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**CAUCASUS ELECTION
WATCH**

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Armenian Foreign Relations after the Presidential Election

On February 19, 2003, Armenia held its fourth presidential election since gaining independence in 1991. According to international observers, the election was generally calm and well administered, but was marred by serious irregularities and flaws and thus cannot be viewed as a sign of progress in Armenia's democratization efforts. Because no candidate managed to meet the 50-percent-plus-1 threshold in the first round of voting, a runoff election was held between the top two vote-getters - incumbent Robert Kocharian and Stepan Demarche. Kocharian won the runoff and will remain president. One of the major tasks facing the incoming administration is to harmonize Armenian foreign policy with the emerging geopolitical realities in the South Caucasus and global politics more generally. Although significant changes in Armenian foreign policy are unlikely, the need to align it with new challenges will inevitably result in policy shifts.

Armenian foreign policy is a complex balancing act. Armenia remains heavily dependent on Russia for security, yet at the same time, seeks to broaden its relationship with the West, particularly the United States, in pursuit of much-needed modernization. These two policy priorities are not mutually exclusive but pursued in tandem, although Russia's proximity does result in disproportionate policy attention being directed toward Russia. Both priorities are supported within the Armenian policymaking elite and the populace at large. Ultimately, the degree of Armenian engagement with either country will be determined by the dynamics of the relationship between Russia and the United States; the resolution of Armenia's principal security concerns, including the conflict in Nagorno-Karabakh; and Armenia's ability to balance relations among neighboring states and major world powers. The purpose of this paper is to discuss how these priorities will shape Armenian foreign policy and what the major determinants of its foreign relations in the post-presidential election period will be.

The Nagorno-Karabakh Peace Process

The resolution of the conflict in Nagorno-Karabakh will continue to dominate Armenia's foreign relations agenda. Armenia seeks a settlement that confers on Nagorno-Karabakh a degree of sovereignty that would empower Nagorno-Karabakh to maintain full control over its territory, provide security guarantees that will eliminate the risk of renewed warfare, and arrange for a territorial link with Armenia to end the region's enclave situation. One possibility for a settlement is modification of the proposal made by the Organization on Security and Cooperation in Europe (OSCE) for the creation of a common state - an unbound confederation between Azerbaijan and a fully self-governed Nagorno-Karabakh. With some reservations about a broader formulation of the notion of sovereignty for Nagorno-Karabakh, Armenia has welcomed the proposal. Azerbaijan, however, has rejected this option. Despite this setback, the OSCE still has a role to play in forging a settlement, probably by replacing the common-state term with another definition or by leaving the term out while keeping the essence of the proposal intact.

Another possibility is an interim agreement designed to launch intense negotiations toward a peace accord. Based on a set of general principles on which a peace accord could be concluded, the agreement would merge a rudimentary deal on the status of Nagorno-Karabakh to address the major Armenian concern and a plan for troop withdrawal to satisfy Azerbaijan. To be effective, the agreement could be enforced by a political-military arrangement in which both conflicting sides are willing to cooperate to ensure their respective security as well as the security of Nagorno-Karabakh. Established as a security infrastructure within NATO but complemented by institutional ties with Russia, or as a new regional infrastructure comprised of Russia, the United States, Iran, Turkey, and the South Caucasus states, the arrangement could provide both Armenia and Azerbaijan the opportunity to pursue new options in the traditionally Russian-dominated region.

Relations with Russia

Since independence, Armenia's most important partner has been Russia - a country that in several historical episodes has served as guarantor of the physical existence of Armenia. Although Armenia will not attempt to disengage - at least in the military and security fields - from its close partnership with Moscow, Yerevan will seek a more balanced and multifaceted approach toward the West. Economically, Armenia is now more dependent on western credits than on Russian support. If Armenia refocuses its Russia-centric foreign policy, however, it may risk damaging its relations with Russia. Therefore, the pace of refocusing away from Russia will not exceed the pace of accommodation with the West. As long as Russia cooperates with the West in the fields of international terrorism, nuclear disarmament, nonproliferation, and other fundamental issues, it will be possible for Armenia to maintain an optimal balance between the two powers. It remains unclear, however, to what degree Russia will agree to extend its cooperation with the West in the South Caucasus. If the West accepts Russia's special role in the region, Armenia will have to find the delicate equilibrium that will allow reliance on Russia's stabilizing

capability, but will prevent a return to unilateral domination. Hence, Armenia will not jeopardize its close relationship with Russia, but will continue efforts to reinforce relations with western countries and institutions, particularly through membership in the Council of Europe and regular consultations with the European Union.

Integration into European Structures

European cooperation and security structures have provided excellent opportunities for Armenia to align its foreign policy interests with the values and practices of Europe. After declaring its objective to be a part of the architecture of the new Europe, Armenia cultivated relations with the OSCE, the European Union, and other Europe-based organizations. In 2001, Armenia joined the Council of Europe - an event that Armenia considers a watershed in its harmonization with the European Union's models and standards. Armenia's recent accession to the World Trade Organization (WTO) is an important step toward integrating Armenia into the European and global trading patterns and providing better export opportunities. In the coming years, Armenia will expand its relations with the European Union, striving to become a part of a new Europe. The Agreement on Cooperation and Partnership concluded between the EU and Armenia sets a broader framework than has previously existed for cooperation in the social, financial, scientific, technological, and cultural spheres. Armenia will seek to make maximum use of the opportunities provided by the agreement, such as cooperation in areas relating to democracy, human rights, the market economy, freedom of payment, and capital transfers as well as maintaining a regular political dialogue. Upon the completion of the term of the agreement, Armenia will be ready to start a new phase of cooperation, possibly leading to its membership in the organization.

Security Enhancement

Armenia will increasingly look for partners to enhance its security but will attempt to avoid alliances. In the early years following the disintegration of the Soviet system, Russia filled the Armenian security vacuum created by war, closed borders, and historical problems with Turkey. This situation has generated a heavy reliance on Russia in Armenia's security consciousness. Armenia's security relations with NATO, the United States, and the European countries, however, will temper this strong Russian element. Although Armenia still operates from within its old security system, Yerevan will try to incorporate new western-centric elements into the system while maintaining security arrangements with Russia. During recent years, Armenia has increased considerably its participation in NATO through the Partnership for Peace (PfP) program and within the Euro-Atlantic Partnership Council - an inclusive framework that brings together NATO and PfP states. Armenia balances its cooperation with NATO by maintaining that NATO's involvement in the South Caucasus should not encroach on the Collective Security Treaty of the Commonwealth of Independent States, which reflects Armenia's military and security arrangement with Russia. Along with the Treaty on Conventional Armed Forces in Europe (CFE), this arrangement is one of the components of Armenia's

security framework. The other two include Armenia's cooperation with NATO within the framework of its PFP program, and recently commenced military cooperation with the United States.

Relations with the United States

As U.S. influence in the South Caucasus increases, Armenia adjusts its foreign policy priorities in light of the dramatic global changes that have taken place since September 11, 2001. Armenia contributed effectively to the international fight against terrorism by opening its airspace to U.S. aircraft, sharing intelligence on terrorist funding sources and money laundering techniques, and providing other tangible assistance. A significant upgrade in bilateral military cooperation was marked by the U.S. FY 2002 \$4.3 million military assistance package to Armenia. The United States will develop Armenia's capability in mine clearing, enhance the expertise of an Armenian peacekeeping battalion, modernize the communications capability of Armenia's armed forces, and train Armenian military officers. The unfolding military partnership with the United States, however, is unlikely to fully substitute for Armenian military dependence on Russia, a crucial element of Armenia's security doctrine. Rather, it will work to complement this dependence.

Although Armenia's cooperation with the United States in political, economic, and security fields will continue to develop, Armenia will urge Washington not to focus excessively on oil wealth and pipelines or to form geopolitical relationships in the region without considering Armenian interests. Armenia does not believe that oil can bring peace to the turbulent region but, rather, that peace and economic integration can help build pipelines and keep them running uninterrupted. Furthermore, the region has many assets other than hydrocarbon deposits - its geostrategic location, communications network, and entrepreneurial capabilities are among those that could be capitalized on to increase foreign investment and domestic growth.

Relations with Iran

Iran reacts negatively when Armenia reaffirms its intention to boost military relations with the United States or enhance relationship with other western states. Tehran's view of Armenia is dictated by geopolitical considerations given a number of serious differences with Turkey and a need to assuage separatist tendencies of the Iranian Azeris that could potentially threaten Iran's domestic stability. Using the unresolved conflict in Nagorno-Karabakh, Iran conducts policies aimed at restraining Turkish and U.S. influence in the South Caucasus. Despite remaining impartial in the conflict, Iran apparently is not interested in seeing Armenia weakened.

For Armenia, Iran is a dynamic trading partner. Armenia will continue to maintain close economic and political ties with Iran, viewing the latter as a major counterweight to its foes - Turkey and Azerbaijan. Although Iran has only recently begun to break out of its

political isolation, Armenia sees Iran as an important actor in multilateral initiatives for the creation of a secure geopolitical environment in the region. Both countries have stepped up their cooperation in the energy and military sectors. In addition, the Armenia-Greece-Iran partnership is likely to be strengthened through further economic, military, and security arrangements. If the United States and Iran were to improve their relations, Armenia would be among the first to benefit from rapprochement. Yerevan will be eager to play a mediating role in the relationship between the two countries.

Relations with Georgia

Armenia is interested in a strong, stable, and economically developed Georgia. Georgia serves as Armenia's economic lifeline to the rest of the world. Because Armenia is virtually blockaded from the Azerbaijani and Turkish sides, legal trade can only be conducted through Georgia and Iran. Additionally, Georgia is the only U.S. ally in the South Caucasus with which Yerevan has a friendly relationship. The fact that Georgia is increasingly aligning itself with the West generates anxiety in Armenia because Yerevan believes that the volatility and interdependence of the region means that one state's security cannot be augmented or decreased at the expense of another. Yerevan will respect Georgia's interest in choosing or changing its own security arrangement as long as it does not threaten Armenia's security. Hence, Armenia will seek to reassert its allegiance to the West by strengthening cooperation with Georgia. Although Georgia has been careful not to align itself too closely with Armenia at the expense of its friendlier relations with Turkey and Azerbaijan, Tbilisi is interested in strengthening its ties with Armenia. Georgia's Javakheti province, populated mainly by ethnic Armenians, is a source of unease in Georgian politics. Fears persist in Tbilisi that Armenia may support the local Armenian population if it steps up sentiments for greater autonomy. The pragmatism of Armenian security policy, however, convinces Georgia that Yerevan will not take such a step.

Relations with Turkey

One obstacle to expanding Armenia's relations with the West is the difficulty of normalizing relations with Turkey. Ankara's refusal to acknowledge the Armenian genocide that occurred during the Ottoman Empire increases deep feelings of insecurity among Armenians, leaving them preoccupied with only one security option - protection from Russia. By adopting an unbiased approach toward the conflict over Nagorno-Karabakh and lifting the embargo on Armenia, which has already ceased to be effective in adversely affecting Armenia's economy, Turkey could expand Armenia's security options. Neighborly relations with Armenia could improve Turkey's economic and security interests in the South Caucasus, should Ankara place them above its ethnic affinities with the Azeris in the Nagorno-Karabakh conflict. As long as the conflict remains unsettled, the improvement of Armenian-Turkish relations or the complete opening of the border is unlikely. However, a gradual rapprochement that may narrow the differences between the two states before settlement is possible. For its part, Armenia

will have to overcome the legacy of mistrust and animosity caused by the genocide. In order to do so, Armenia will seek to generate awareness in Turkey of Armenian concerns - an effort that ultimately could pave the way for its recognition by the Turkish government. Armenia will be open to a continuing dialogue with Turkey without preconditions, recognizing the important role that Turkey is likely to play in the security equation of the region and given the aim of achieving progress in improving bilateral relations.

Armenia will continue to try to balance the influence of Russia and the United States, as it must due to its vulnerable geographic location. However, the environment in the region and in global politics is changing. Armenia's accommodation of new geopolitical realities will thus propel the need for a more proportional, comprehensive foreign policy sustained by substantial domestic resources. A legitimate governance system that elicits public trust and support; the development of Armenia's most valuable natural resources - its people; macroeconomic stability and growth; an attractive investment climate, and deft political maneuvering by policymakers equipped with professionalism, dedication to public service, and innovative abilities are the essential ingredients currently lacking in Armenian foreign policy. If these resources are developed and Armenian foreign policy is shaped accordingly, Armenia should be able to make use of the comparative advantages of regional and major global actors and effectively readjust its policies toward regional and international processes from both the mid and long-term perspectives.

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