further foster democratic reforms in Armenia. A close scrutiny of ENP reports on Armenia demonstrates that democratic reforms in the country tend to be cosmetic and stylistic, rather than substantive and thorough.

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29 Note: Several EU officials provided valuable insights, but asked not to be cited in an attributable way because they are currently in service.
Overall, there is a tendency in ENP progress reports on Armenia to emphasize limited progress in implementing the ENP Action Plan, with some efforts to establish deep and sustainable democracy and put sound macroeconomic policies and structural reforms in place, which however have not yielded tangible results. The shortcomings pertaining to fight against corruption, fair trial, human rights protection remain largely unaddressed. The formula is simple: related reforms were developed but not put in practice (europa.eu, 2014). Not surprisingly, the ENP reports on Armenia markedly stress the necessity of heading into the enforcement and implementation stage when it comes to democratic legislative reforms.

Extensive evidence prompts to posit that substantial democratic reforms are incompatible with the basic philosophy of Armenia’s ruling elite. Evidently, the latter would stop at nothing to cling to power and therefore, would resist against any substantial reform that could challenge its power.

Remarkably, the opposition Heritage Party Vice-Chairman, Armen Martirosyan, contends that Armenia’s ruling elite’s strive for retaining power has been pivotal to opting for EEU, given Kremlin’s guarantees that it would be safe within the Russian-led union (News.am, 2014). As noted earlier, there is a tendency in Armenia's President Serzh Sargsyan’s discourse to deem Armenia’s choice of Eurasian Economic Union essential for shielding Armenia from dire scenarios, facing Ukraine. One could argue that Russia possesses appropriate tools for injecting volatility into Armenia, thus fundamentally constraining the application of alternative, i.e. non-Russian foreign policy options.

A quick glance at the reviewed ENP indicates that economic and social development has been put at the heart of the EU's contribution to stabilising the neighbourhood and building partnerships. In terms of economic development and modernization, the reviewed ENP stresses the necessity of advancing a new generation of public administrators ‘capable of delivering effective and inclusive economic management and sustainable social outcomes’ (Europa.eu, 2015). Admittedly, the EU has an ample toolbox to promote capacity building and open up new training opportunities for public administrators. On a more fundamental level, a question remains: whether and to what extent the EU-backed measures would suffice to foster substantial democratic reforms in the public administration sphere and, more specifically, fight against corruption.

ENP and World Bank reports point to acute shortcomings in the country, stemming chiefly from poor governance and widespread corruption, which militate against the business climate and hobble economic development. World Bank findings expose harassment by tax and customs officials and ubiquitous corruption among them. “Economic activity in the country is also hampered by a lack of competition, which translates into de facto business monopolies, owned by government-linked entrepreneurs” (Asbarez.com, 2015).
Ample evidence suggests that the EU has proved incapable to convey its liberal market economy spirit to Armenia and to improve the business climate so as to make it conducive to economic modernisation and entrepreneurship, small and medium business advancement.

The exclusion of Deep and Comprehensive Free Trade Area (DCFTA) that would envisage a preferential trade relationship between the European Union and Armenia, foreseeing a removal of import (and export, if applicable) duties on trade in goods between the parties, tremendously impairs the EU’s transformative economic power in Armenia.

Even though the EU’s “Generalised Scheme of Preferences“ (GSP) allows Armenia to pay less or no duties on its exports to the EU30 (EC.europa.eu, 2016), Armenia’s heavy commitments assumed within the EEU leave little space for substantial compliance with the EU market rules and profound reinforcement of economic cooperation.

Article 4 of the treaty on the EEU envisages the creation of a common market of goods, labour and services (Treaty on the EEU 2014, art. 4). Moreover, article 5 commits member states to carry out economic policy in strict compliance with the goals and principles of the EEU (Treaty on the EEU 2014, art. 5). According to article 25, there is a common regime of trade of goods with third parties (Treaty on the EEU 2014, art. 25). All these stipulations lead to conclude, that Armenia is extremely constrained to boost trade and broader economic cooperation with the EU.

Admittedly, even though the EU-backed measures have influenced cosmetic institutional reforms, they fall short of addressing acute challenges, pertained to the fight against corruption and the widespread crackdown on small and medium business. A close scrutiny of the bigger picture leads to contend that the EU’s reform-oriented initiatives are welcomed by Armenian political and economic leadership insofar as they do not challenge deep-rooted foundations of broadly centralized and monopolized political and economic establishments.

Unsurprisingly, the EU officials from the External Action Service, expressed doubts about tangible outcomes in the EU-Armenia economic cooperation, noting that mostly non-preferential access to the EU market coupled with reinforcing Eurasian constraints on Armenia’s economy render a number of EU’s economic tools impracticable vis-à-vis Armenia31. One could argue that it is premature to draw any far-reaching conclusions, given that over time, various issue pertaining to trade-related matters could be addressed trilaterally between the EU, Armenia and Russia.

Within the measures designed to stimulate economic development and enhance stability, the reviewed ENP places marked emphasis particularly on youth employment and employability.

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30 In 2013, the EU launched a new, revised system of GSP+ which entered into force on 1 January 2014. GSP+ is a scheme that rewards developing countries that show a credible commitment to implementing those conventions by granting duty reductions on exports to the EU on some 6,000 tariff lines (66% of the EU common customs tariff).

31 Interviews with EEAS–related officials from September 2015 to February 2016.
Improving employability and promoting knowledge-based economic growth envisages reinforcing struggle against brain-drain and even promoting incentive schemes for well-educated people to return to their home country. Whereas irregular migration and large-scale brain-drain remains one of the most monumental challenges facing Armenia. Clearly, the economic disarray has inflicted severe hardships on the Armenian population, forcing them to flee the country. A recent study exposes alarming trends of migration outflows. More precisely, in the intracensus period of 2001 and 2011, the resident population fell from 3.2 to 3.0 million persons. The annual net migration balance passed instead from -23,100 in 1995-2001 to -32,000 in 2002-2011 (Migrationpolicycentre.eu, 2013). Not surprisingly, today the Armenian population of Russia estimates 2.5 million according to various surveys, and Russia ranks as the first country in terms of labour migration from Armenia (Aleksanyan, 2015). Given that Armenia’s membership in EEU eliminates visa-related barriers and thus facilitates the free movement of Armenian labour force, massive outflow of Armenian population to Russia seems bound to continue.

While Armenia’s most influential partner, Russia, does not oppose irregular migration, the EU’s tools would inexorably fall short of producing any tangible result. As noted earlier, tackling migration and youth employment-related issues is deemed essential for translating the ENP’s vision of economic development and stabilization into reality.

The reviewed ENP gives great weight to energy cooperation both as a security measure (energy sovereignty) and as a means to sustainable economic development. Noting that energy is key to the stable development and resilience of the partners themselves, it commits the EU to strengthen its energy dialogue with neighbourhood countries in energy security, energy market reforms and the promotion of sustainable energy (Europa.eu, 2015).

Since Armenia has no significance to the EU as an energy supplier or a transit country, European policy has chiefly focused on sustainable energy development and resilience-related matters. There is a tendency in ENP reports for the emphasis to be placed on power plant closure without proposing any alternative. It merely stresses the necessity of a new power plant that would comply with the latest international safety standards (Europa.eu, 2014). However, the EU has been quite active in supporting the safe operation of Medzamor nuclear power plant until its full decommissioning in 1990 with more than €60 million. Besides, in order to facilitate energy exchanges between Armenia and Georgia and diversification of available energy sources, it has embarked on the creation of a transmission network in Ayrum (Mediamax.am, 2015).

A question arises of whether the EU is endowed with the capacity to enhance Armenia’s energy resilience and to boost energy cooperation. It is worth noting that Armenia’s commitments assumed within the EEU in the field of energy leave little to no space for the EU’s energy strategy for Armenia. More precisely, the treaty on the EEU commits its members to carry out

32 According to various reports, poverty rate in Armenia rose from 17.4% in 2008 to 32% in 2013
coordinated energy policy with regards to the development of common electricity, gas and oil (Treaty on the EEU 2014, art. 79, 81, 83, 84). It is worth noting that in 2013, the governments of Armenia and Russia signed an agreement which granted Gazprom exclusive rights for gas supply and distribution in Armenia by 2044, rendering it the 100% shareholder of the country’s gas industry (Rferl.org, 2013). The deal further plunged Armenia’s energy sector into the orbit of Russian state-run companies.

Given the reinforcement of ‘Eurasian’ constraints coupled with Gazprom’s dominance in Armenia’s energy sector, the EU’s measures strike as far from being sufficient in addressing issues pertaining to Armenia’s energy diversification and enhancing resilience against Russia. In sum, notwithstanding the great weight given to energy cooperation, energy is one of the most closed and ‘Russified’ sectors in Armenia, which is bound to further deepen due to Eurasian integration.

The similar set of problems applies to the partnership in the field of transport and connectivity. The reviewed ENP finds cooperation on transport connectivity and telecommunications crucial to the economic development of partners, which can foster dialogue and serve as a catalyst for regional co-operation between them (Europa.eu, 2015).

Therefore, the EU commits itself to extend the core Trans-European Transport Network (TEN-T) to the Eastern partners and promote the necessary investment in this extended network. This ambitious goal and promising incentives would smoothly resonate with Armenia’s political leadership if the latter had more freedom to carry out transport and connectivity-related policy. More specifically, article 86 of the treaty on the EEU stipulates that “the Union carries out coordinated transport policy, with the view to ensure economic development, step by step and consistent formation of common transport area based on the principles of competition, openness, security, reliability, availability and sustainability” (Treaty on the EEU 2014, art. 86). Admittedly, the strong emphasis on common transport policy within the EEU militates against Armenia’s profound advances towards the European realm of transport and connectivity.

The reviewed ENP’s emphasis on conflict prevention, crisis management, stabilization and regional cooperation leads to presume that the EU would reinforce its engagement in conflict settlement in its turbulent neighbourhood. A question remains, namely whether the enhanced ENP package would offer something tangible to break the logjam on Nagorno-Karabakh conflict. As previously noted, in the initial stages of the EU’s neighbourhood policy, Armenia’s political leadership was quite optimistic about the EU’s capacity to challenge the status quo in the ‘frozen’ conflict. Indeed, the EU has never qualified for direct involvement in conflict settlement, limiting its role to supporting OSCE Minsk Group.

EU officials from the External Action Service were somewhat ambivalent about the breadth and depth of the EU’s possible contribution to conflict resolution. An official stated in the interview that, in principle, the EU might strengthen the emphasis on conflict settlement and put it forward
in new frameworks of the EU-Armenia and EU-Azerbaijan partnerships (Interview with official 1, 2015).

Meanwhile, other officials expressed doubts on the feasibility of the EU’s direct engagement with the conflict settlement. Overall, they implicitly stated that direct involvement could result in taking sides, which would inevitably hinder the advancement of bilateral partnerships either with Armenia or with Azerbaijan. Besides, the EU tends to put faith in the viability of the OSCE Minsk Group platform33.

Remarkably, the recent escalation of Nagorno-Karabakh war in April 2016, which resulted in dozens of casualties, did not induce the EU to engage in alleviating the crisis. Empirical evidence based on interviews with EU officials suggests that the EU’s activities in conflict settlement will not considerably move beyond the flowery statements about the necessity of its peaceful settlement and indirect measures.

Finally, one last point that deserves emphasis is related to the public perceptions of the EU and its activities across the Armenian population. Obviously, public support is essential for enhancing the effectiveness of the EU’s reform-oriented initiatives and boosting the EU-Armenia partnership. Meanwhile, recent public opinion surveys show that around 30 percent of respondents are fully ignorant of the EU and even deem Armenia to be an EU member state (Galstyan, 2015, p. 215). Clearly, they do not distinguish the EU from the Council of Europe. One could argue that notwithstanding the EU’s effort to stimulate development and promote reforms in Armenia, its activities do not get sufficient visibility.

When asked whether the EU is capable to address the widespread ignorance prevalent about itself and its activities across the Armenian population, a EU official from the External Action Service noted that the EU focuses on substance rather than style. Besides, highlighting the EU-backed reforms and its transformative power may well provoke pro-Russian circles ardently striving to portray Russia as Armenia’s sole ‘friend’ and indispensable partner (Interview with official 2, 2016).

Conclusion

Even though the ENP review and the launch of a new framework of the EU-Armenia partnership engenders moderate optimism, in practice, a major breakthrough cannot be expected anytime soon. Regarding the stabilization in the volatile neighbourhood as the reviewed ENP’s main political priority, the EU links it to democracy, good governance promotion and economic and social development stimulation. More precisely, democratic reforms in a neighbouring partner are deemed pivotal to boosting partnership with the EU. The EU’s reform-oriented initiatives are

33 Interviews with EEAS officials from September 2015 to February 2016.
welcomed by the Armenian political leadership insofar as they do not challenge deep-rooted foundations of the broadly centralized and monopolized political and economic establishments.

Furthermore, a close scrutiny of Armenia’s commitments assumed within the EEU indicates that there is little to no space for boosting economic cooperation as well as cooperation in the fields of energy, transport and connectivity. Besides, the reviewed ENP’s emphasis on conflict prevention and stabilization does not proscribe the EU’s direct involvement in the Nagorno-Karabakh conflict settlement. Overall, a major breakthrough in the EU-Armenia ‘edited’ partnership cannot be expected anytime soon due to the following constraints: Armenia’s lower expectations from the EU in terms of its capacity to tackle with traditional security challenges facing the country; lack of powerful incentives among Armenia’s authoritarian leadership to fulfill democratic reforms and comply with EU rules; reinforcing ‘Russian’ constraints on Armenia, which move far beyond mere economic integration within the EEU.

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