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## [Armenia is Rethinking Relations with Russia](#)



Over the past few years, Armenia has faced a string of internal and foreign policy challenges. The wide-reaching referendum vote back in 2015 in favor of constitutional change means that Armenia's time as a semi-presidential republic is over. According to its new constitution, the country is now a parliamentary republic. The subsequent transition was overshadowed by a sharply deteriorating security situation involving the armed forces of Azerbaijan. In April, 2016, this reached a nadir: [The Four-Day War](#). This involved a hard-fought set of battles in the Armenian-controlled, internationally unrecognised territory of Nagorno Karabakh, where a frozen conflict has been ongoing since the 1990s. While the Azeris made initial gains, they were ultimately repelled. On the domestic politics front, there was also the crisis caused by members of the opposition movement "Sasna Tsrer", who organised an [armed seizure of a police station](#) in Yerevan in July, 2016.

The Four Day War, and the resulting shuttle diplomacy between the United States, Russia and other powers in a format known as the Minsk Group, has sparked a foreign policy rethink in Yerevan, with a particular focus on future relations with Russia.

Initially, the Armenian side considered its participation in Russia-led integration projects — the Eurasian Economic Union (EAEU), the Customs Union (CU) and the Collective Security Treaty Organization (CSTO) — as simply additional formats for fostering relations with Moscow, just under various different flags of

supranational governmental organizations. Geography did not endow the Armenian side with common borders with the rest of the members of Eurasian structures, so there is no sense in talking about serious economic achievements. On the contrary, [Yerevan suffers significant losses](#). The issue of establishing the railway communication with Russia through the Abkhazian sector has been postponed, as well as some large-scale projects and reforms which had been conceived under the expectation of an accompanying influx of substantial Russian investments.

Harsh economic and financial problems in Russia, however — a result of the US and the EU's sanctions policy as well as low global oil prices — significantly reduced direct inflows to Armenia. According to the volume of [accumulated Russian FDI](#), Yerevan ranks fifth (3.45 billion dollars), being considerably behind Kazakhstan (11.6 billion), Belarus (10.58 billion), Ukraine (5.96 billion) and Uzbekistan (5.35 billion). The partners of the Armenian side within the EAEU — Belarus and Kyrgyzstan — also depend on Russian investments while Kazakhstan increasingly focuses on strengthening and expanding its trade and economic dialogue with Azerbaijan and Turkey. Moreover, since 2016, Azerbaijan [has become the leader of net exporters](#) of direct investments to the CIS countries and Georgia. In general, direct investments from Azerbaijan across the post-Soviet space are characterized by consistent and continuous growth. The statistics also show that the total volume of Azerbaijani FDI has grown by 19 percent over that period, amounting to 2.4 billion dollars.

The five largest recipient countries included Russia, Georgia, Kazakhstan, Belarus and Ukraine. Besides being continuous, Azeri investments are the most diversified ones: transport (47.4%), wholesale and retail trade (19%), infrastructure networks (11.7%) and construction (11.6%). Baku has increased its share in the implementation of the considerable tourist and infrastructure projects in Russia. Thus, total investments in the construction of two hotels in Tyva and Stavropol region are estimated at [58 million dollars](#). Moreover, some of Azerbaijan's state companies are going to get involved in financing various projects in Dagestan this year. Despite not being a member of the EAEU, Azerbaijan still gets to play a crucial economic role in the life of its member countries.

Azerbaijan's growing investment clout is already a challenge to Armenia's national interests. Baku's strategy is focused on gaining political influence through financial instruments. Many Armenian experts and officials believe that Moscow, Minsk and Astana are just using Azerbaijan's financial resources without threatening the political interests of Eurasian projects in general and Yerevan in particular. This is hard to believe for a number of reasons. Firstly, history demonstrates that economic interdependence inevitably leads to political dependence. Secondly, many events have already confirmed Azerbaijan's political influence. It would be enough to mention that at the initiative of Kazakhstan and Belarus, the EAEU summit was moved from Yerevan to Moscow in 2016 (as explained, due to April escalation). Russia supported this political step of Astana and Minsk, and that was a real surprise for Armenia.

#### Russian weapons in Azerbaijan

The sale of offensive weapons to Azerbaijan is another acute problem in the Armenian-Russian relations, which began to grow tougher after the April escalation. Over the past ten years, the authorities of Azerbaijan, receiving huge amounts of finance from the sale of hydrocarbons, have been purchasing large-scale modern offensive weapons. From 2009 to 2015, 1.6% of the world's arms imports were to Azerbaijan. [According to the report](#) of the Stockholm International Peace Research Institute (SIPRI), Azerbaijan ranks second in Europe in terms of arms imports, being slightly behind Britain. By the end of 2016, Azerbaijan became the 17th largest importer of conventional weapons while back in 2008, it was only 49th.

Azerbaijan imported the main types of conventional weapons from five countries - Russia, Belarus, Ukraine, Israel and Turkey. Belarus sold SU-25 and T-72M1 tanks. Kiev provided the MiG-29 and Mi-24G helicopters, and Israel supplied Azerbaijan with drones - unmanned aerial vehicles, radars and missile systems (they became a serious problem for the Armenian side). However, Baku bought more than 80% of the weapons from Russia - the main strategic ally of Armenia. In addition to conventional weapons, Moscow sold the Smerch and Solntsepek systems, T90S tanks, Mi-35M helicopters, BMP-3 armored vehicles and other heavy military equipment. In general, the statistics show that members of the CSTO military-political bloc have been actively arming Azerbaijan over the past ten years.

President Serzh Sargsyan noted several times that the Armenian people are disappointed that Russia is

supplying weapons to Baku which violates the ceasefire systematically. In turn, the Russian side responded by saying that the sale of firearms is a factor of Moscow's political influence on Azerbaijani elites. However, the "Four-Day War", in which the "Smerch" and "Solntsepek" fire systems were used against the Armenian side, showed that the Kremlin has no declared influence on the Azerbaijani authorities. Moreover, despite the obvious increase in [distrust towards Russia in the Armenian society](#), Moscow continued to supply arms to Azerbaijan. It is noteworthy that high-ranking Russian politicians justify selling weapons to Azerbaijan but are simultaneously criticizing the "immoral" decision of the United States to supply Ukraine with lethal weapons that will lead to an escalation of the conflict.

An additional negative effect is caused by the indifference of Russia and other allies in the Eurasian Union and the CSTO to the constant shelling of the Armenian border. In the case of the NKR, Moscow, Astana and Minsk can explain the reason for non-interference with the unrecognized status of Nagorno-Karabakh. However, Armenia is a full and recognized subject of international relations and one of the members of the military-political bloc, which is subject to the rights and duties prescribed in the organization's charter. Thus, realizing the passivity of Armenia's partners in the Eurasian bloc, Azerbaijan conducts extensive lobbying campaigns.

Officially, Baku leads a clear and consistent political position (the world recognizes the territorial integrity of Azerbaijan), which is communicated to the broad Russian, Kazakh and Belarusian socio-political community by all possible ways and means.

In a situation when there are no economic prospects, and the illusions about Armenia's security are beginning to vanish, Yerevan must deal with complex foreign policy tasks, taking into account all the variables. The signing of the Agreement on Comprehensive and Enhanced Partnership with the EU was one of the most significant political decisions made by Armenia's ruling elites in recent years. It was provoked by non-strategic and non-partner relations with the members of the EAEU and CSTO. It is also difficult to count on Russia's support in case of a serious aggravation of Karabakh issue. If Moscow decides to get involved in any conflict on the side of Armenia under the flag of the CSTO, its decision should receive at least informal support from other participating countries. Otherwise, there is not only a risk of discrediting the organization but also of a crisis in Russia's relations with other members. For Armenia, membership in the EEU is valuable only in terms of strengthening military-technical ties with Russia, and any crisis caused within the supranational bloc will directly affect bilateral relations.

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