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Alexander Markarov, Vahe Davtyan

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# POST-VELVET REVOLUTION ARMENIA'S FOREIGN POLICY CHALLENGES

ALEXANDER MARKAROV  
YEREVAN STATE UNIVERSITY

VAHE DAVTYAN  
YEREVAN BRUSOV STATE UNIVERSITY  
OF LANGUAGES AND SOCIAL SCIENCES

**Abstract:** In the decades since independence, Armenian foreign policy has prioritized complementarity—as articulated by then-Minister of Foreign Affairs Vardan Oskanyan in 1998—and national interests in carrying out activities with external actors. These concepts will continue to be driving forces behind Armenian foreign policy under the new government. As such, Armenia will deepen its interactions with the EU, the United States, and regional players, albeit within the framework determined by strategic relations with Russia, the unresolved Nagorno-Karabakh conflict, and closed borders with Turkey. Despite Armenia's best efforts to balance the interests of different regional players, it may find itself affected by changes to the regional geopolitical environment. The security threats that existed before the revolution due to the unresolved Nagorno-Karabakh conflict and historico-political relations with Turkey will persist, and it is important to develop political and economic dialogue with China, aimed primarily at integrating Armenia into “One Belt, One Road.”

After about twenty days of mass protests led by the leader of the parliamentary faction “Way Out” and the “Civil Contract” party, Nikol

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Alexander Markarov is Professor of Politics, Deputy Vice Rector and Head of the International Cooperation Office at Yerevan State University. He is also Director of the CIS Institute's Armenia branch. Contact: amarkarov@ysu.am. Vahe Davtyan is Associate Professor and UNESCO Chair of Human Rights, Democratization, and Political Science at Yerevan Brusov State University of Languages and Social Sciences. Contact: vahe.davtian@gmail.com.

Pashinian, Serzh Sargsyan's longtime political leadership of Armenia came to an end in April 2018. The fact that Prime Minister Sargasyan found himself compelled to resign within weeks of the start of protests raises questions about the depth and causes of such mass dissatisfaction, which brought various social groups— young activists, students, rural residents, etc.—into the streets, as well as the fragility of the system, which showed itself unable to withstand increasing instability and diminishing legitimacy.

Pashinyan, who had spent his entire political career in opposition— heading the leading opposition newspaper, *Armenian Time*, from 1999 to 2012 and working within the Impeachment movement from 2007— offered clear, simple, and predictable rhetoric. His arguments focused on the fight against the political system, embodied by Sargasyan; combating the dominance of the Republican Party; the struggle for rule of law and equal opportunities; defeating corruption and bringing down oligarchs; and supporting the development of small and medium businesses. The movement—which began in early April—was declared to be one of non-violent resistance to the current regime, with Pashinyan framing it as a “velvet revolution of love and tolerance.”<sup>1</sup>

Domestic changes were at the top of the peaceful revolutionaries' political agenda, and Pashinyan explicitly stated that the movement had no geopolitical component. Although the “Way Out” faction had proposed in the fall of 2017 that Armenia leave the Russian-led Eurasian Economic Union (EAEU), Pashinyan affirmed—both during the protests and in meetings with various Russian officials—that the movement was committed to Armenia's existing foreign policy priorities and obligations, including the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), and the EAEU. This, he said, set the movement apart from the “Maidan” demonstrations in Ukraine.

There are two main reasons that the movement declined to overhaul Armenia's foreign policy. First, Pashinyan realized that anti-Russian rhetoric could scare off part of the population, preventing them from supporting the movement. Second, by declaring the importance of preserving Armenian-Russian strategic relations, he was able to prevent Moscow from becoming engaged in the protests in defense of its interests.

## Complementarity in Action

The policy of complementarity implies that the country is building effective relations of cooperation with all those entities that are interested in mutually beneficial cooperation. This may contribute not only to national development, but also to regional peace and stability. In theory, this multi-vector foreign policy is intended to balance the interests of

<sup>1</sup> “Pashinian Announced the Beginning of ‘Nonviolent, Velvet’ Revolution.” *Hetq.am*. July 18, 2018. At <http://hetq.am/arm/news/87479/>, accessed July 18, 2018.

competing groups and avoid problems in relations with any of the major powers.<sup>2</sup> As former president of Armenia Robert Kocharyan explained, “Complementarity is based on the concept of seeking advantages by softening the contradictions of the global and regional powers, and not by deepening the differences. We are responsible for regional stability and our actions shall help solve problems, instead of creating new ones.”<sup>3</sup> Thus, the foreign policy pursued by Armenian elites was considered to correspond to the country's national interests.

On July 12, 2018, Pashinyan, newly installed as Armenian prime minister, visited Brussels, where he attended the NATO summit. Pashinyan held a series of meetings with EU and NATO officials, met with French President Emmanuel Macron, and shook hands with U.S. President Donald Trump. Pashinyan's visit provoked discussions among Armenian and foreign experts alike. Some analysts concluded that in visiting Brussels, Pashinyan was making the first steps toward deepening cooperation and integration with NATO and EU, which would ultimately cause problems in Armenia's relationship with Russia. However, in his rhetoric, Pashinyan repeatedly returned to the issue of Armenia's Eurasian integration, noting its importance to the country's economic development.<sup>4</sup> Russia continues to be Armenia's main strategic partner, and Pashinyan's first trip abroad was to Russia, where he attended the meeting of the Supreme Eurasian Economic Council in Sochi.

Another important aspect of the country's foreign policy is strategic relations with Georgia and Iran. These are also viewed through the prism of current regional geopolitical processes, as Armenia's contacts with the outside world run primarily through these two countries. Iran is not only a transport hub for Armenia, but also a “regional balancer.” The role of both countries is underlined in the Government's program, adopted by Parliament in June 2018. A month earlier, during an official visit to Georgia, Pashinyan had also stressed that developing relations with Georgia remained one of Armenia's foreign policy priorities.<sup>5</sup>

Pashinyan's administration is interested in deepening Armenian cooperation with Georgia in various fields, including trade and economy,

<sup>2</sup> Aram Terzyan. 2016. “The Evolution of Armenia's Foreign Policy Identity: The Conception of Identity Driven Path. Friends and Foes in Armenian Foreign Policy Discourse.” In Kornely Kakachia and Alexander Markarov, eds., *Values and Identity as Sources of Foreign Policy in Armenia and Georgia*. Tbilisi: Universal Publishing, 2016, 145-183.

<sup>3</sup> MFA. 2004. *Speech by R. Kocharyan, President of the Republic of Armenia, at the Parliamentary Assembly of the Council of Europe*, At <http://www.mfa.am/en/speeches/item/2004/06/23/president/>, accessed July 15, 2018.

<sup>4</sup> Prime Minister of RA. 2018. *Prime Minister Pashinyan to Pay Working Visit to the Kingdom of Belgium*, At <http://www.primeminister.am/en/press-release/item/2018/07/10/Nikol-Pashinyan-visit-to-Brussels/>, accessed October 4, 2018.

<sup>5</sup> An official visit by Pashinyan to Iran is still in the works, as it was difficult to organize such a visit during Ramadan.

energy, transport, agriculture, tourism, and culture.<sup>6</sup> In this, it differs little from the last administration, presumably because both governments have been aware of the importance of maintaining a stable relationship with their northern neighbor. What perhaps set Pashinyan's visit to Georgia apart was that it marked the first time that an Armenian leader had visited Javakhk, which is home to a sizable ethnic Armenian population (approximately 60% of inhabitants). For years, the problems of Javakhk had not been explicitly discussed by the Armenian government, despite the fact that there were substantial population outflows from the region to both Armenia and Russia. At the same time as Armenians are migrating out of the region, there have been efforts by the Turkish and Azerbaijani leaderships to expand their economic and demographic presence in Javakhk, specifically increasing its Azerbaijani Muslim population.

It is important to note that Armenia's trade relations are limited due to poor infrastructure and weak transport links. These realities have a debilitating effect on Armenia's national security. By contrast, economic calculations show that opening the borders could increase gross domestic product (GDP) by as much as 30% and significantly reduce the country's trade deficit.<sup>7</sup> In the absence of diplomatic relations with Turkey and Azerbaijan, there is no prospect of transport links between Armenia and these countries. This means that Georgia and Iran have a particularly important role to play. A significant share of freight traffic is carried by rail to the Georgian ports, from whence it travels by rail to ports on the Black Sea.<sup>8</sup> Other goods travel by rail or road to Russia, Ukraine, Romania, Bulgaria, etc.

A key challenge for Armenia is increasing the efficiency of sea routes, which can help integrate Armenia with the outside world. In the context of a worsening transport blockade, a pragmatic strategy for the use of sea routes could help secure Armenia's trade. Of course, this strategy also requires upgrading domestic transport infrastructure and raising the level of transport cooperation with Georgia, chiefly by harmonizing tariff policy and improving the safety of the transportation process.

Georgia's importance to Armenia is particularly acute in the realm of energy security. In August 2008, Armenia faced an oil deficit and escalating prices when a railway bridge used to supply gasoline, diesel, and other products to Armenia was blown up during the "five days' war."

<sup>6</sup> Prime Minister of RA. 2018. *Prime Minister Nikol Pashinyan's Official Visit to Georgia*. At <http://www.primeminister.am/en/foreign-visits/item/2018/05/30/Prime-Minister-Nikol-Pashinyans-official-visit-to-Georgia/>, accessed June 22, 2018.

<sup>7</sup> Asian Development Bank. 2008. *The Development Strategy of the Armenian Transport Sector-2020*. Final Report, Asian Development Bank, Ministry of Transport and Communication of RA.

<sup>8</sup> Andrei Diegtiev et al. 2016. "Georgia's Economy in the Space of Contradictions of Regional Powers." *MGIMO-University Bulletin* 2: 229-230.

With regard to Iran, the creation of a free economic zone between Iran and Armenia and then Iran and EAEU would have a significant impact on the development of Armenian-Iranian relations. The last administration understood this, as evidenced by the fact that Armenia was the first to propose such an initiative (in September 2015). According to preliminary data, the creation of the zone has the potential to double Armenian-Iranian trade. On the other hand, Iran has already been obliged to reduce customs duties on a number of goods three times since the beginning of 2018. It should be noted, however, that the agreement between Iran and the EAEU has been suspended for three years, since there are a number of legal obstacles—in particular in Iran, where the customs duty rate is below 4%. It is assumed that within three years mechanisms will be have been developed to overcome these obstacles and bring the zone in line with WTO standards.<sup>9</sup>

With regard to the benefits of Armenia, two points should be noted. The first is that Iran received just 4% of Armenia's exports (\$240 million) in 2016, a small proportion compared to other neighboring countries, suggesting that there is great potential for development. The second point, connected to the first, is that Armenia created a free economic zone in Meghri, in the south of the country, in 2017. This zone, designed to increase economic interactions with Iran, allows Iranian and Armenian businessmen to export goods produced in Meghri to the EAEU market and offers them tax breaks to do so.<sup>10</sup> The 900-plus goods covered by the agreement do not, however, include energy products, which is unfortunate, as this would be beneficial for Armenia.

Turning to the main infrastructure projects aimed at forging stable and safe communication between Armenia and Iran, some attention is due to the "North-South" international transport corridor, one of the main challenges for the new government. The current project calls for the construction of a Qazvin-Rasht-Astara (CRA) railway line through Russia, Azerbaijan, and Iran, which would have a negative impact on Armenia's prospects for transport integration. The goal of the CRA is to connect South and South-East Asia to Europe via rail, providing an alternative route to the Suez Canal. Currently, both Azerbaijan and Iran are equally interested in the implementation of the CRA.<sup>11</sup> Both countries seek to restore Soviet-

<sup>9</sup> "Iran Signs Free Trade Agreement With Eurasian Economic Union in Move That is Healthy for Iran, Russia and Non-EAEU Member Pakistan." *EurasiaFuture*. May 17, 2018, At <https://www.eurasiafuture.com/2018/05/17/iran-signs-free-trade-agreement-with-eurasian-economic-union-in-move-that-is-healthy-for-iran-russia-and-non-eaeu-member-pakistan/>, accessed June 27, 2018.

<sup>10</sup> Ministry of Economic Development and Investment. 2016. *Establishment of Free Economic Zone in Syunik*, At [http://iran.mfa.am/u\\_files/file/invest/Syunik\\_FEZ](http://iran.mfa.am/u_files/file/invest/Syunik_FEZ), accessed July 1, 2018.

<sup>11</sup> L.B. Vardomsky, A.G. Pylin, and T.V. Sokolova. 2014. *The Countries of the South Caucasus and Specifics of the Development of Regional Cooperation*. Moscow: Institute of Economics,

era rail links. For its part, Russia sees value in rail links along the west coast of the Caspian Sea because the Baku-Derbent branch is considered a key corridor that might connect Russia with the South Caucasus.<sup>12</sup> As for Armenia, if the Qazvin-Rasht-Astara project comes to fruition (as there is every economic and political reason to expect it to do), it is always possible that an alternative route considered for the “North-South” route, running through Iran and Armenia, will also be preserved.

### **The Karabakh Factor**

The architecture of regional security and its unstable dynamics—with the prolonged ethnopolitical conflict and Turkey and Azerbaijan’s economic and political blockade of Armenia—form another layer of foreign policy priorities and determinants for the country. Resolving the Karabakh conflict is a priority of Armenia’s foreign and security policy. Armenia supports an entirely peaceful compromise under the following conditions:

- Any final agreement on conflict resolution must be approved by the Karabakh authorities (Armenians also refer to the territory as “Artsakh”)
- The Nagorno-Karabakh Republic must become a de jure independent state, supported by international safeguards
- Karabakh must be geographically linked to Armenia
- The security of Karabakh must be guaranteed by international actors

The Armenian side emphasizes that the right of the people of Karabakh to self-determination should be recognized.

After being elected prime minister, Pashinyan visited Stepanakert in May 2018, where he met with President of the Karabakh Republic Bako Sahakyan. After these meetings, he presented his position on the Karabakh issue, indicating that the conflict should be resolved peacefully and negotiations continued within the framework of the OSCE’s Minsk Group. He added that the Karabakh Republic should become a full-fledged participant in the negotiation process and stressed his view that negotiation was impossible as long as Azerbaijan’s militant rhetoric continued. Pashinyan said that he was prepared to negotiate with Azerbaijani President Ilham Aliyev on behalf of Armenia, while the leadership of Karabakh should participate in negotiations on their own behalf. Thus, in contrast to the previous authorities, Armenia’s current political leadership clearly wants to include the Karabakh authorities in the negotiation process.<sup>13</sup> This

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Russian Academy of Sciences, 30.

<sup>12</sup> V.A. Tsvetkov, K.H. Zoidov, and A.A. Medkov. 2011. *Problems of Integration and Innovative Development of Transport Systems in Russia and the South Caucasus Countries*. Moscow: CEMI, 34.

<sup>13</sup> “Armenia’s New PM Signals Continuity on Karabakh, Seeks Talks with Azerbai-

approach has previously been supported by some representatives of the Karabakh authorities. According to the minister of foreign affairs of the Karabakh Republic, Masis Mailyan, Armenia may therefore refuse to discuss with Azerbaijan and mediators key issues related to resolving the conflict, instead leaving them to the exclusive discretion of the Karabakh authorities.<sup>14</sup>

In the government's program, adopted by the National Assembly in June 2018, Pashinyan emphasized the the security and status of Karabakh as a priority for Armenia.<sup>15</sup> The program stressed that Karabakh—as the main actor in the conflict—should have a voice in the conflict resolution process; Pashinyan indicated that without this, negotiations could not be effective. This approach is not yet acceptable to Baku, while Russian Foreign Minister Sergey Lavrov has said that Moscow will respect any decision made by Yerevan and Baku on Karabakh's participation in the negotiations.<sup>16</sup>

The Karabakh conflict should also be considered within the framework of Eurasian integration. From 2008 to 2013, Yerevan was actively negotiating an Association Agreement with the European Union. Armenia also explored, and subsequently acceded to, the Eurasian Economic Union. In both discussions, the status of Nagorno-Karabakh in the event of Armenia's accession to one organization or the other was a pressing issue. Armenia's current membership in the EAEU opens up additional opportunities for Karabakh, as it allows the latter to trade, making it attractive to investors. It should be noted that between 2015 and 2017, Armenian exports to Russia, mainly consisting of agricultural and food products, grew by 87%. The trade turnover between the two countries increased by more than 10%,<sup>17</sup> due in large part to trade from Karabakh. As T. Manaseryan, an Armenian economist, writes, in the process of Eurasian integration, "... the issue of Nagorno-Karabakh, which is de facto part of Armenia, is

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jan." *Reuters*. May 9, 2018, At <https://www.reuters.com/article/us-armenia-azerbaijan/armenias-new-pm-signals-continuity-on-karabakh-seeks-talks-with-azerbaijan-idUSKB-N11A2VK>, accessed July 25, 2018.

<sup>14</sup> "Armenia's Prime Minister's Position on the Necessity of Artsakh's Return to the Negotiating Table Coincides with the NKR Authorities' Approaches-MFA." *NewsArmenia*. June 13, 2018, At [http://newsarmenia.am/news/nagorno\\_karabakh/pozitsiya-premera-armenii-o-neobkhodimosti-vozvrashcheniya-Karabakha-za-stol-peregovorov-sovpadaet-s- /](http://newsarmenia.am/news/nagorno_karabakh/pozitsiya-premera-armenii-o-neobkhodimosti-vozvrashcheniya-Karabakha-za-stol-peregovorov-sovpadaet-s-/), accessed June 17, 2018.

<sup>15</sup> Parliament of RA. 2018. *Government Program*, At [http://www.parliament.am/draft\\_docs6/K-326.pdf](http://www.parliament.am/draft_docs6/K-326.pdf), accessed June 25, 2018.

<sup>16</sup> "Pashinyan's Answer to Aliyev: If You Want Negotiations, You Will Have Them... with Karabakh." *ArmeniaSputnik*. June 7, 2018, At <https://ru.armeniasputnik.am/karabah/20180607/12516709/otvet-pashinyana-alievu-hotite-peregovorov-budut-peregovory-s-karabahom.html>, accessed June 22, 2018.

<sup>17</sup> "Dva goda Armenii v EAES: pozitiva bol'she" [Two Years of Armenia in the EAEU: More Positive]. *VPO Analytics*. January 18, 2017, At <http://vpoanalytics.com/2017/1/18/dva-goda-armenii-v-eaes-pozitiva-bolshe/> (accessed October 16, 2018).



important, and with the latter's entry into the union it will actually come to a new, huge market. It would be desirable for Nagorno-Karabakh to join the EAEU as an independent entity, which will also have a positive impact on the resolution of the conflict with Azerbaijan, especially if the latter is also joining the aforementioned form of economic integration."<sup>18</sup>

However, Nagorno-Karabakh continues to face foreign trade issues. If during the Soviet era transport infrastructure was purposefully destroyed by the Azerbaijan SSR, today its issues are connected primarily to its status as an unrecognized state. On account of this status, Karabakh carries out its foreign trade through registered legal entities in Armenia and enters the international market, including the EAEU countries, under the label "Made in Armenia" (goods include carpets, leather shoes, brandy, fruits, and vegetables). At the same time, Armenia's membership in the EAEU opens up economic opportunities for Karabakh. Moreover, Armenia's presence in the economic zone creates the basic conditions for Karabakh's economic activity, which has been demonstrating high growth rates since 2008.

When considering the Nagorno-Karabakh conflict, it is important to take its "Nakhichevan vector" into account. According to the noted American analyst Paul Goble, Nakhichevan has once again become an arena of widespread and dangerous geopolitical conflict.<sup>19</sup> Turkey is currently developing its military presence there, and we may conclude that Ankara will be able to use this territory to connect with the railway to Iran. It is also possible that Azerbaijan and Turkey will join forces to challenge Armenia's control over its southern Syunik region (Zangezur), which directly separates Nakhichevan from Azerbaijan and acts as the only "land bridge" to Iran. However, to do this, Ankara and Baku would have to violate the Kars Treaty (1921), under which Nakhichevan was passed to Azerbaijan only as a protectorate.<sup>20</sup>

In any event, in pursuit of its military aims, Ankara is going to build a railway connecting Turkey with the Nakhichevan Autonomous Republic. The design of the railway line Kars-Igdir-Aralyr-Diludzhu will begin in late 2018 or early 2019. The new transport project involves the construction of a 224-km (139-mile) railway that will be built to accommodate high-speed trains with a top speed of up to 160 km/hour (99 miles/hour). The new railway line will be connected to the Baku-Tbilisi-Kars (BTK) railway, with further access to the Kapykule-Kars line that traverses Turkey from east to west and crosses into Europe.<sup>21</sup>

<sup>18</sup> T. Manaseryan. 2016. *Armenia's Accession to the EAEU: Myth and Reality*. At <http://eurasiancenter.ru/politics/perspectives/20140911/1003673739.html>, accessed July 7, 2018.

<sup>19</sup> Paul Goble. 2018. *Nakhchivan Again Site of Broader and More Dangerous Geopolitical Competition*. At <https://jamestown.org/program/nakhchivan-again-site-of-broader-and-more-dangerous-geopolitical-competition/>, accessed July 10, 2018.

<sup>20</sup> Treaty of Kars (1921). At <http://www.deutscharmenischesgesellschaft.de/wp-content/uploads/2011/01/Vertrag-von-Kars-23.-Oktober-1921.pdf>, accessed July 13, 2018.

<sup>21</sup> Bradley Jardine. "With New Railway, Turkey Seeks to Isolate Armenia and Integrate

## Balancing between Russia and the EU

Continuing cooperation with both Russia and the EU is one of Armenia's main foreign policy priorities. This cooperation is considered not mutually exclusive, but rather synergistic for the development of Armenia.

In the context of the desire to balance between East and West, Russia looms large for Armenia. Cooperation with Russia is considered to be strategic, both bilaterally and within multilateral frameworks such as the CIS, CSTO, and EAEU. Certainly, the military and defensive aspect of this alliance, as well as Russia's role in the Karabakh negotiations, will remain an important part of bilateral relations. Moreover, the presence of a large Armenian community in Russia is an important factor, especially since the current government emphasizes the role of the diaspora and its possible impact on the flow of investments into the Armenian economy. No less important is the fact that Russia is one of Armenia's leading economic partners, as well as a major investor in its economy. These investments go to a wide range of industries, including energy and energy infrastructure, where Armenia is deeply dependent on Russia. In addition to natural gas, Armenia depends on Russia supplying nuclear fuel to the Metsamor plant. Russia has also provided a loan of \$270 million and \$30 million in grants to modernize the power plant. Meanwhile, gas imports and distribution are monopolized by Gazprom-Armenia, which has been owned by Russia since 2014.

Summing up his first 100 days in office, Pashinyan stated that there were no political obstacles to the further development of Armenian-Russian relations and that their existing potential should be realized. Soon afterwards, Pashinyan held two meetings with Russian President Vladimir Putin and claimed that the results were positive.<sup>22</sup>

Crucial to Armenian-Russian relations is the strong military cooperation based on bilateral and multilateral agreements (specifically the CSTO). In 2010, Armenia extended for 49 years the Russian military's lease on a base that they have had in Armenia since 1995. As a member of the CSTO, Armenia also cooperates in the field of military industry and is able to acquire arms from Russia at low prices, which is one of the main elements contributing to Armenia's national security. To this point, cooperation with Russia and the CSTO continues to be a strategic priority for Armenia, as indicated in the government's program. Pashinyan also stated in an interview that Armenia would not turn away from its bilateral relations with Russia, instead ushering them into a new stage that can be

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Azerbaijan." *EurasiaNet*. June 29, 2018, At <https://eurasianet.org/s/with-new-railway-turkey-seeks-to-isolate-armenia-and-integrate-azerbaijan>, accessed July 13, 2018.

<sup>22</sup> "Cautious Pashinyan: The New Prime Minister of Armenia's First Hundred Days." *RIA Novosti*. August 15, 2018, At <https://ria.ru/world/20180815/1526554836.html>, accessed July 19, 2018.

described as “more positive, more constructive, more productive, more direct.”<sup>23</sup>

Considering Russia an important ally, Armenia will continue to work closely with other members of the Eurasian Union and the CSTO, both bilaterally and multilaterally, on such issues as Russia and Belarus selling arms to Azerbaijan and SCTO members’ unconsolidated position on—or lack of response to—escalation on the Armenian-Azerbaijani border.

However, a number of events have come to strain these bilateral ties. The most acute problem has been the arrest of CSTO Secretary General Yuri Khachaturov on July 26, 2018, on charges of attempting to overthrow the Armenian constitutional order during the 2008 election fraud protests. In the face of strong displeasure from Moscow, however, Khachaturov was released on bail and returned to Moscow on August 4 to resume his duties. Subsequently, Armenia continued to press for new CSTO leadership.

Misunderstandings between Moscow and Yerevan following the arrest of Khachaturov created problems in military cooperation between Russia and Armenia. The “big question” was the implementation of the second package of contracts, under which Yerevan was to receive a loan of \$100 million. In the framework of the first package of contracts, Moscow had allocated \$200 million to Yerevan in 2016. The second contract offered the supply of small arms, engineering communications, and transport.<sup>24</sup>

Armenia’s dependence on Russian energy raises the issue of the safety of transport routes through the North-South gas pipeline in Georgia. When it is non-operational, as it was in August 2008, problems ensue. Moreover, the potential purchase of the Georgian section of the pipeline by Azerbaijan or Turkey would present a real threat to Armenia’s security. In 2010, the Georgian government announced the possibility of trading shares in this section of the pipeline on the London Stock Exchange, the same year as the pipeline was excluded from the list of strategically important facilities in Georgia. This process has been frozen due to the unfavorable situation in the financial markets, but in 2016, the Georgian authorities reiterated the need to put shares representing 25% of the pipeline (as well as Georgia’s railways) on the international market. It is obvious that this model obliges Armenia to diversify its natural gas imports.<sup>25</sup>

Energy is a crucial area in Armenia’s efforts to balance between

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<sup>23</sup> Ani Mshetsyan. “Nikol Pashinyan: Armenian Revolutionary Process Did Not Include Geopolitical Conspiracy.” *ArmInfo*. June 15, 2018, At [http://arminfo.info/full\\_news.php?id=32546&lang=3](http://arminfo.info/full_news.php?id=32546&lang=3), accessed June 26, 2018.

<sup>24</sup> It was later stated that the loan would be provided. See “Zamministra oboroniy Rossii: Informatsiya gazety ‘Kommersant’ otnositel’no 100-millionnogo kredita nekorrektna.” *Radio Azatutun*. August 3, 2018, At <https://rus.azatutyun.am/a/29409699.html> (accessed June 7, 2018).

<sup>25</sup> “Georgia to Sell Armenian Section of Gas Pipeline.” *Asbarez*. August 11, 2011, At <http://asbarez.com/97644/georgia-to-sell-armenia-section-of-gas-pipeline/>, accessed June 30, 2018.

Russia and the EU. The Metsamor nuclear power plant became a critical issue in the expanded partnership agreement between Armenia and the EU, as evidenced by the fact that Euratom became a signatory of the agreement alongside Armenia and the EU. In accordance with the second chapter of the agreement, “Energy Cooperation, Including Nuclear Safety,” the signatories should cooperate on energy issues based on the principles of partnership, mutual benefit, transparency, and predictability. In particular, cooperation should include “the closure and safe decommissioning of the Metsamor NPP and the early adoption of a road map or plan of action, taking into account the need to replace it with new capacity to provide energy security and sustainable development of the Republic of Armenia.”<sup>26</sup> Although this provision was presented as sensational in the media, it echoes the position the EU took on the future of Armenian nuclear energy in the early 2000s.

An important aspect of the Armenian “nuclear epic” is the geopolitical competition between the EU and Russia, which managed the Armenian nuclear power plant in 2003-2013 and is today considered a potential investor in a new plant. The signing of the agreement with the EU does not mean that Armenia would be compelled to reject Russian investment in its nuclear power. However, since 2010 Moscow has been almost silent on developing nuclear power in Armenia, possibly for two reasons. The first is the collapse in the price of hydrocarbons in 2014, which led to the contraction of a number of Russian energy projects carried out outside Russia (for example, the construction of hydropower plants in Kyrgyzstan). The second is Moscow’s active participation in the construction of the Turkish nuclear power station “Akkuyu,” worth more than \$22 billion, which is considered a priority direction of Russia’s external energy strategy. In general, nuclear power is a sphere in which the clash between Russia and the EU will be of a long-term nature. Today, the EU attacks the “Akkuyu” plant, as well as the Hungarian “Paks” and Bulgarian “Belen” nuclear power plants and many other projects implemented with Moscow’s participation. An Armenian plant is unlikely to be any exception.

Armenia’s dependence on Russia in strategic areas sometimes seems to impede its efforts to work with other actors. Nevertheless, Yerevan continues to seek deeper relationships with the US and the EU, considering relationships with EU institutions, in particular, to be a priority direction of its foreign policy. Cooperation is sought in at least three main areas. The first is the promotion of democracy, civil society, the rule of law, good governance, and human rights and fundamental freedoms. The second is

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<sup>26</sup> Government of RA. 2017. *EU-Armenia Comprehensive and Enhanced Partnership Agreement*, [http://www.mfa.am/u\\_files/file/CEPA.pdf](http://www.mfa.am/u_files/file/CEPA.pdf), accessed June 25, 2018; *Website of the Prime Minister of the Republic of Armenia*, At <http://www.primeminister.am/en/>, accessed July 11, 2018.

economic, with a specific focus on expanding trade with EU countries. (It is worth noting that the EU is already one of the largest investors in the Armenian economy.) Finally, Armenia supports the EU in its regional initiatives aimed at creating an atmosphere of stability and cooperation in the South Caucasus. A statement issued after the first meeting of the European Union-Armenia Partnership Council under the Comprehensive and Expanded Partnership Agreement between the EU and Armenia (CEPA) on June 21, 2018, confirmed the parties' willingness to expand and deepen cooperation within the new legal framework, the Eastern Partnership, and the European Neighborhood Policy. Evidently, therefore, Armenia continues to consider cooperation and dialogue with the EU and participation in the Eastern Partnership as important.

It is noteworthy that in the briefing that followed his trip to Brussels, Pashinyan noted that, "The European Union is satisfied by congratulations and compliments. It is nice to hear it all, however I think they realized that we are not in a state to melt from the compliments." According to him,

Armenia is no longer an applicant or a petitioner. We know what we have to do, in fact, our partners must understand and articulate their actions. After our revolution, we heard welcome statements from the European Union, but there are still no tangible changes in politics. The EU policy is the same as four months, three months ago. We fix it and are sure that either they should reduce the inspired tone of these statements or should significantly change the policy. We expect more concrete and extensive assistance. A statement was recently made that the European Union intends to allocate Armenia 160 million euro. This is the volume that was foreseen in one way or another. I told our partners that this figure is the same, nothing actually changes.<sup>27</sup>

In turn, Ambassador Piotr Switalski, the head of the EU delegation to Armenia, stated that to strengthen relations between the EU and Armenia, the new government of Armenia should have clear ideas and make concrete proposals. The ambassador stressed that the legal and political basis of relations between the EU and Armenia is the partnership agreement and the document "Priorities of Partnership," which were agreed before the April events. "We are very open. If the Armenian side believes that these documents should be strengthened and get a new quality, then we need clear ideas about what the government of Armenia wants to change in our

<sup>27</sup> "We Do Not Melt Away from the Compliments of the European Union: Key Statements by Pashinyan." *Civilnet*. July 13, 2018, accessed July 15, 2018.

policy,” Svitalskij said.<sup>28</sup>

It also should be pointed out that on July 11, 2018, during the NATO summit taking place in Brussels, EU High Representative Federica Mogherini met with Pashinyan. In the meeting, they discussed the new Armenian government's clear commitment to reform and the actions already taken to this end. Mogherini confirmed that the EU stands ready to provide concrete support for reforms, including through technical and financial assistance, and highlighted the fight against corruption and judicial reform as areas of particular importance.<sup>29</sup>

### The Chinese Vector

Another priority of Armenia's foreign policy continues to be the development of a comprehensive dialogue with China, which is strengthening its soft power toward the countries of the South Caucasus. This soft power is reflected in a number of cultural, educational, economic, and infrastructural projects aimed at ensuring the geopolitical and geoeconomic interests of Beijing, which aspires to the status of world superpower.

Diplomatic relations between Armenia and China were established in 1992. The Chinese Embassy was established in Yerevan that year, while the Armenian Embassy in China was established in 1996. Presidents Levon Ter-Petrosyan and Robert Kocharyan made official visits to China in 1996 and 2004, respectively. President Sargsyan visited Beijing in 2010 within the framework of the “Shanghai Expo 2010.” For his part, as a candidate for the post of prime minister, Pashinyan emphasized the need to develop relations with China, a point he reiterated at the opening of the first Chinese school in Yerevan in August 2018.

According to Liu Bin, the head of China's Department of Foreign Affairs for European and Asian Affairs, relations with Armenia are a Chinese foreign policy priority.<sup>30</sup> This statement is not simply diplomatic rhetoric, but a political reality. In March 2015, the two countries signed a joint declaration on the further development and deepening of cooperation in different sectors. In 2017, Beijing laid the foundation for a new embassy in Yerevan, which will be its second largest in Eurasia behind the Chinese

<sup>28</sup> Artak Ambartsumian. “The European Union is Ready to Listen to Proposals by the Armenian Side—Switalski.” *Azatutyun*. July 16, 2018, At <https://rus.azatutyun.am/amp/29368040.html>, accessed July 15, 2018.

<sup>29</sup> EU Neighbours. 2018. *Mogherini During Meeting with Armenian Prime Minister Pashinyan: EU Stands Ready to Support Country's Reforms*, At <https://www.euneighbours.eu/en/east/stay-informed/news/mogherini-during-meeting-armenian-prime-minister-pashinyan-eu-stands-ready>, accessed July 12, 2018.

<sup>30</sup> “Armenia Is One of China's Foreign Policy Priorities—Beijing MFA Official.” *Armenpress*. October 16, 2017, At

<https://armenpress.am/eng/news/908978/armenia-is-one-of-chinaE28099s-foreign-policy-priorities-E28093-beijing-mfa-official.html>, accessed July 11, 2018.

embassy in Russia. The size of the Chinese embassy is directly proportional to Beijing's interests in the region: China's Ambassador to Armenia, Tian Jerlun, stated at the ceremonial opening of the embassy that China intends to expand its presence in Armenia.<sup>31</sup>

The Armenian-Chinese relationship has already had an important impact on Armenia. The Chinese government has opened the aforementioned Chinese school, as well as donating public buses and ambulances to Armenia. In addition, China has been updating Armenia's public TV, a process that is almost completed, and will provide technological support to Armenia as it transitions to HD digital broadcasting.<sup>32</sup>

In the sphere of economic cooperation, China has been one of Armenia's top three trading partners since 2009. The main products and goods that Armenia has imported from China are mobile and fixed communication equipment, computers, steel, leather, furs, and furniture, while it has exported copper and copper concentrates, alcoholic products, and diamond products to China. China also has substantial investments in Armenia's raw materials sectors. However, Georgia is more attractive as a trade partner for China, with the result that China is building its largest trade center in the region in Tbilisi.<sup>33</sup>

At the same time, Armenia is interested in active dialogue between the EAEU and the Chinese "One Belt, One Road" initiative. As a member of the Eurasian Economic Union, Armenia is willing to become a bridge for the development of economic and trade relations between the two entities. Today, 60% of the world's population lives in countries along the Silk Road Economic Belt (SREB), and these countries produce 30% of global GDP,<sup>34</sup> so engaging with this project has the potential to be significant for Armenia's economic development.

Under SREB, any country can come up with a business plan and receive funds (loans or investments) to implement it. Thus, Armenia can present investment projects for the construction of the North-South motorway and the Armenia-Iran railway, as well as projects in the renewable energy sectors. Indeed, Chinese enterprises expressed interest in investing in the Iran-Armenia railway in 2015, although this has not come to fruition.

Today, the main goal of the Pashinyan government in the sphere of Armenian-Chinese relations is to initiate attractive economic, political, and humanitarian projects in order to deepen the dialogue between the

<sup>31</sup> "China Is Building a New Embassy in Yerevan." *EurasiaDaily*. August 9, 2017, At <https://eadaily.com/ru/news/2017/08/09/kitay-stroit-novoe-posolstvo-v-erevane>, accessed July 8, 2018.

<sup>32</sup> A. Tevikyan. 2017. "The Silk Road: The Benefits and Shortcomings of the Chinese Economic Expansion for the Armenian Market." *21st Century*, no. 4 (45): 34-41.

<sup>33</sup> *Ibid*.

<sup>34</sup> Alvin C. Chua. 2017. *One Road One Belt and Opportunities*, At [http://www.centerforfinancialstability.org/research/Chua\\_OneBeltOneRoad\\_7\\_6\\_17.pdf](http://www.centerforfinancialstability.org/research/Chua_OneBeltOneRoad_7_6_17.pdf), accessed July 12, 2018.



two states. The participation of Chinese business in the reconstruction of Armenian chemical factories and production capacities inherited from the Soviet Union should be considered a priority. To develop this cooperation, it is also necessary to make it easier to get a visa to Hong Kong; this currently requires a special visa rather than the usual Chinese visa.<sup>35</sup>

There are also some prospects for military cooperation. In 2017, an agreement was signed between the states according to which China will provide Armenia with \$1.5 million in military assistance,<sup>36</sup> and this is hardly the limit of military cooperation between Yerevan and Beijing. However, it should also be pointed out that China is developing military cooperation with Azerbaijan. In April 2018, a document on the provision of military assistance was signed between Azerbaijan's Ministry of Defense and China's Ministry of National Defense. Thus, Beijing seeks to maintain a balanced position, and periodically advocates for the peaceful resolution of the Karabakh conflict through negotiations within the framework of the OSCE Minsk Group.<sup>37</sup>

## Conclusion

Armenia's foreign policy is highly determined by the regional geopolitical environment and the constant security threats it faces. These security threats will not go away under the new government.

Armenia's deep and complex relations with Russia in various strategic areas limit Yerevan's room for maneuver to some degree. Nevertheless, Armenia is working to balance the interests of different regional players by focusing on the areas in which they have common interests. It is particularly important to develop political and economic dialogue with China that will, first and foremost, integrate Armenia into the "One Belt, One Road" economic initiative. This will enable Armenia to attract funds for the development of its strategic infrastructure, as well as to integrate into international geoeconomic processes.

At present, the new Armenian government's foreign policy priorities are largely consistent with those of previous governments. That being said, domestic policy has changed, with important repercussions in the foreign policy sphere, as evidenced by Moscow's reaction to the arrest of the CSTO Secretary General, which increased tensions in the Russia-Armenia relationship.

Meanwhile, regional problems remain, and their solution will

<sup>35</sup> M. Sahaykan. 2017. "Prospects of Armenian Involvement in the Chinese 'One Belt, One Road' Initiative." *21st Century*, no. 4 (45): 65-75.

<sup>36</sup> K. Veranyan. 2017. "The Chinese Strategic Initiative 'One Belt, One Road' and the Development of Armenian-Chinese Relations." *21st Century*, no. 4 (45): 52-64.

<sup>37</sup> "Chinese FM Supports Negotiated Settlement of Nagorno Karabakh Conflict." *Armenpress*. April 15, 2016. At <https://armenpress.am/eng/news/843677/chinese-fm-supports-negotiated-settlement-of-nagorno-karabakh-conflict.html>, accessed July 10, 2018.



continue to pose difficulties for all sides. Changes in regional policies and security threats may directly affect Armenia, a problem that it will face regardless of the nature of the domestic government.