

# Armenia: Why the European Neighbourhood Policy has failed

**Nelli Babayan**

>> The EU has failed to use either the European Neighbourhood Policy (ENP) or the Eastern Partnership (EaP) to leverage reform in Armenia. Armenia saw its inclusion in the EaP as a path to gaining EU membership and a way of resolving ongoing problems with its neighbours. However the EU is still neither actively involved in conflict resolution nor strongly committed to closer political integration with its Eastern partners. Its vague policy stipulations have done little to shore up its own position in the South Caucasus.

Armenia is often over-looked, compared to Georgia's more dramatic events in recent years and Azerbaijan's pivotal energy role. But the country is also important to South Caucasus security. Relations with Turkey continue to be uneasy. The 'frozen' conflict with Azerbaijan over Nagorno-Karabakh is on the verge of becoming more active. Blocked democratic reforms breed social frustration. Given Armenia's landlocked position, the closed border with Turkey, the recently closed Russian-Georgian border, and the ongoing half-frozen conflict with Azerbaijan, regional cooperation focused on reconciliation is essential to EU interests. The EU needs to upgrade its political engagement in order to head off probable instability in all these areas of Armenian politics.

## PROGRESS AND CRISIS

According to the EaP Ministerial Council of December 2010, EU-Armenia relations have intensified considerably in the EaP's bilateral and multilateral tracks. The first meeting of the EU-Armenia Human Rights dialogue took place in December 2009. The Commission is working on draft visa facilitation and readmission agreements.

## HIGHLIGHTS

- Despite deteriorating democratic performance, negotiations of an EU-Armenia Association Agreement began in July with the third and latest plenary round on 15 December 2010.
- The Nagorno-Karabakh conflict not only poses a security threat at the EU borders but is a clear example of the EU's reactive rather than proactive strategy towards conflict resolution.
- The upgrade of the EU's policies towards Armenia and others should be connected to progress in the implementation of previous and current projects. Otherwise, the EU will end up with a pile of expensive but ineffective initiatives.

## 2

»»»»» Negotiations for an EU-Armenia Association Agreement began in July 2010 with the third and latest plenary round on 15 December 2010. This accord includes the possibility to start negotiating a deep and comprehensive free trade area.

But Armenia has been hit hard by the economic crisis. The global financial crisis reduced state revenues, harming the economic and social reform process in Armenia, including implementation of the ENP Action Plan. After years of double-digit economic growth, Armenia's GDP fell by a dramatic 15 per cent in 2009. In the same year, EU exports to Armenia fell by 20 per cent, while exports of Armenian products to the EU fell by a remarkable 50 per cent. The EaP is supposed to alleviate economic problems and foster commercial relations. The figures suggest its impotence.

To help lessen the impact of the financial crisis, in November 2009 the Council agreed to provide macro-financial assistance to Armenia, in the form of a loan of EUR 65 million and a grant of EUR 35 million. Yet, the question remains of whether the injection of such funding into the state budget can contribute to the desired 'stability and prosperity' while some of the borders are closed and an adjacent conflict persists. It certainly does not seem to have had any tangible impact.

The plethora of European loans and grants are unlikely to secure the EU's position in the Russian-dominated Armenian economy. Russian capital dominates Armenian telecommunications, electricity networks, banking and gas distribution. In the latter sector Russia provides a de facto subsidy and prevents the price of gas from doubling; an offer that the EU cannot match. Thus, a primarily economic-led policy does not play to the EU's comparative advantage. Armenians look to the EU more for a role in promoting democratic progress, conflict resolution and support for civil society.

### **POLITICAL TURMOIL**

Association Agreements are supposed to be signed with functioning electoral democracies only.

However, the EU seems not to have applied this condition in Armenia or other South Caucasus countries which are part of the EaP. The binding nature of these agreements should increase the likelihood of a successful implementation. But the EU's inconsistency regarding political conditions reduces its credibility and future bargaining power.

The May 2010 report on Armenia's progress in implementing the ENP Action Plan states that Armenia has made progress in several areas. It has launched a regular human rights dialogue with the EU, improved its legislative framework in the area of anti-corruption and strengthened the role of the Human Rights Defender. The report also insists that it has taken positive steps to address the internal political crisis following the violence-marred presidential elections in February 2008. It additionally mentions further reforms in justice and rule of law.

In fact, democracy indices show that democracy has not progressed since the launch of the ENP in Armenia, and has even deteriorated in several areas. In 2008, the outgoing president Kocharyan was expected to emulate Putin's conversion to being prime-minister; however, mired in scandal he left politics. In an orchestrated hand-over the prime-ministership went instead to the technocratic head of the central bank, Tigran Sargsyan. Violent protests erupted. Ten days of demonstrations ensued against regime-orchestrated ballot box stuffing, the attacks suffered by local observers and the patent bias of the electoral commission. The protests ended with the violent dispersal of the protesters. This was followed by a 20-day state of emergency.

Since 2008 dissent has grown over the non-democratic transfer of power. The Armenian opposition is far from united. The most visible opposition factions are the Heritage party and the Communist party; but the latter did not pass the electoral threshold in 2008 and its support base is dwindling.

The leader of the 2008 protests, former president Levon Ter-Petrosyan, is currently calling for

---

Armenians to emulate the events in Tunisia and Egypt. However, his post-2008 silence and association with the country's problems of the 1990s undermine his ability to inspire the masses. Meanwhile, the coalitional government is trying to secure the 2013 presidential bid for the incumbent Serzh Sargsyan, with others predicting the comeback of Kocharyan as his main rival. Armenians remain bitterly disappointed with the nepotism of politics and predict an unstable period ahead.

The post-elections crisis of 2008 has received little critical attention from the EU, which preferred to distance itself and take a wait and see approach. The EU deemed the 2008 elections broadly democratic - despite all the evidence to

the contrary and the anger of democratic opposition parties. The EU urged the Armenian authorities to end the state of emergency, launch an independent investigation on the violence and release political prisoners.

However, the regime ignored these requests and the state of emergency was not lifted before the planned date of 20 March.

The broadcast media has been under constant pressure from the government since the elections. Restrictions have been placed on the freedom of assembly and the opposition has been denied permission to hold demonstrations. A June 2009 amnesty freed 30 protesters from jail, but many activists still remain in prison. The police officers accused of brutality during the post-election events have not been charged.

Despite all these negative trends and the Armenian government's rejection of EU strictures, no policy change occurred under the rubric of the ENP Action Plan and Armenia was safely granted a place within the EaP. Armenians

struggle to understand how the EU can classify their country as democratic. Europe has turned a blind-eye to Armenia's authoritarian clampdown.

### REGIONAL SECURITY AND CONFLICT

The EU has retained its efforts to resolve the Nagorno-Karabakh conflict as a separate priority. The EU prefers to distance itself on Nagorno-Karabakh and channel its limited activities through promoting the OSCE Minsk Group. EU governments have been largely reactive in the face of Russian diplomacy and influence. The unresolved conflict compounds Russia's military and economic pre-eminence in the region and reduces the chances of EU access to Azerbaijan's energy supplies.

Instead of merely 'morally' supporting the OSCE Minsk Group, which includes seven different EU governments, the Union should substitute these representatives with its own. These should be the heads of EU delegations to Armenia and Azerbaijan. The creation of the External Action Service and EU ambition to project a united front renders this step both urgent and logical. It also has the potential to improve the image of the OSCE Minsk Group itself which is regarded as of little use by both the Armenian and Azerbaijani sides.

Progress on the Nagorno Karabakh conflict is essential to ground the EU's position in the region. Given its economic and security interests, it would be problematic for the EU explicitly to take sides in the conflict. However, insisting on stricter arms control, and even an arms embargo, would help to diminish the possibility of a renewed war. Higher level political and economic involvement from the EU should be combined with the setting of a deadline for resolution of the dispute and pressure on both sides to avoid low level skirmishes.

The EU's focus on non-conflictive issues will keep the spotlight on Russia as *the* regional player. To safeguard its security, Armenia signed a new



»»»»» defence agreement with Russia in August 2010 extending Russia's military base lease until 2044, further increasing Russian influence in the region. But skirting difficult political questions will only harm the EU's longer term role and interests. The EU has had clear opportunities to contribute to resolving Armenia's conflictive relations with its two neighbours and win over more EU-enthusiasts, given the pro-European aspirations of the government and the high level of public support for the Union. However, Armenia's parallel foreign policies complicate the EU's agenda, as it has to deal with Armenia's close security and economic relationship with Russia and developmental ties with the United States.

The long-awaited rapprochement in Armenian-Turkish relations resulted in the signing of the Zurich accord. The EU played virtually no role in this advance. Shortly afterwards the Turkish government reiterated that ratification would depend on resolution of the Nagorno-Karabakh conflict. Armenia responded by officially suspending the accord's ratification process. The Mardakert skirmishes in March 2008, the most publicised of occasional hostilities, resulted in Armenia and Azerbaijan blaming each other and demonstrated the lack of security in the region. Though the incident directly undermined its conflict resolution commitments, the EU delegation in Armenia did not officially react.

Given the close relations of the South Caucasus countries with some of their out-of-region neighbours, there is also a need for increased engagement with regional players such as Turkey and Russia in the development of cooperation policies. Though these states cannot be regarded as neutral, neither can they be ignored. The EU should particularly encourage and contribute to incipient civil society links between Armenia and Turkey. However, when encouraging civil society links, the EU should be careful with the influential Armenian diaspora, which pursues a hard-line opposition to the rapprochement with Turkey. Civil society links have the potential to transcend the historical baggage of the Armenian population and encourage the latter to focus

more pragmatically on the future and the need for prosperity.

To increase the effectiveness of its policies in the region, the EU needs to address both the region's and Russia's interests. At the same time, the EU should not underestimate Russia's 'great power' ambitions. The EU needs to tie its further economic engagement with Russia to the latter's acceptance of the sovereignty of South Caucasus states.

### RENEWING ENGAGEMENT

An EU-funded opinion poll shows that Armenians compare the EU to a bear, because it is 'strong and not predatory' and at the same time 'soft, big, powerful, but not aggressive'. The survey shows that 96 per cent of Armenian respondents want the EU to be more active in developing regional cooperation.

The ineffectiveness of ENP regional cooperation in military-security issues is explained not only by the divergent interests of the regional players but also by the EU's reluctance to take specific, concrete actions – as opposed to vague propositions and encouragements. The respondents' bear analogy coincides with the European Parliament's view which acknowledges the need for a comprehensive strategy for the South Caucasus that would 'combine soft power with a firm approach'.

The neglect of conflicts in the South Caucasus will jeopardise the EU's attempts to reduce its energy dependence on Russia. The outstanding conflicts will continue to be used to justify the concentrating of power in the hands of a small elite group when facing criticism on the state of democracy. Currently, the EU's approach to Armenia and other EaP members is an accumulation of overlapping policies, which do not fully address the needs of the partner country and hinder the proclaimed goals of the EU.

The EU should end its tendency to treat countries in the region with simplistic uniformity. Though some differences are acknowledged on paper, the

---

politically diverse countries of the South Caucasus are included in the same policies and have similar priority areas in the ENP Action Plans. Such an approach renders its policies less efficient as it fails to reward its best aspirants and over-rewards the worst intractables.

2011 offers the EU an opportunity to act rather than react, given the US's declining interest in the region and over-stretched involvement in other conflicts. The upgrading of the EU's policies towards Armenia should be connected to progress in the implementation of previous and current projects. Otherwise, the EU will end up with a pile of expensive but eventually ineffective initiatives.

*Nelli Babayan is an Armenian analyst at the University of Trento. In 2010 she was visiting fellow at FRIDE.*