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The Role of Small States in Integration Projects in the Eurasian Space: The Case of Armenia

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Abstract: The geopolitical interpretation of political processes taking place in the South Caucasus region ignores the possibility of an independent external policy of the smaller states that do not possess considerable military or economic power. Nevertheless, small states build their relations with Russia, the EU and other actors in accordance with the national political discourse that does not often correspond to the realist paradigm of international relations. The case of Armenia exemplifies membership in integration projects often described in academic literature as competing ones. As a consequence, the importance of closer research of internal political processes and factors that influence the decision to join one or another regional project increases. Cooperation with the EU, which has been strongly connected to partners' commitment to democratic norms, human rights reforms and rule of law, was considered as an important part of their external policy by all the three South Caucasus countries. For the moment, the Eurasian Economic Union does not designate the normative component of cooperation with member countries. In this sense, the Eurasian project has still to define itself.

Keywords: European integration, Eurasian Economic Union, Armenia, EU, Russia

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I. Introduction

The very subject of the small state remains poorly defined. What regards the South Caucasus region, in 1990s the term has been mainly used by donor organisations when describing support programmes to developing countries. This paper uses the relational criterion — it identifies the state's position towards the bigger regional actors that initiate integration projects. Caucasus studies scholars raise concern that foreign policy of South Caucasian countries is often regarded as a by-product of East-West competition or geopolitical pressures exerted by regional powers (Mammadov and Chiragov, 2018). On the other hand, contrary to realist and neo-realist theories, several authors have claimed that the more powerful cannot impose their will on smaller states. Instead, negotiations are based on autonomy of both sides, thus allowing for manoeuvring space. For example, smaller states can act as gateways or intermediaries for flows of global knowledge, information, or trade. This way “smallness” engenders competitive advantage when offering high-order economic functions to the global network: in fact, smaller states might even have a level of control over their political, economic, institutional, and social environments which larger economies do not (Martinus, Sigler, Iacopini and Derudder, 2019). Academic literature also suggests that small states are fundamentally different political, economic, and social units, as compared to large states. Authors put forward the argument that smaller states are more inclined for building shelter relationships, namely that they need political, economic, and societal shelter (as well as strategic protection) in order to thrive (Bailes, Thayer and Thorhallsson, 2016). This has another implication:

small states benefit disproportionately from international cooperation, compared with large states.

Small states do not have significant economic potential and cannot position themselves as a global power, thus striving to align with other 'senior' partners. In case of Armenia the global powers in question are the EU and Russia. The following reasons are mentioned in the literature to explain the perception of European integration and the Eurasian Economic Union projects as competing ones: (i) participation in the Eastern Partnership program as a step towards potential accession to the EU (Arutyunyan, 2011); (ii) the alleged anti-Russian nature of the program; (iii) lack of political reason for membership in the Eurasian Economic Union; (iv) the actual entry of Nagorno-Karabakh Republic into the Eurasian Economic Union (EAEU) despite having no customs border with Armenia, which indicates Russia's strategic importance as a guarantor of Armenia's security (Minasyan, 2015).

In general, the situation in the region does not offer many opportunities for a multi-vector foreign policy: Armenia exists in the conditions of energy dependence, isolation from cooperation programs, and a constant risk of military escalation of the Nagorno-Karabakh conflict. Having signed the Agreement on friendship, cooperation and mutual assistance with the Russian Federation, Armenia cooperates with Russia in the implementation of military policy, provision of military technologies and weapons. In the event of an armed attack, the Russian military bases can be used by the Armenian armed forces to protect the borders. The document, signed in 1997, also mentions economic reforms, deepening of economic integration, and creation of conditions for a common economic space.¹ Thus, the goal of broad institutional rapprochement with Russia was set under the first President of Armenia, Levon Ter-Petrosyan, who signed the agreement. The fact that Armenia continues to cooperate with Russia, as an important strategic partner, demonstrates continuity of the policy designed when the country gained its independence.

¹ Agreement on friendship, collaboration and mutual assistance between the Russian Federation and the Republic of Armenia. *Collection of Legislation of the Russian Federation*, 1998, No 51, Art. 6274.

Nevertheless, in recent years, Armenia has successfully integrated into European structures. In 1999, Armenia signed the Partnership and Cooperation Agreement with the EU, which in 2017 was replaced by the Comprehensive and Enhanced Partnership Agreement between the EU and Armenia. Since 2004, Armenia has been participating in the European Neighborhood Policy, and since 2009 in the Eastern Partnership program. Armenia is a member of the CSTO, at the same time maintaining relations with NATO, in particular, participating in peacekeeping missions in Kosovo and Afghanistan. Since 2002, the country has been part of the Partnership for Peace program, which aims to not only cooperate in the defense sphere, but also in the area of legal reforms, counter-terrorism and fight against corruption.

The country's security policy concept sets the following objectives: strengthening the international authority of the Republic of Armenia, increasing the degree of international integration of Armenia, and preserving the Armenian identity.² Regardless of their ideological views, Armenian political figures tend to adhere to this agenda. Moreover, emphasis is placed on the importance of a peaceful resolution of the Nagorno-Karabakh conflict, as well as recognition of the Armenian genocide as a crime against humanity. With the change of power in 2018, when former President Sargsyan was forced to resign, the argument that "Armenia will not be under any influence" has become even stronger, despite the desire to cooperate with both the EU and Russia.³ At the same time, Armenia's sudden refusal to sign the Association Agreement with the EU in 2013 suggests that uniform cooperation formats cannot be accepted by all partner countries, and integration requires a more flexible approach, taking into account internal political factors, as well as interests of other players.

Given the conditions of economic and foreign policy dependence, smaller states are still able to promote their own agenda. The Russian academic scholarship tends to see this from the dominant neorealist framework perspective, thus the chances for a partner country to divert

² National security strategy of the Republic of Armenia. Available at: <https://www.mfa.am/filemanager/Statics/Doctrinerus.pdf> [Accessed 05.06.2019].

³ Deutsche Welle. Available at: <https://www.dw.com/ru/пашина-назвал-приоритеты-внешней-политики-армении/a-46671030> [Accessed 05.06.2019].

from policy of bandwagoning a greater power are taken as almost negligible. Nevertheless, recent academic publications apply a more multi-faceted approach, also discussing role of ideology in academic research and justification for the choice of methodology. Thus, an argument about dominance of geopolitical approach in studying Russian external policy is put forward. On the contrary, the EU is perceived mostly through the constructivist lense (Pavlova and Romanova, 2019). At the same time, there is understanding that multipolarity of the existing external environment, in contrast to bipolar world order, has influenced the behavior of the smaller states as well: they are now more likely to balance their external policy priorities (Skriba, 2014). This is not only due to the fact that multi-vector policy represents a way to diversify the risks associated with economic and political dependence on a single partner. The growing role of smaller states is also explained with lower risks of military confrontation, growing representations of the smaller states in the international institutions.

As behavior of smaller states is changing, a research question should be posed, whether growing ability to balance, put into practice by smaller states, also means greater level of interaction between different integration structures within one region. The Armenian case is often depicted as “integration of integrations”, but the term is hardly applicable to the country’s experience: both projects are developing in parallel with each other, there is little connection between the Eurasian Economic Union and the European Union as two independent entities. The main reason is the crisis of Russian-European relations, the absence of any expert dialogue on this issue at the level of departments and political leaders. On the other hand, Armenia did manage to combine Eurasian and European integration. The designation “reasonable Europeanisation” is used, which implies combining the benefits of both membership in the Eurasian Economic Union and conclusion of the updated agreement with the EU.

At the same time, Armenia’s accession to the Eurasian Economic Union has resulted in drawing clearer dividing lines between Russia and the EU in the region. Armenia was claimed to have become a tool of Russian policy and involuntarily contributor to regional destabilization (Grigoryan, 2014). Despite hard regionalism policy pursued by Russia,

academic literature also provides evidence of existing adaptation strategies followed by local actors. This brings nuances into the prevailing picture of Eurasian integration, rather focusing on the malleable nature of the integration process (Delcour, 2018).

One could claim that the Russian interests are not threatened by the Comprehensive and Enhanced Partnership Agreement signed by Armenia and the EU: the obligations taken by Armenia practically did not affect the economic sphere, which is now regulated within the Eurasian Economic Union. On the other hand, the EU is able to influence the milieu goals setting in the country, having contributed to democratic reforms, which is considered by Russia as bearing little or practically no importance within the overall circumstances of Armenia's dependence on Russia in economic and military sphere.

II. Integration as a Modernization Project

For smaller developing countries, participation in integration projects offers the possibility of using external resources to modernize political and economic institutions: this relates both to exchange of best-case practices, as well as direct financial support in various areas of development, including small and medium-sized businesses, education system, and cultural programs.

Cooperation of the EU with neighboring countries is claimed by the EU to be based on the ultimate goal of achieving democracy, stability and security that underlie the history of the formation of the European Union itself. The agreement on cooperation between Armenia and the EU, like most agreements with partner countries, is accompanied by a preamble stating the importance of fundamental freedoms and human rights, development of democracy and a market economy. The fundamental chapter of the CEPA agreement touches upon political dialogue and reforms: it refers to development and consolidation of democratic institutions, the rule of law, justice reform, increasing effectiveness of law enforcement.⁴ The EU invests in projects aimed

⁴ Annex 1 to the Joint Proposal for a Council Decision on the conclusion, on behalf of the European Union, of the Comprehensive and Enhanced Partnership Agreement between the European Union and the European Atomic Energy Community

at the development of local communities, participation of citizens and young professionals in management.⁵ Among the projects supported by the EU are regional development projects, implemented and funded jointly with the Armenian government,⁶ reforms on decentralization and development of local self-government,⁷ advisory assistance and trainings. Cooperation between the EU and Armenia in 2017–2020 was focused on the following areas: economic development and market development — 35 % of financial support received from the EU by Armenia; strengthening institutions and good governance — 15 %, infrastructure development, energy efficiency, environmental protection — 15 %, mobility and people-to-people contacts — 15 %, development of competences, organizational infrastructure, strategic communication — 15 %, development of civil society — 5 %.⁸

The main document justifying the provision of technical, financial, humanitarian and other assistance to neighboring countries by the Russian Federation is the Concept of the state policy of the Russian Federation in the field of assisting international development.⁹ Its declared goal is sustainable socio-economic development of partner countries as a necessary element of collective security — the regulatory framework includes references to the UN Charter. Nevertheless, while the Russian federal authorities provide assistance in accordance with

and their Member States, of the one part and the Republic of Armenia, of the other part, Interinstitutional file 2017/0238 (NLE), Brussels, 25 September 2017.

⁵ EU Supports Projects Encouraging Citizens' and Young Specialists' Participation in Governance. Available at: https://eeas.europa.eu/delegations/armenia/56742/eu-supports-projects-encouraging-citizens%E2%80%99-and-young-specialists%E2%80%99-participation-governance_en [Accessed 05.06.2019].

⁶ EU4Regions: Support to Regional Development Policy in Armenia — PRDP project. Available at: https://eeas.europa.eu/delegations/armenia/42350/eu4regions-support-regional-development-policy-armenia-%E2%80%93-prdp-project_en [Accessed 05.06.2019].

⁷ Citizens Voice and Actions on Local Development in Consolidated Communities in Armenia. Available at: https://eeas.europa.eu/delegations/armenia/57765/citizens-voice-and-actions-local-development-consolidated-communities-armenia_en [Accessed 05.06.2019].

⁸ Delegation of the European Union to Armenia. Available at: https://eeas.europa.eu/delegations/armenia/896/armenia-and-eu_en [Accessed 05.06.2019].

⁹ Decree of the President of the Russian President of 20.04.2014, No 259. Available at: <http://kremlin.ru/acts/bank/38334> [Accessed 05.06.2019].

individual decisions of the Russian government, this interaction is not formalized as any form of an assistance program. The main priorities include socio-economic issues such as fighting energy security issues at national level, strengthening national health and social protection systems, increasing accessibility and quality of education, etc. However, it also refers to the development of political institutions, namely the promotion of democratic institutions at international level, and not at national one, as the EU programs do. In addition to interagency cooperation and intergovernmental commissions, Russia indirectly participates in the activities of organizations of the UN system, contributing to the socio-economic development of Armenia. At the same time, similar cooperation with the EU is much more detailed and focused: it includes within itself defined priorities, developed mechanisms, they are aimed at a wider range of interaction, including not only economic cooperation, but also educational and scientific programs. While for the EU support for institutional reforms in neighboring countries is of utmost importance, for Russia it is not paramount: priority is given to security issues and economic interaction. Partly, the lower priority of interaction in other areas is related to the perception of Armenia as a historically, culturally and socially close partner of Russia, which, however, cannot remain unchanged in the long term.

In a substantial matter, European and Eurasian integration projects as projects of political and institutional modernization differ conceptually. This, in particular, is reflected in the Armenian political discourse. In public statements by Armenian politicians, the EU is perceived as a driver of modernization, whereas Russia is indicated as a strategic partner and security guarantor (Petrova and Ayvazyan, 2018). While the former does not possess any essential tools for ensuring security in the region and emphasizes the mediating role of other international organizations (like the OSCE Minsk Group in the event of the Nagorno-Karabakh conflict), the latter does not offer any development program or model, relying on military-strategic cooperation and the alleged commonality of the historical destinies of both countries.

On the other hand, in academic literature, a point of view is expressed, that interaction with Russia might form an obstacle to the promotion of democratic values in the EU's neighboring countries

(Medico, 2014). This position implies that the EU's foreign policy as a regulatory force promoting the democratic norms and open market values opposes the geopolitical approach of the Russian side, which perceives the neighborhood as its sphere of influence. In its cooperation with the South Caucasus countries the EU largely relies on pressure towards political elites and statements revealing opinions about political situation in the countries. At the same time, practically no sanctions are used in case a partner country does not claim adherence to democracy, rule of law and peace.

Opinion polls in the EU show increasing demand among European citizens for the EU to play a greater role promoting human rights worldwide.¹⁰ One could claim that promoting these values is a political project for the EU in the sense that it is aimed at gaining legitimacy inside the union itself. Contrary to this, a more pragmatic approach has also emerged: the EU started to develop new formats for those partners that do not wholeheartedly support the liberal and democratic agenda. A typical example is Azerbaijan: despite worsening records of democracy and human rights in the country after 2013, the EU started to negotiate a new cooperation agreement with the country that would prioritise the union's energy interests (Umudov, 2019).

In public perception in Armenia and in the Armenian media environment there is also an opinion that cooperation with Russia contradicts the general direction of rapprochement with European civilization and adoption of European values. In particular, the role of the Russian media in the formation of a negative attitude towards Western partners is mentioned; together with the "either-or" approach imposed by both Russia and the EU, implying no alternative choice between interaction with Russia and integration with the EU:¹¹ this point of view was specifically articulated by the Yerevan press-club, professional organization uniting journalists in Armenia. Despite the

¹⁰ Protecting, promoting and projecting Europe's values and interests in the world. European Parliament. Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652061/EPRS_BRI\(2020\)652061_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/652061/EPRS_BRI(2020)652061_EN.pdf) [Accessed 03.03.2021].

¹¹ Erevan Press Club. Armenia's integration policy. Available at: [https://ypc.am/upload/Analytical%20Pieces%205%20rus\(2\).pdf](https://ypc.am/upload/Analytical%20Pieces%205%20rus(2).pdf) [Accessed 05.06.2019].

absence of any formally fixed value-driven agenda in the constituent documents of the Eurasian Economic Union, some Armenian researchers argue that there exist competition of conservative approaches used by the Russian side and the ideological system of liberalism. A similar point of view is also present in studies relating to Russian soft power in the countries of the South Caucasus: the ideological component of Russia's foreign policy is described as state-centric, focused on protecting sovereignty and non-interference in the internal affairs of neighboring countries. In this regard, both integration projects are endowed with an ideological component, one way or another creating the context of political partnerships pursued by Armenia. EU interaction in this framework means commitment to openness, market economy, democratic values. Cooperation with Russia, on the other hand, stands for autonomy, a closed economic model, and conservative social values. Both of these models have supporters and opponents and are combined by the Armenian political leadership that cooperates with both partners.

III. The Economic Aspect of Integration

Lack of political dialogue between Russia and the EU led to a diplomatic crisis, when the Armenian side forcibly interrupted negotiations with the EU and was considering not the economic factors of two integration projects, but rather their political aspects. In November 2013 Armenia stopped negotiations on signing the Association Agreement with the EU, announcing its intention to enter the Eurasian Economic Union instead. The EU-Armenia Comprehensive and Enhanced Partnership Agreement signed in 2017 excludes provisions on the creation of a free trade zone between Armenia and the EU. Economically, accession to the Eurasian Economic Union, as well as creation of a free trade zone with the EU was of equal importance for Armenia. Over the past decade, Russia's share in Armenia's foreign trade and a similar aggregate figure for the EU member states have been growing proportionately. For example, according to the official statistics of the EU, the trade turnover between Russia and Armenia in 2018 was 1.065 billion euros, the foreign trade turnover between the EU and

Armenia in 2018 amounted to 971 million euros. The EU is the second most important trading partner of Armenia after Russia. According to the same data, Russia is the fourth largest trading partner for the EU in 2018. Before accession to the Eurasian Economic Union overall share of the EU in the Armenian trade turnover was even larger than that of Russia. Statistical Committee of the Republic of Armenia provides the following data: in 2013, Armenia's export to the EU amounted to 494211.4 thousand US dollars, while the same figure for Russia was 334125.7 thousand US dollars. During the same period Armenia imported goods from the EU with the value of 1159143.3 thousand dollars, while imports from Russia comprised 1025159.7 thousand dollars.¹² The disturbing factor is inability of Armenia to produce and export competitive products to the European and Russian markets that would allow it to ensure positive trade surplus.

In the assessment of the benefits that could follow possible creation of a free trade zone between Armenia and the EU, which was conducted by the European Commission before the proposed signature of the Association Agreement, authors concluded that the economic effect of such an agreement for the European Union would be minimal. This is due to the low index of Armenia's share in the EU's foreign trade balance: less than one percent.¹³ Thus, the main benefits and losses from signing of the agreement would fall on Armenia. This also explains the political interpretation of the project: the EU's motivation in this case is justified by the ability to prove in practice the effectiveness of the European open market model and its relationship with sustainable development. A free trade zone with the EU would give Armenian consumers access to high-quality goods at a low price; on the other hand, it would pose a threat to Armenian and Russian enterprises that would be forced to experience market competition from European organizations. A free trade zone with the EU would also stimulate convergence of trade standards and

¹² Foreign trade of the Republic of Armenia 2010–2013. Available at: https://www.armstat.am/file/article/ft_2nish_2014_3.pdf [Accessed 03.03.2021].

¹³ Commission services position paper on the Trade Sustainability Impact Assessment in support of negotiations of a Deep and Comprehensive Free Trade Area between the European Union and the Republic of Armenia. Available at: http://trade.ec.europa.eu/doclib/docs/2014/july/tradoc_152653.pdf [Accessed 05.06.2019].

quality standards in Armenia and the EU. Before 2013, the average applied tariff, at 2.7 %, was among the lowest of WTO members, thus making Armenia's economies one of the most liberal in terms of external trade policy. Armenia and Russia, having initiated the creation of the Eurasian Economic Union, were not ready for this and chose a model focused on greater state regulation, protection of local producers, an increase in tariffs and duties and, thus, expected raise in revenues to the state budget.

On the other hand, the Armenian market is much less significant for Russia and the EU than Russian-European trade relations. From this point of view, the relationship with Armenia and the ability to determine the rules of the game manifest the Russia's ambition for regional leadership. As a result, the EU turned out to be more flexible and proposed a new relationship format. Russia, at the same time, being in a situation of a deepening crisis of the EU-Russia relations, was unable to enter into a full-fledged dialogue on the interaction of the Eurasian integration project and the European Union. Thus, Russia was able to protect its short-term interest in Armenia: a more favorable trade regime for Russian manufacturers and entrepreneurs. In the long term, the chance of convergence of the trading standards of the Eurasian Economic Union and the EU was missed.

Among the obstacles to the effective participation of Armenia in the Eurasian Economic Union are the absence of a common border with Russia, as most of the goods are exported through the territory of Georgia, which is not part of the union; and the small share of other member countries of the Eurasian Economic Union in trade with Armenia. Traders from EEU non-member states, including Georgia, do not have the privilege of VAT exemption and simplification of excise tax exemption procedures, which came into conflict with the Free Trade Agreement Armenia has with Georgia.¹⁴ Further integration into the EAEU would require Armenia to develop a detailed plan on non-discrimination of non-EAEU external trade partners: trade relationship with Georgia is specifically sensitive in this regard.

¹⁴ Agreement on Free Trade between the Governments of Georgia and Armenia (1996). Available at: https://www.wto.org/english/thewto_e/acc_e/geo_e/WTACCGEO4A1_LEG_23.pdf [Accessed 25.05.2021].

The Armenian side has proposed several directions in which it could further integrate into the Eurasian Economic Union. The first priority is formation of a common gas market within the Union: Armenia's leadership considers it necessary that not only common approaches to price and tariff setting within the gas market would be agreed in the framework of an international treaty, but also tariffs for transportation of gas from third countries for domestic consumption would be established on the basis of transparency and non-discriminatory approaches. Secondly, it is important for Armenia to continue identifying and removing barriers and restrictions to mutual trade. Apart from that, Armenian Prime-Minister Nikol Pashinyan pointed to the necessity of consistent implementation by EAEU-member states of key macroeconomic policy guidelines in 2021–2022 with the aim to restore national economies and recover entrepreneurial activity; development of mechanisms for financing integration projects by more actively involving state resources and supranational development institutions of the EAEU, including through the creation of Specialized Investment Funds; elaborating the issue of creating a platform for academic mobility in the field of industry and agro-industry within the EAEU.¹⁵

These suggestions largely fall into the category of institutional reforms that Armenia already undertakes with the support of the EU. More coordination between European and Russian donor organisations would be in the interest of the Armenian leadership, thus allowing for more concentrated effort put into country's recovery after the war. On the other hand, Armenia's dependence on Russian energy market makes energy market integration one of the most important goals of its membership in the EAEU.

While membership in the Eurasian Economic Union for Armenia has become in many respects declarative, with the main goal being to demonstrate priority of political relations with Russia as the main strategic partner, it is potentially to a large degree compatible with country's partnership with the EU. Both projects will have to offer a solution to country's demand for macroeconomic stability, energy

¹⁵ Nikol Pashinyan: "We prioritize the formation of a common gas market within the EAEU" (2021). Available at: <https://www.primeminister.am/en/press-release/item/2021/05/21/Nikol-Pashinyan-meeting/> [Accessed 25.05.2021].

security, labor and academic mobility. In this regard, informal and formal communication between experts, politicians and government officials on diverse levels is necessary to establish a sound political and economic strategy for country's development in the upcoming years, given its very fragile condition followed by the COVID-19 pandemic and general political and investment climate not conducive for a rapid breakthrough.

IV. Effects of the 2020 Nagorno-Karabakh War on the Integration Process

Over the past decade, the South Caucasus has been subject to fragmentation, which is reflected both in the foreign policy of the states and in the internal political situation in the countries. On the one hand, the political elites have reoriented themselves towards partnership with new players besides Russia and the EU. The influence of Turkey and the economic presence of China have become noticeable. Initiatives to normalize relations between the countries of the region have been unsuccessful: diplomatic relations between Russia and Georgia have not yet been established; the President of Armenia Armen Sargsyan in 2018 annulled the Zurich Protocols on the establishment of diplomatic ties between Armenia and Turkey; the potential for conflict between Armenia and Azerbaijan has been steadily growing and the military clash in 2020 came as a predictable result.

General instability has led to loss of confidence in international institutions and external actors that are engaged in integration projects and peaceful settlement of conflicts. The global crisis of 2020 caused by the coronavirus pandemic has once again shown that global players, including the US and the EU, are busy with internal problems and are rather interested in maintaining the status quo when it comes to de facto states in the South Caucasus region. The system of checks and balances, already weak enough, failed. The "Pandora's Box", opened during the military phase of the Nagorno-Karabakh conflict in 2020, significantly increased the risks of military clashes throughout the post-Soviet space. Being faced by ineffectiveness of the crisis management mechanisms, the South Caucasian republics started to search for security guarantees

among stronger players: now there is no alternative for Armenia to place cooperation with Russia over any other partnership, and Azerbaijan has military-political alliance with Turkey as an external policy priority.

The government of Nikol Pashinyan, who came to power in 2018, has faced problems that cannot be solved by a mere change in political leadership. These are: poverty, poor quality of Armenian exports, outflow of skilled labor from the country, as well as the need to ensure security in the face of the constant threat of hostilities. In fact, domestic political instability and vulnerability of political regimes amid the global economic decline were typical for all countries of the region in 2020 and still define political trends for the upcoming years. Georgia went through internal political crisis due to inability of the ruling party to engage into dialogue with the opposition about the constitutional reform; protests took place in July 2020 in Baku with requests being raised to resume the war with Armenia over Nagorno-Karabakh territory; Armenian opposition was continuously raising concerns over undemocratic nature of the new political leadership. Instability of state institutions, public discontent with general political climate posed the ultimate question for political elites: their actions and external policy should correspond to population's growing demand for a safer and better life, stronger adherence to national interests.

The idea of maintaining control over Nagorno-Karabakh has been central in the Armenia's foreign policy discourse for many years. Loss of territories was perceived as a threat to the existence of the Armenian nation. Armenian diplomacy failed to explain to the world community why Armenia fought for the independence of the self-proclaimed Nagorno-Karabakh Republic and the rights of the Armenian population living there. It is significant that, despite the call of the members of the European Parliament to take measures against Turkey in connection with the involvement in the conflict, the EU limited itself to statements of support for the actions of the OSCE Minsk Group.¹⁶

While the military actions came to an end, security threats remained. In May 2021 Armenia started consultations with members

¹⁶ Is Armenia Expendable to the EU? Available at: <https://www.evnreport.com/politics/is-armenia-expendable-to-the-eu?fbclid=IwAR265HiDhFCogzkVYTGLY003C6wmgcVd4-feojiJULf1sYnmMRw3Op1sk> [Accessed 20.01.2021].

of the Collective Security Treaty Organizations to take measures to counter situation on the Armenian-Azerbaijani border. Armenian side reported that a group of Azerbaijani servicemen had crossed the state border of Armenia in an effort to take control of the area near Sev Lich and surrounding areas in Syunik Marz of Armenia.¹⁷ The Acting Prime-Minister of Armenia claimed that the Azerbaijanis may have crossed the Armenian-Azerbaijani border in this area not to solve local problems, but to provoke a military conflict, having supported this statement with the claim that the representatives of the armed forces of Azerbaijan attempted to justify their presence in the given area with the help of falsified maps and that Azerbaijan announced the launch of large-scale military exercises involving 15,000 servicemen on May 16, 2021. Unfolding events, unfortunately, leave no grounds to claim that the long-awaited peace in the region has now been established: on the contrary, the precarious balance is easily destroyed.

Despite the fact that in 2020 the country suffered from a pandemic, the general economic situation in Armenia was not favorable even before the war. The poverty rate in 2019 was 26.4 %. The unemployment rate in the same year was estimated as 18.3 %.¹⁸ These figures are likely to increase due to the influx of refugees from the territories occupied by Azerbaijan. The burden of providing the newly arrived population with housing and social benefits fell on the state budget. A large number of families lost their breadwinners during the war. The Armenian side speaks of more than 4,000 dead and 8,000 injured, however, the real figures are most likely higher than this. Humanitarian assistance will depend on external aid from international organizations, the Russian Federation, the EU and other states.

The country is not attractive for foreign investment due to political instability. The probable unblocking of transport routes and, in particular, the restoration of the railway communication linking

¹⁷ Nikol Pashinyan: "Early completion of CSTO procedures is needed to prevent further escalation and protect the territorial integrity of the Republic of Armenia" (2021). Available at: <https://www.primeminister.am/en/press-release/item/2021/05/13/Nikol-Pashinyan-Security-Council-meeting/> [Accessed 25.05.2021].

¹⁸ Statistical Committee of the Republic of Armenia. Available at: <https://armstatbank.am> [Accessed 20.01.2021].

Armenia and Russia through the territory of Azerbaijan, is unlikely to reduce the cost of Armenian exports. Azerbaijan is not a member of the Eurasian Economic Union, and therefore Armenia cannot hope for favorable tariffs and conditions.

Dependence of the Armenian statehood on the presence of Russian military forces has increased the importance of Russian-Armenian relations on the agenda for all the political powers in the country. The EU's reaction to the development of the situation in Nagorno-Karabakh gives grounds to assert that the vector of European integration is unlikely to be a priority for Armenia in the coming years. Given the circumstances, further evolution of the Eurasian integration project could serve as the basis for building Armenian-Russian relations in the economic sphere, offering the Armenian side a new socio-economic developmental model. In this regard, successful examples of cooperation are important, such as launch of pilot projects in high-tech areas, for instance.

V. Conclusion

The experience of Armenia's integration into European structures, as well as its membership in the Eurasian Economic Union, is motivated by the political leadership's intention to balance between global actors, while maintaining the international prestige of Armenia and the identity of the Armenians. The latter is part of the national security concept and serves to protect the interests of the population of Armenia and the Armenian diaspora throughout the world. The discourse of forming its own foreign policy, independent of other actors, has intensified in recent years, despite the risks of military actions and the unfavorable geopolitical position. The research agenda for scholars studying regional integration processes has thus been enlarged and now incorporates the issue of smaller states behavior that is no longer explained by bandwagoning policies only.

The EU and Russia are important economic partners of Armenia, the share of both is significant for the Armenian economy. Thus, both the creation of a free trade zone with the EU discussed earlier and the entry into the Eurasian Economic Union serve the interests of the Armenian state. At the same time, both of these models are conceptually different: the European one is more oriented towards the open market,

and the Eurasian one towards the autonomy and protection of domestic producers. In addition, both integration projects are endowed with an ideological component in the public perception, which posits the priority of certain social values that are not easily combined with each other.

Despite Armenia joining the Eurasian Economic Union, the EU continued to play an important role in supporting institutional reforms in the country. The sphere of assistance to the development of partner countries is new for Russia and is not currently a priority, but in the long run it can significantly affect its role as a global actor offering a particular development model.

The EU's reaction to the 2020 war in Nagorno-Karabakh has significantly undermined the image of international community and the European institutions in particular among Armenian population and gave grounds for Armenian political powers to stick to Eurasian integration vector as a priority in the coming years. Further development of the Eurasian integration project could offer the country a new basis for sustainable growth, for this purpose success cases should be amplified in competitive areas of the Russian — Armenian economic cooperation.

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