

# Chapter 11

Title **The European Union's Role in the Institution Building  
Process within the South Caucasus States:  
The Interesting Case of Armenia**

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# The European Union's Role in the Institution Building Process within the South Caucasus States: The Interesting Case of Armenia

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**Introduction** Reading the European Union's key documents, it could be noticed that Brussels has a deep interest in stabilizing its southern and eastern neighborhood, an area associated with several dangers, such as organized crime, illegal migration, terrorism, state failure or the proliferation of nuclear weapons (European Council 2003). The export of European Union's core norms, such as democracy, rule of law, human rights, and market economy is a tool for stabilizing the neighborhood and thus enhancing the EU's security. In order to do this the EU's policy towards its neighborhood is built on the principle of *conditionality*. Through its programs addressed to the neighborhood Brussels offers several benefits such as financial aid, visa free regime or the integration into the European market, in exchange for reform implementation. The first step in this direction was the launch of the European Neighborhood Policy (ENP) in 2004. In 2009, the eastern dimension of the ENP received an "upgrade" - the Eastern Partnership (EaP), which is more complex and more ambitious offering more important rewards. The EaP was addressed to Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. However, the EU's Eastern Neighborhood is also Russia's "near abroad", an area of great geopolitical importance for Moscow. Obviously, Russia tries to keep this

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area under its control, and by doing so it developed “counter conditionality” (Hagemann 2013) based on both soft power and hard power elements.

Sedelmeier (2011:12-14) identifies several international and domestic factors that might facilitate the EU’s conditionality towards a certain area. While external factors such as the *clarity* of the EU’s demand – which means that a (candidate) state knows what it needs to do if it decides to comply with the EU conditions, and the *credibility* – which means that the candidate state must be certain that it will receive the promised rewards after meeting the EU’s demands, and it must believe that it will receive the reward only if it fully meets the requirements, are important, domestic factors should not be neglected. As Fukuyama highlights, in order to be successful, external conditionality has to be backed by the desire of the internal elites to change institutions (2004:39). Thus, there are also domestic facilitating factors such as the types of political elites, the quality of political life (liberal/illiberal regime, existence of a political opposition), legacies from the past or the administrative capacity of the state. In order to be successful, the costs of Europeanization must not be regarded as being very high by the domestic decision makers (Sedelmeier, 2011:14-15). Every new institutional arrangement creates a winner and a loser, and the latter will try to defend its relative roles (Fukuyama, 2004:40).

The following article highlights the institutional transformations within Armenia, after the launch of the European Neighborhood Policy (ENP) and the Eastern Partnership (EaP). Armenia, a small country with a fascinating history represents maybe the most interesting case from all the six EaP member states. After successfully negotiating a future membership in the EU’s Deep Comprehensive Free Trade Area (DCFTA), the decision makers from Yerevan decided to join Russia’s Custom Union. Many scholars in the West blamed the skillful manipulation of the Nagorno Karabakh

conflict for this choice, but the situation is much more complex. Using a historical institutionalist (HI) approach, the article presents the degree of Armenia's institutional approximation in the field of democratization, human rights and market economy with the European standards. The main hypothesis is that the modest degree of approximation is due to the internal institutional structure and the local elites' strategic interests. The first part of the article will briefly highlight the HI's main advantages; the second part will describe the EU's and Russia's policy towards the shared neighborhood, the third part presents a short evolution of Armenia's institutions, and the fourth part highlights Armenia's progress according to the EU's requirements and explains the limits of those reforms.

**Theoretical approach** Historical institutionalism (HI) defines institutions as *“the formal and informal procedures, routines, norms and conventions embedded in the organizational structures of the polity or political economy”* (Hall and Taylor, 2011:18). HI starts with the assumption that the process of institutional creation is a competition for power among certain actors. Moreover, many actors both inside and outside the organization have a big stake in whether that organization adopts new institutional practices, and reform initiatives often give birth to power struggles among those actors (Hall and Taylor 2011:20). One of HI's core assumptions is the fact that historical institutionalism highlights the power relations among actors, arguing that power relations at the formative moment of a certain institutional template offer a set of subsequent advantages to certain actors (Hall and Taylor 2011:21), which is connected with the HI's core concept of *path dependency*, which means that *“when a government program or organization embarks upon a path there is an inertial tendency for those initial policy choices to persist. That may be altered but it requires a good deal of political pressure to produce such a*

*change*" (Peters 1999: 63). While borrowing from both the *logic of consequences* and the *logic of appropriateness*<sup>2</sup>, when it comes to strategic calculation or norms and values, HI has its own assumptions. From a rational choice institutionalist perspective (RCI) an actor's preference changes when a feasible prospective alternative appears (it has to be less costly and more efficient). On the contrary, the HI sees action as a function of preferences informed by point to point comparisons, meaning that individuals are thought to balance the evaluation of the costs and benefits of maintaining or losing their investment in past arrangements (Fioretos 2011:373). When speaking about norms and values, the HI reverses the sociological institutionalism's (SI) approach of the logic of appropriateness considering that shared understandings are the source of new institutions to the one in which the presence of particular institutions is key to whether new ideas matter (Fioretos, 2011:374). For example, it is much hard to implement democratic/liberal reforms in a country with a long autocratic tradition.

However, a weak point of the theory is the fact that it lacks "agency", which means that it focuses too much on the institutional structure (structure) and its impact on politics, lacking a proper way of explaining the actions of political actors. This is why it often turns to assumptions about agency from RCI (actors are motivated by strategic calculus) or SI (norms and beliefs motivate political actions) in order to explain political actors' conduct (Schmidt 2010:10).

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<sup>2</sup> According to March and Olsen the logic of consequences refers to the fact that human actors choose among alternatives by evaluating their likely consequences for personal or collective objectives, conscious that other actors are doing likewise. The logic of appropriateness refers to the idea that human actors are imagined to follow rules that associate particular identities to particular situations, approaching individual opportunities for action by assessing similarities between current identities and choice dilemmas, and the more general concept of self and institutions (1998: 949 - 951).

To sum up, the chosen theory is useful because it highlights power relations among different domestic elites, the pressures from external actors, the type of political elites, the quality of political life (liberal/illiberal regime, existence of a political opposition), and the impact of the legacies from the past or the relation between ruling elites and civil society. Due to the theory's lack of agency, a HI explanation in the RCI tradition will be used<sup>3</sup>, meaning that we will use HI's assumptions about structure (power relations, legacy of the past, type of political regime) and RCI's assumptions about agents (strategic calculation towards a certain political option).

**The EU's policy towards the Eastern Neighborhood** In order to manage the security threats associated with the Eastern Neighborhood, the EU developed the European Neighborhood Policy as a framework for stabilizing the area, the main philosophy of this policy being to export the EU's core set of norms towards the neighborhood. Thus, the document Wider Europe Neighborhood adopted by the European Commission in 2003 mentions that the EU has a duty not only towards its citizens but also towards its present and future neighbors (European Commission 2003). Moreover, the document identified several measures in order to enhance security in the neighborhood and to develop new types of relations with the EU's eastern (and southern) neighbors; measures such as the extension of the internal market and its regulatory structures, preferential trading relations,

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<sup>3</sup> Other significant works who used a similar theoretical approach were: Karl Magnus Johansson, Tapio Raunio, "Regulating Europarties: Cross-Party Coalitions Capitalizing on Incomplete Contracts", *Party Politics*, Vol. 5, Nr.1, 2005, pp. 518 – 521 ; Milada Anna Vachudova, *Europe Undivided: Democracy, Leverage, and Integration after Communism*, Oxford University Press or Petar Hall, David Soskice, "Introduction", in *Varieties of Capitalism*, Oxford, Oxford University Press, pp. 9-13, available at [http://www.cerium.ca/IMG/pdf/HALL-\\_A\\_Peter\\_and\\_SOSKICE\\_David-\\_An\\_introduction\\_to\\_varieties\\_of\\_capitalism-2.pdf](http://www.cerium.ca/IMG/pdf/HALL-_A_Peter_and_SOSKICE_David-_An_introduction_to_varieties_of_capitalism-2.pdf)

perspective for legal migration, greater EU involvement in conflict resolution, intensified cooperation for preventing and combating security threats, support for integration in the global system, inclusion in the EU network of transport, energy, telecommunications and European Research Area (European Commission 2003).

As a consequence, all the countries included in the ENP have signed ENP Action Plans with the EU, which was a long term reform agenda in areas such as democracy, rule of law and market economy (European Commission 2006). First of all, it is important to mention that this mechanism was built on the principle of positive conditionality, meaning that it *“entails the promise of a benefit, in return for the fulfillment of a predetermined condition”*. And both the promise and the obligation are outlined in the contract (Tocci 2007:11). This type of conditionality is most frequently used in the delivery of economic assistance, as well as within the context of EU accession. However, there was a qualitative difference between the policy towards the Central and Eastern European states. The ENP does not mention anything about any further integration perspective into the EU. Simply, Brussels offers a new type of relation with its neighbors, different from the possibilities stipulated in article 49 of the Treaty of the European Union (TEU Art. 49), or to put it in Romano’s Prodi’s words, the EU is ready to share everything but institutions (Prodi in Emerson, 2004:6).

In May 2009, almost one year after the “5 days war” between Georgia and Russia, the eastern dimension of the ENP received a new initiative, the Eastern Partnership. This was a joint Polish–Swedish project addressed to Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. *“The main goal of the Eastern Partnership is to create the necessary conditions to accelerate political association and further economic integration between the European Union and interested partner countries”* (European Council 2009:6). The EaP is



built on the ENP framework, thus keeping the principle of positive conditionality and also the exclusion of the possibility of future integration in the EU. On the other hand, the EaP has stronger incentives such as the possibility of signing a new Association Agreement with the EU, including also a Deep and Comprehensive Free Trade Area (DCFTA) among the EU and the EaP members, and it would also allow for easier travelling to the EU through the visa liberalization process. Moreover, it has a multilateral track (EEAS 2015) aiming at facilitating cooperation and socialization among member states and boosts the popularity of the EU and EaP not only within the decision makers from the area but also within the civil society (European Council 2009:1-15).

**Russia** Russia is a different type of actor with a different set of “values”. When speaking about path dependency in Russia’s case, one should be aware of three main aspects and on the fact that there is a certain legacy of the past that has perpetuated from the imperial era to Vladimir Putin’s presidency. This is a product of a vast historical experience, and also, as some authors consider, a consequence of Russia’s specific geography (Kaplan, 2014). First of all, there is a fear of external threat. Although today’s Russian leaders do not fear any state invasion, there is a fear of a color revolution against the Putin regime similar to what happened in Georgia and Ukraine (Surkov in Tsygancov 2010:224). Secondly, there is the preference for a strong centralized state, the only capable of tackling both internal and external threats (Fukuyama 2012:386-387). This explains Putin’s idea of issuing the vertical of power (local governors were named by the president and only validated by local parliaments) or the growing influence of his United Russia Party (Gaman Glotuvina 2008:1034-1044). The third aspect refers to the idea that in Russia there is a preference for a *predominant leader* (Hermann and Hermann 1989: 362) in both domestic

and external affairs. Putin opted for a presidential foreign policy which means that he has control over third actors that might influence foreign policy (Secieru 2008: 159). Russia's present foreign policy strategy seems to be a *via media* between two classical school of thoughts, a combination between the *statist* approach emphasizing the *state's ability to govern and preserve the social and political order*, thus choosing values such as power and stability to freedom and democracy (Tsygancov 2010, Secieru 2008) and the *civilizationist* approach emphasizing a more aggressive approach towards the West, and arguing that Russia has a different and unique system of values that has to be exported beyond Russian borders (Tsygancov 2010, Secieru 2008).

**Russia's policy in the near abroad** In its effort to keep the near abroad under control, Russia used both soft power and hard power elements. First of all, Russia has developed several regional organizations such as Collective Security Treaty Organization – CSTO, a military alliance composed of Russia, Armenia, Belarus, Kazakhstan, Kirgizstan, Tajikistan and Uzbekistan (left the organization in 2012)<sup>4</sup>, or the Shanghai Cooperation Organization, dedicated to economic cooperation in the Eurasian area, and the Eurasian Economic Community, founded in 2000. However the last and the most important organization is the Eurasian Union, based on the former 2010 Custom Union Russia–Belarus–Kazakhstan. The Eurasian Economic Union (EAEU) emulates the EU to some extent having similar institutions such as the Supreme Eurasian Economic Council, the Eurasian Intergovernmental Economic Council, the Eurasian Economic Commission, and a Court<sup>5</sup>. The idea of a Eurasian Union was put forward by Putin in a 2011 article (Putin 2011) and it was a counter reaction to the launch of the EU's

<sup>4</sup> CSTO Basic Facts, in [http://www.odkb.gov.ru/start/index\\_aengl.htm](http://www.odkb.gov.ru/start/index_aengl.htm)

<sup>5</sup> Eurasian Economic Union, *General Information*, in <http://eaeunion.org/#about-info>

EaP and to the emergence of China as an important player in Eurasia (Dietl 2013). Russia is using other “carrots” such as its strong economic ties with the post-Soviet states or cheap gas prices (Armenian Ministry of Economy 2007; 2012). But there is another political aspect which can be used as a soft power tool, namely the institutional resemblances between Russia and the former post-Soviet states.

On the other hand, Russia did not hesitate to use hard power elements such as economic sanctions used against Moldova (2005), Georgia (2006) and Ukraine (2007 and 2013), or the threat with energy shortage as it was in the cases of gas disputes with Ukraine (2006, 2009) and Belarus (2006), or the reduction of gas and electricity flow to Azerbaijan (2007). Russia has leverage over the area due to the existence of several frozen conflicts. The Kremlin openly supports the secessionist entities from Georgia (Abkhazia and South Ossetia), Moldova (Transnistria) and indirectly Nagorno Karabakh due to its support for Armenia (Manhoff 2014). Moreover, Russia did not hesitate to use its military force against Georgia in August 2008. It is important to remember the fact that Georgia expressed its desire to join the EU and the NATO. However, while this is an important event that accelerated the tensions between parties, it is not the only one.

**Armenia between the EU and Russia** Being part of the ENP/EaP initiatives, Armenia had to fulfill the requirements stipulated in the ENP Action Plans from 2006 in order to receive benefits such as the integration into the European market, visa free regime or financial aid from the EU.

**Aspects of statehood in Armenia** Armenia's first experience as an independent state occurred in 1918, after the fall of the Russian Empire. This was a critical juncture which offered the opportunity for the creation of new institutions. But Armenia had to face serious problems such as the lack of knowledge about governance, economic and social problems, and even engaged in a conflict with

Azerbaijan. However, at the beginning of the 1920s both Armenia and the other two South Caucasus countries were conquered by the Bolsheviks and integrated in the USSR. During the Soviet times, the South Caucasus was a very poor region and it was dominated by informal networks, the shadow economy being the region's greatest problem (de Waal 2010:94). Moreover, in the Caucasus, kinship was more important than the state, while helping the relatives was a matter of honor. This system also perpetuated in the political field, where Communist party posts were sold and bought (de Waal 2010:95). After the fall of the USSR, weak and ineffective state institutions, social problems and informal networks were Armenia's legacy from the past.

*After Communism* After 1991 Armenia emerged as a state where several groups of political elites representative for certain segments of population were competing for power through informal networks (Grzymalla Busse and Luong 2002: 540). The first democratic elections in Armenia were considered as being purely democratic. Levon Ter Petrosyan from the Armenian National Movement, a person who was not part of the former Communist apparatus, was elected as president in 1991 with a strong majority. Despite this the 1990s were hard years for Armenia. The country was almost isolated from the world due to the war with Azerbaijan and due to its relations with Turkey. The domestic political life was characterized by several clashes such as the one between Ter Petrosian's ANM and Dashnaktsutyun – a political organization very popular in the diaspora –, the resignation of president Ter Petrosian due to his approach towards the Nagorno Karabakh conflict, and the assassination of two opposition members, Karen Demirchyan and Vasgen Sargsyan in 1999 (Zolyan 2011:54-55). It has to be mentioned that since 1998, the Republican Party, also called the “Karabakh clan” (Freie 2013:6) holds the power in Armenia. Robert Kockarian (war hero and for-

mer PM of the Nagorno Karabakh entity) was elected president twice, between 1998 and 2008. The same happened with his Prime Minister Sers Sargsyan who is Armenia's president from 2008 until present. It is important to mention that the incumbent power always won the elections in Armenia. The losing side always contested the elections, and they were accompanied by massive street protests. On the other hand, this lack of legitimacy forced the political elites in power to rely on bureaucrats, high level military, police officers and oligarchs (Zolyan 2011:55). Other key actors in the Armenian political life are the Armenian "oligarchs". Most of them had key positions in the former Communist administration, and after 1990 they occupied high positions in key ministries such as Defense, Internal Affairs or Transport. First of all, they managed to develop informal electoral networks through which they support a certain politician in exchange for political positions or economic gains (Zolyan 2011: 58). As local experts suggest, there is an alliance between oligarchs and politicians as long as the interests of the former group are protected (Navasardian 2011:95).

In terms of power relations it can be said that there is a monopoly of a certain political force over the domestic landscape. Moreover, the civil society is active but unable to put real pressures on the decision makers (Borshchevskaya 2014). Due to those aspects, it is hard to implement reforms according to the EU standards. This trend is also confirmed by the Freedom House. According to the publication, Armenia is a semi-consolidated authoritarian regime. This type of regime attempts to mask authoritarianism or rely on external power structures with limited respect for the institutions and practices of democracy. They typically fail to meet even the minimum standards of self-governing and electoral democracy (Freedom House 2013).

*Armenia's Constitution* tells a lot about the power relations inside the society and about the political actors' preferences. – *Russia as a role model* As it can be noticed, the president has a privileged role and is the main figure of political life. According to the country's fundamental law the president and the government represents the executive power, the national assembly the legislative power, and the courts and tribunals the judicial power. The president has a five years' term and cannot have more than two consecutive terms (Constitution of Armenia, Art. 51). He has important attributes in the realm of foreign policy representing the country abroad, he appoints the prime minister according to the power configuration within the NA, he can appoint and dismiss government members according to the PM's recommendation, he can veto a decision of the NA to adopt a law, he can dissolve the national assembly upon the recommendation of the chairman of the national assembly or the prime minister, he can appoint four members of the constitutional court, he recommends to the national assembly the candidacy of the prosecutor general, the chairman of the Central Bank (Constitution of Armenia, Art. 52-61). This indicates the preference for a strong leader, similar to the Russian style, and, on the other hand, a dysfunctional separation of powers. After the two presidential terms have come to an end, he can hypothetically rule the political life as a prime minister, and later he can run for the presidency.

*The Nagorno Karabakh conflict* There is no doubt about the fact that Armenia's biggest security issue is the frozen conflict over the Nagorno Karabakh (NK) area. Frozen conflicts are deeply rooted into the past and the Communist regime only managed to put them on hold, without finding a proper way to solve them (Cioroianu 2008:212). This is also the case of the conflict between Armenia and Azerbaijan over Nagorno Karabakh, an Armenian enclave inside Azerbaijan. The first major clash between

Armenia and Azerbaijan happened during the interwar period when Armenia and Azerbaijani nationalism, each with its own political agenda, collided. In the context of “perestroika”, tensions between the Armenians and Azerbaijani reemerged in 1988, and two years later on 18<sup>th</sup> January 1990, the tensions escalated into a war between the two former Soviet republics. The war ended with a Russian-backed ceasefire in May 1994. Presently the conflict is mediated by the OSCE Minsk Group, but there is no progress towards a peaceful settlement. The NK region has an unclear status, and had an impact on the state-building process for both countries. In the case of Armenia, several political elites held key positions in both the NK's and Armenia's political organs. Moreover, the discourse about the conflict might be used for political gains.

*Security* In Armenia's Security Strategy, the “*insufficiently competitive economic environment, an inadequate regulation of natural monopolies, and an underground or shadow economy, and a large cash flow*” are highlighted as security threats (Government of Armenia 2007). Moreover, the document speaks about the liberalization of the economy as a goal in order to reach sustainable economic growth and the adoption of a European model of development, but alongside with the strategic partnership with Russia, and cooperation with Iran and the US, it contributes to the consolidation of Armenia's policy of complementarity (Government of Armenia, 2007). Other threats are connected with the situation from Nagorno Karabakh, and two states are identified as potential threats: Azerbaijan and Turkey, the first one being considered as a strategic partner (Government of Armenia, 2007). Other threats are related to Armenia's isolation from projects such as TRACECA and INNOGATE, but also to domestic problems such as unemployment or the polarization of society between the poor and the rich (Government of

Armenia, 2007). However, while the European Union and the accession into the DCFTA have been described by Armenia's officials as being Armenia's economic choice, Russia seems to be Armenia's security choice. Nevertheless, the document says nothing about Armenia's intention for a possible future integration into the EU. The country is a CSTO member, and the Russian-led alliance is described as a framework capable of assuring Armenia's security (Government of Armenia, 2007).

**The EU's conditional-ity** When speaking about the EU's conditionality towards the area, one should firstly look at the ENP Action Plans signed between the EU and Armenia, a document with eight priority areas. According to the document, Armenia should strengthen the democratic structures, rule of law and the combat of fraud and corruption; should strengthen the respect for human rights and fundamental freedoms; should encourage further economic development, improve investment climate, and further converge economic legislation and administrative practices; should develop an energy strategy; and should contribute to the peaceful settlement of the Nagorno Karabakh conflict and enhance efforts in the field of regional cooperation (European Commission 2006).

**Progress made so far** Lecturing the European Union's Progress Reports from 2007–2014 dedicated to Armenia's approximation to the EU's standards, a gradual decrease of norm implementation can be noticed. As expected, few of the above reforms were addressed by the decision makers from Yerevan.

**Democratization** According to the Progress Reports issued by the European Commission, the parliamentary elections from 2007 and 2011 and the presidential elections from 2008 and 2013 were conducted according to the OSCE standards to some extent, but there were several problems such as unfair me-



dia access to offices of incumbentss, unfair ballot counting or unbalanced representation (for party representations) in the electoral commissions (European Commission 2007, 2008). Moreover, the last two presidential elections were followed by street protests, and even led to a political crisis (European Commission 2008, 2013). Other problems are related to the freedom of the media which is under political pressure or controlled by political power (European Commission 2007, 2008, 2010, 2012, 2013). A positive aspect is the foundation of a new institution called the Defender of the Human Rights (European Commission 2009), but its competences are limited.

*Rule of Law* While Armenia has adopted many laws according to EU standards in areas such as the independence of judiciary or the fight against corruption, the implementation remains very limited. The positive aspects include the fact that the Ministry of Justice adopted a special body designed for the supervision of party funding (European Commission 2007). Moreover, a new Judicial Code and a New Administrative Code according to EU standards were adopted, but there is a lot of concern regarding the successful implementation of the abovementioned measures (European Commission 2008). The judiciary process has become more transparent but its independence is limited. Despite the fact that a school of justice has been created with the purpose of training judges, judges are still appointed by the president (European Commission 2008, 2009).

*Economy* Armenia's investment and trade policy is relatively open, and apparently there is no legal discrimination between foreign and national companies. The fiscal consolidation which happened due to expenditure restraint and revenue collection should also be mentioned as an advantage. In fact, real challenges comes from the fact that foreign businesses

must frequently contend with tax and customs processes that lack transparency thus increasing the costs; the court system lacks independence and it is not reliable when it comes to the resolution of disputes; what is more, major sectors of Armenia's economy are controlled by well-connected businessmen who also benefit from political protection or are high-ranked officials (European Commission 2013, 2014, US Department of State 2013).

**Armenia between the EU and Russia** The European Union remains Armenia's main trading partner, accounting for around 29.7% of Armenia's total trade, being its biggest export and import market with a respective share of 39.4 % and 26.5 % in total in Armenian exports and imports (Europa.eu 2015). Moreover, for the 2014-2017 period the country will receive around 140-170 million euros. As mentioned above, Armenia successfully negotiated a DCFTA with the EU in July 2013. According to an EU study, the country's inclusion in a future DCFTA will bring several advantages. By removing non-tariff measures, the Armenian economy could gain an extra €146 million a year, representing a 2.3% increase in GDP. For its part, the EU is expected to gain some €74 million. The DCFTA will have significant impacts on Armenia's trade. Moreover, Armenian exports towards the EU might increase to 15.2% (European Commission 2013).

Despite negotiating the DCFTA, Armenia decided to join Russia's Custom Union instead. Many scholars in the West described Yerevan's decision to accept Russia's offer as a "U-turn", a radical change due to the sensitive issue of the Nagorno Karabakh conflict (Popescu 2013, Giragosian 2013). However, things are much more complex than that, being connected with an old Armenian foreign policy tradition. First of all, Russia has a massive presence in Armenia's economy. For example, Russia owns two power stations, one hydro and one nuclear; Gazprom also owns 80 percent of

Armenia's energy infrastructure; Russian airline Sibir owns 70 percent of Armenia's airline Armavia; Vneshtorbank, a Russian state-owned bank owns 70 percent of Armenia's Savings bank; and Russia also bought the Armenian national railway network (Roberts et al 2013).

But most importantly, Russia is Armenia's most reliable security option. Starting with the 19<sup>th</sup> century, Russia was Armenia's only protection against the Ottoman Empire, and after 1990, against Azerbaijan. While the EU's economy was much more attractive, altering this institutional framework might be catastrophic for Armenia in the long run (Manoukian 2014). In the case of Armenia security comes first, and this is also highlighted by the fact that while there were several concerns and dissatisfactions, there were no street protests against this decision (Manoukian 2014). Nevertheless, the Nagorno Karabakh issue is a sensitive topic.

Nonetheless, the NK conflict represents a sensitive topic. In August 2013, Vladimir Putin decided to visit Baku, for the first time in six years. More than that, Russia and Azerbaijan signed a contract for weapon delivering. This episode has been seen as a Russian decision to abandon Armenia. Thus, Armenia would remain more vulnerable in face of an Azerbaijan with a defense budget equal with Armenia's entire GDP. Moreover, Armenia has a rocky relation with Turkey too, due to the 1915 Armenian genocide question. Regarding this aspect, in April 2015, Russia officially recognized the Ottoman Empire genocide against the Armenian population (Tetrault – Farber, 2015).

Moreover, one should also take into account the fact that around 2 million Armenians leave and work in Russia, and some Armenians hold key positions in Russian business life, especially in areas such as small and medium enterprises. Unlike the Armenian communities from the West, whose activities are mostly limited to philanthropic acts, those leaving to Russia lobby for the promotion of their own eco-

conomic interest, and their connection with the motherland is limited only to economic activities (Oussatcheva 2009:13). Additionally, several Armenian traditional products such as the famous Armenian brandy are more popular in the former USSR markets than in the Western ones. Moreover, being part of the EU's DCFTA requires a great amount of time in order to implement the necessary reforms (Manoukian 2014).

**The Riga Summit and beyond** Despite joining the customs union, at the Vilnius summit it was mentioned that the EU and Armenia reconfirmed their commitment to further develop and strengthen their cooperation in all areas of mutual interest within the Eastern Partnership framework; however, the declaration also mentions that the *"summit participants reaffirm the sovereign right of each partner freely to choose the level of ambition and the goals to which it aspires in its relations with the European Union"* (European Council 2013:8). The next EaP summit was of critical importance for the future of the EU-Armenia relations. The Riga summit brought a new vision about the EaP. The final declaration of the summit has two key words, namely inclusiveness and differentiation. On the one hand, this means that the EU is willing to support the countries that are committed to the European path such as Georgia, Moldova and Ukraine, and on the other hand, that the EU does not want to abandon the other three members of the EaP. However, this last group will have a different relation with the EU, probably with fewer requirements for reforms and fewer rewards. Another important aspect is the fact that the EU has softened its discourse about Russia and Russia's actions in Ukraine (European Council 2015), rather having an appeasing attitude. It might want to remain in the area but without upsetting Russia or losing any EaP country.

While countries such as Ukraine and Georgia, and even Azerbaijan were dissatisfied with the Riga Summit, surprisingly Armenia was one of the summit's biggest winners. The

summit's declaration mentions that the participants “welcome the common understanding reached on the scope for a future agreement between the EU and Armenia aimed at further developing and strengthening their comprehensive cooperation in all areas of mutual interest”(European Council 2015). This suggests that the EU is preparing a new type of agreement different from the AA, and the fact that now Armenia as a Eurasian Union member, will be taken into account. Moreover, Armenian Prime Minister Edward Nalbandian declared, “Today we have what we expected. ... Armenia and the EU are going to continue comprehensive cooperation in all the spheres and directions possible, considering Armenia's commitments in other integration processes” (News.Am, 2015). This approach fits well into Armenia's foreign policy paradigm. On the one hand, the relationship with Russia remains undamaged, and on the other, ties with Brussels are not lost, on the contrary, are reinterpreted. Moreover, this type of political discourse brings benefits for the Armenian political elites in power. This is a form of protection against criticism from civil society and future protests from those who might accuse them of increasing the country's dependence on Russia.

The negotiations for a new EU-Armenia agreement officially started in December 2015, and this might have implications for the future. This indicates a changing paradigm for the ENP, one that is more flexible. On the other hand, it might lay the foundation for a new way of dealing with other key members of the EAEU such as Kazakhstan or even Belarus.

**Conclusion** Historical institutionalism proved to be an adequate tool in providing answers about Armenia's low standard of approximation to EU standards and its decision to abandon the DCFTA for the custom union (later becoming part of the Eurasian Union). As it has been shown, Armenian decision makers selectively implemented the required EU reforms. The judicial system is not fully independent; the parliamen-

tary and presidential elections were not conducted according to EU standards; and the economy is still dominated by monopolies in certain areas.

Armenia's institutional structure and the power relations among institutions explain this type of policy. Armenian political life seems, at least for the moment, monopolized by the Republican Party. The opposition is weak and divided and with no clear political agenda. One proof of RP's political monopoly lies in the fact that the incumbent power has always won the elections. Due to this aspect it is hard to implement new and liberal reforms. Besides, the article showed that the political actors have a strategic approach towards both the EU and Russia, and they prefer the present political status quo, with limited liberal reforms in order to keep their benefits. By entering the EU market, many Armenian businessmen might lose their profit. Moreover, accepting the EU's offer Armenia will damage its relation with Russia. As Armenia's security is connected with Russia, there is an asymmetrical economic connection between the parties and Russia is also a "role model" for the Armenian political elites. Damaging this present institutional framework might have a very high cost for Armenia in the future.

However, after the Riga summit it seems that the EU is willing to offer a new type of relation to Armenia, taking into account the fact that Armenia is now a Eurasian Union member. This new type of agreement will be different from the AA, most probably with fewer rewards, but with an Armenia having kept its foreign policy vector.

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