

BULLETIN

No. 62 (279) • June 9, 2011 • © PISM

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Armenia, Azerbaijan and the Eastern Partnership

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Recent protests in Yerevan have created an opportunity for major political changes in Armenia and the strengthening of pro-European tendencies in the country. In this case, the EU should promote reforms and intensify dialogue within the framework of the Eastern Partnership, in particular the negotiation of Association Agreements between Armenia and the EU. However, Azerbaijan, which used police to suppress protests similar to those in Armenia, remains sceptical about plans for enhanced cooperation with the EU and is reluctant to undertake the required reforms as the authorities in Baku are aware of the financial independence of their state and its importance for the success of the Southern Gas Corridor to Europe.

Both Armenia and Azerbaijan were included in the Eastern Partnership program in 2009. Since 2010, negotiations have been underway on Association Agreements with the EU, which in the future will replace the existing Partnership and Cooperation Agreements (PCA). In March 2011, the fourth round of talks was held. This year, the Commission launched Comprehensive Institutional Building programs that are designed to allow both countries to adapt to the requirements of the association. Also in the future, the liberalisation of the visa regime is planned within the framework of the Eastern Partnership, although visa abolishment is, so far, out of the question. Realistically, visa facilitation agreements might be expected in a couple of years with the price for a Schengen visa reduced from €60 to €35 and free visas for scientists, diplomats, businessmen, students and others. Armenia and Azerbaijan are also participants in multilateral governmental, parliamentary and NGO cooperation.

In return for benefits from the Eastern Partnership, countries are expected to undertake democratic and market reforms. In 2009-2010, however, neither Armenia nor Azerbaijan treated these requirements seriously. This year's revolution in Arabic countries contributed indirectly to the activation of the opposition in both Caucasian countries. After a series of street protests, the Armenian government began to give way to the demands of the demonstrators.

The Internal Situation in Both States. In Azerbaijan, demonstrations began in January, apparently in response to events in Tunisia and Egypt. Rallies repeated several times, culminating on 2 April, when more than a thousand people participated. The protests were suppressed by the police and many participants were detained. The riots proved that there is strong public discontent, resulting in particular from the unequal distribution of income from oil and gas exports and from a lack of political freedoms. At the same time, however, the reluctance of the authorities to liberalise the regime was confirmed as well as their readiness to suppress protest by force.

More successful rallies occurred in Armenia. The opposition Armenian National Congress, led by former President Levon Ter-Petrosyan organised two large demonstrations on 1 March and 17 March (according to different estimates, from 10,000 to 50,000 participants gathered). The ANC called for the release of political prisoners, an investigation into the death of 10 people during the suppression of demonstrations in 2008 after the presidential elections and presented a series of economic demands (social annoyance increased with the introduction of compulsory third party liability for passenger cars and the need for registration of street vendors). The authorities initially waited, hoping the protests would die out. In view of the endurance of the opposition and the continuation of the protests, however, President Serzh Sargsyan gradually decided to make concessions. On 27 May, an amnesty was announced and 15 political prisoners were released. Another of the opposition's demands, declared at a rally on 31 May, was for early parliamentary and presidential

elections (according to the schedule, they should be held in 2012 and 2013, respectively). Both Sargsyan and opposition leader Ter-Petrosyan offered assurances of their readiness for talks.

Expectations of Armenia from the Eastern Partnership. So far, the expectations of the authorities in Yerevan have focused on facilitating trade and investment with the EU. Accession to the Deep and Comprehensive Free Trade Area (DCFTA), which would cover the free movement of goods, services and capital, is aimed at not only increasing the volume of foreign trade but also at attracting foreign direct investment and increasing the country's stability. Integration with the European Economic Area will immunise the Armenian economy against future crises (one of the reasons for such a strong economic collapse during the crisis and a drop of 15% of GDP in 2009 was the comparatively high isolation of Armenia's economy). Cooperation in the Eastern Partnership also will give room to manoeuvre vis-a-vis two of Armenia's major partners: Russia and Iran.

Before the outbreak of public protests in 2011, the ruling elite, drawn mainly from the separatist Nagorno-Karabakh, saw no need for major changes in political and civil liberties. Although meetings of the Human Rights Dialogue with the EU were held in 2009 and 2010, no substantial reform has been undertaken and the violent suppression of riots in 2008 worsened the situation of the opposition and free media. In the Freedom House annual rankings, since 2009, Armenia received a rating of four for civil liberties and six for political rights on a seven-point scale (the higher the score, the lower the level of freedom).

Expectations of Azerbaijan from the Eastern Partnership. Both the expectations for the Eastern Partnership and the willingness to carry out reforms required by the EU are small. Neither harmonisation with the EU's internal law nor democratisation is in the interest of the Azerbaijani elite. The country is not a WTO member, so it cannot create a DCFTA with the EU. In addition, the Union lacks leverage on Azerbaijan. The country's position is very strong because of its financial independence, its ability to import needed technologies from outside the EU as well as the crucial importance of the second phase of the Shah Deniz deposit for the Nabucco gas pipeline, which is supported by the Commission. In this situation, the EU can only promote the least controversial projects in the field of good governance and energy security. Carrying out systemic reforms and urging President Ilham Aliyev to liberalise the political system will be a very difficult task.

Recommendations. It is likely that the political crisis in Armenia will end just before Poland starts the EU Council presidency. The most optimistic scenario is that the authorities in Yerevan will agree to conduct early parliamentary elections and, as a result, a new government would be formed that may be more interested in cooperation with the EU. It is also possible that the current authorities will remain in power at the price of minor changes that stall the opposition. Finally, there is a risk of forceful action. Any of these scenarios will require an EU response, so it is desirable to develop appropriate contingency plans now. Armenia's strong isolation, the small size of its economy and relatively strong dependence on European trade and investment (in the 3rd quarter of 2010, the shares of EU imports from Armenia was 28.1% while exports was 46.7%) should improve the efficiency of EU pressure on Armenian authorities to carry out democratic reforms.

The situation in Azerbaijan requires a similar close watch. It is possible that the protests in this country will resume and the risk of suppression by the police remains very high. However, Azerbaijan is invulnerable to possible EU actions to a much greater degree than Belarus, and the need for cooperation in the energy sector complicates the situation even further. It is therefore necessary to support the seeds of civil society in this country and focus on the minor changes available thanks to Comprehensive Institutional Building.

Because of the frozen Karabakh war, which has resulted in ongoing hostility between Armenia and Azerbaijan, Poland should take care to maintain a balance in relations with both countries, particularly during the Polish presidency. Unfortunately, the effectiveness of any potential EU action aimed at solving the conflict in this area is minor and the expiration of the mandate of the EU's Special Representative for the South Caucasus, Peter Semneby, in February decreased that even further.