Seizing the Second Chance in EU-Armenia Relations

By Richard Giragosian and Hrant Kostanyan

Armenia is at a crucial political crossroads yet again, this time with the country’s strategic orientation and domestic stability in the balance. The challenges facing Armenia go well beyond its dangerous over-dependence on Russia, the unresolved Nagorno-Karabakh conflict, and the enduring legacy of the Genocide. In fact, the most serious threat to Armenia is not just external but domestic. Entrenched corruption and democratic deficits impede the systemic development of sustainable economic policy and sound political reform in the country. This means that any solution must also address deeper domestic deficiencies.

Restart of negotiations

Russia pressurised Armenia to give up its potential Association Agreement and Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU in 2013, insisting that it join the Eurasian Economic Union (EAEU) instead. Since then, however, Armenia has steadily and stealthily sought to regain and restore relations with the EU, and to deepen its ties to the West. The EU and Armenia re-opened negotiations on a revised and revamped EU-Armenia framework agreement in December 2015, but despite the renewed political will demonstrated by both Brussels and Yerevan, the negotiations are complex and face several constraints. First, the agreement must respect Armenia’s commitments vis-à-vis the EAEU. Second, it will have to take into account the Armenia-Russia bilateral gas deal signed in December 2013. The gas deal grants Gazprom a monopoly to operate pipelines in Armenia and prevents the Armenian government from making regulatory changes in this area until 31 December 2043. Third, the original Association Agreement and the DCFTA included a large body of EU legislation to be adopted by Armenia. In a number of areas the new agreement will still include EU acquis related to trade and economic cooperation, albeit to a lesser extent than the Association Agreement and the DCFTA. Moreover, Armenia has requested more time to implement the EU legal acts. A fourth limiting factor stems from certain Commission Directorate Generals (DGs), such as the DG for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) and DG for Health and Food Safety (SANTE), which are no longer as interested in forging an ambitious agreement with Armenia, citing a lack of resources as one reason.

Domestic drivers of change

Foreign policy issues have long shaped domestic discourse in Armenia, most notably the Nagorno-Karabakh conflict and the
Genocide. In this context, Armenia’s rare ‘second chance’ to repair and rebuild relations with the EU is seen more as an opportunity for domestic gain rather than diplomatic dividends.

This, and the abovementioned constraints, explains Armenia’s strategy for re-engaging with the EU. For example, in the course of negotiations with Brussels, the Armenian side requested a so-called ‘carve-out’ clause, by which Armenia would reserve the right to opt out of various articles if there were new commitments made to the EAEU. The EU has rejected this possibility because a carve-out clause would make the implementation of the commitments in the EU-Armenian framework agreement uncertain, thereby degrading it and rendering it inferior to Armenia’s arrangements with the EAEU.

Further proof that domestic political considerations are determining foreign policy is the timing of Armenia’s approach to the EU. Armenia would like to conclude the negotiations on the agreement before the end of 2016; although considered by the EU as unrealistic, this would allow current President Serzh Sarkisian to use the agreement with the EU as a key plank in the ruling party’s electoral campaign in the May 2017 parliamentary elections. This would strengthen the successor government and possibly bolster his own bid to become the new prime minister.

Cosmetic vs. real change

Since the adoption of a set of constitutional amendments in a referendum in December 2015, which was marred by concerns about the accuracy of electoral rolls and related voting irregularities, Armenia has embarked on a difficult and at times destabilising political transition from a presidential to a parliamentary system of governance. Moreover, there is a serious lack of public trust in the government, which has undermined the credibility of the government’s reform programme and in part explains the country’s profound polarisation. The act by a radical fringe group of gunmen in July, who ambushed a police station in a fatal hostage-taking incident, demonstrates that it is dangerous for government to dismiss popular demands for change and expectations of reform.

But with the passage of the constitutional amendments, the forthcoming parliamentary elections of April 2017 are inherently more significant and, in the event of yet another case of questionable electoral conduct, may trigger a powerful backlash, sparking new challenges to stability and security. There is also a deeper context of political change underway, as incumbent President Serzh Sarkisian represents the ‘last of the Mohicans’ from a political elite in Armenian politics who come to Armenia from Nagorno-Karabakh and rise to power because of the Karabakh conflict. The waning power of this elite is apparent in the emergence of younger faces, including both former and current prime ministers. The new political conflict is not between the government and the opposition, but a dynamic rivalry between factions within the ruling elite itself, between and within pro-government parties themselves.

This transition is being watched closely in Moscow. Committed to ensuring a reliable Armenian leadership, Russia’s response has been swift. The appointment of the new Armenian prime minister, a senior Gazprom executive, is seen as a move that was forced on the Armenian president in a bid to shore up Russian influence and allay concerns over potential instability in Armenia. But as both the political problems and the solutions in Armenia are systemic in nature, a change of personalities rather than policies will no longer be an adequate response.

What next?

Looking ahead, renewed rapprochement with the EU offers Armenia a significant strategic opportunity to bolster stability and buttress reform through this transition. In this regard, the EU and Armenia should commit to tailoring a framework agreement by modifying it as an ‘Association Agreement Lite’ rather than a Partnership and Cooperation Agreement (PCA) Plus. In practice, this means issuing a strong values-based political declaration with core prerequisites, including the necessity of free and fair elections, the safeguarding of human rights and fundamental freedoms, and other areas to be applied to Armenia, selected for stringent scrutiny and credible conditionality by the EU.

Moreover, under such an ‘Association Agreement Lite’, Armenia would be required to commit to certain key obligations, especially in the area of justice. This would include, inter alia, establishing a truly independent judiciary and tackling entrenched corruption, while the EU should offer incentives such as opening a visa liberalisation dialogue with Armenia.

Finally, any future EU-Armenia framework agreement should also include as much EU acquis as possible, with the imposition of strict implementation timetables where feasible, attached to both trade-related and sectoral areas of cooperation. Only in this way would the agreement become an ambitious effort worthy of a ‘second chance’ and the renewed political will that exists to salvage Armenian-EU relations. At the same time, the potential EU-Armenia framework agreement stands as both a major test and a strategic opportunity for a successful demonstration of the EU’s renewed policy of increasing differentiation, in which it takes a more flexible approach towards the neighbourhood at large.

Richard Giragosian is Director of the Regional Studies Center (RSC), an independent think tank in Armenia.

Hrant Kostanyan is a Researcher in the Europe in the World unit at CEPS and a Senior Key Expert at College of Europe Natolin and an Adjunct Professor at Vesalius College.
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