

Russian Relations and Foreign Policy in Armenia and the Caucasus:

Analysis of the Republic of Armenia and the greater Caucasus Region's current relations with the Russian Federation, beginning with the disintegration of the Soviet Union.

By: Michael Morel

Since the collapse of the Soviet Union, the former Soviet Republics have maintained close ties to Russia. After over seventy years of Soviet rule, the fifteen republics of the former USSR still have economic and political affiliations with the Russian Federation. Due to the difficulties in establishing a capitalist economy and transforming a once communist country to a democratic state, it was imperative for the former Soviet Republics to collaborate with each other and remain allies of Russia.

The Soviet Union was a vast country composed of various ethnicities, religions and cultures. Each region had strategic components that created key points of interest for the expansion of Russian Foreign Policy. The most beneficial region for maintaining Russia's sphere of influence was the Caucasus. The region includes the land between the Black and Caspian Seas encompassing the former Soviet republics of: Georgia, Armenia and Azerbaijan (See Image 1 below). Transcaucasia is inhabited by many ethnicities and cultures that mainly belong to the Christian or Islamic faiths. Since there are many people residing in the same area, who hold different values and beliefs, the region has experienced many conflicts that currently remain unresolved.



(Image 1: Map of Caucasus Region)

Despite this fact, Russia chooses to remain a key player in the Caucasus. This can be explained in terms of natural resources, strategic location and expanding Russia's foreign policy, creating room for Russia to emerge as a key player in the International Community.

Russia's main "goal" in the Caucasus is to sustain security and cooperation between the Russian Federation and the three republics of the region, and to create stronger cooperation amongst the newly independent states. Although Russia's strategy gives the illusion of seeking to create a greater sphere of cooperation in the Caucasus, Russian interests in the region seem only to benefit Russia. The idea of cooperation is a vast contradiction to the reality of the current issues that hinder economic growth and political improvements in the region. With the recent alliance of the United States and the Republic of Georgia, the Russian presence and reliance seems to be gradually fading into the past. Russia's influence in the region is still a dominant factor that remains in almost every aspect of life. However, after nearly two decades of independence, Russia's hold on the Caucasus is slowly vanishing. One can witness the difference during the last seventeen years of independence. For example, the 2003 Rose Revolution in Tbilisi marked a stronger alliance with the United States to improve democratic sanctions in the Georgian Republic.

Currently, the break-away territory of Abkhazia (See Image 2 below) is creating further separation and tensions between Russia and Georgia. After the April 20th drone incident, tensions between the two states have been on the rise. The United States and European Union are increasing their diplomatic endeavors in the former Soviet republic.



(Image 2: Map of The Republic of Georgia, including Abkhazia)

The salient topic of autonomous regions is a factor that corresponds directly to the Caucasus republics. Georgia's territory comprises of several autonomous regions that are seeking to gain their independence. Likewise, the Armenian-Azerbaijani conflict over Nagorno-Karabagh is a key and interesting factor when analyzing Russian Foreign Policy in the region. The Russian Federation also encompasses a variety of cultures who express desire to establish an independent state. The most well-known of these autonomous regions is Chechnya. This creates a problem in terms of Russian Foreign Policy in the Caucasus. For Russia to fully support Armenia or Azerbaijan in terms of the Karabagh Conflict would be political disaster. However, Russia has made a clear decision in the case of Kosovo and Taiwan. Russia fully supported Serbia, a Slavic state belonging to the same ethnic group as Russia. Russia also supports China in thwarting the movement for Taiwanese independence. The reason behind this strategic movement is rather simple. For Russia to support the independence of Taiwan would mean that the autonomous regions in Russia will rebel and seek independence from Russia. Likewise, Russia cannot publicly support Armenia or Azerbaijan in terms of the Karabagh Conflict. If Russia supported either Armenia or Azerbaijan, relations with the other nation would be compromised. Instead, Russia chooses to approach the situation diplomatically stating that they support a *peaceful resolution* to the conflict.

Although Russia officially does not take a stance in the conflict, it appears that Russia is playing both sides. Recently, Russia has been seeking to further establish relations with Azerbaijan. To publicly support Armenian forces would hinder any chances of improving relations with Baku. In comparison, if Russia was to support Azerbaijani control of Karabagh, Armenian-Russian would be severely affected. With the current Nabucco pipeline (See Image: 3 below) project in the Caspian Sea region, Russia cannot afford to stress the already weakening Russian-Azerbaijani relations. The project is designed for the transit of natural gas from Azerbaijani reserves via Turkey to the European market, bypassing Russia. Excluding Russia

from the pipeline project can be considered a political plan rather than an economic project. Excluding Russia from this project is a tactic to weaken Russian influences in the region.



(Image 3: Note that the first and second phase of the project bypasses Armenia. The first phase connecting through Iran bypasses Armenia from the south and the second phase connecting through Georgia bypasses Armenia from the north.)

Russia's recent role of a spectator, who underestimates economic growth in the Southern Caucasus, has proved to be ineffective. However, this strategy can only be used by nations such as Azerbaijan who have a significant amount of natural gas reserves, allowing them to detach themselves from Russia's political and economic grip in the Caucasus.

Sadly, small, landlocked nations that do not possess a vast amount of internationally beneficial natural resources, such as Armenia, do not have the power to distance themselves from ***Mother Russia***.

During the Soviet Union, the S.S. Republic of Armenia was a driving force in the country's economy. Armenia was a power-house in the economic sector creating numerous goods that were used throughout the Soviet Union. Compared to the other republics, one could even say the Armenian standard of living was slightly higher (although this theory is in sharp contradiction to the communist ideology). With the collapse of the Soviet Union, political scientists were speculating that Armenia would surpass the other republics economically. During the past decade, this theory has been proven false. Whether this is *due to the strong Russian*

presence that limits Armenia from developing economically, the illegal Turkish and Azeri blockade of Armenia or a combination of several factors, Armenia is struggling to recover from the devastating economic situation of the early 1990's.

The economic sector of the Republic of Armenia is currently experiencing a long awaited upward trend. This is mainly due to the construction boom in Armenia. The capital city, Yerevan, is experiencing the most growth from this construction trend. However, one must realize that the growth in construction is a brief and limited benefit in regards to economic growth. Once the construction of apartment buildings and business complexes reduces and eventually ceases, the driving force behind this slightly upward trend will conclude. The ever prominent fact that Russia owns and controls a significant proportion of the Armenian economic, transportation and energy sectors does not assist Armenia's situation.

Russia is the primary supplier of natural gas to Armenia, creating a monopoly in the energy-sector. This monopoly has had a tremendous impact on natural gas prices. In recent years, the rate of natural gas being delivered to Armenia has doubled from \$55 to \$110 per one thousand cubic meters. Russia's grip on Armenia may even be tightening in the near future. In an effort to reduce prices back to \$70 per one thousand cubic meters, Russia has offered Armenia a **deal**. Russia is offering Armenia lower gas rates if Yerevan transfers Armenian infrastructure and energy-sector assets to Russia. Such a negotiation would reduce the already insignificant amount of Armenian controlled industries. According to Eurasia Daily: *Blessing Armenia's Debut Servitude*,

"...The Russian-controlled, gas-fired Hrazdan electrical power plant -- the largest in Armenia -- has announced its intention to raise the price of electricity by 90% for households and enterprises" (Socor, 2006).

Russia is operating the plant (99 year lease) based on the 2002-2003 debt-for-assets agreement. Six other Armenian industrial enterprises were ceded to Russia during the same period of time. Armenia owed a debt of approximately 94 million dollars to Russia. Subsequently, Turkey owed

a debt to Russia that was much higher, which Russia forgave. For a small nation such as Armenia, the loss of control in the industrial-sector is an overwhelming burden. This situation does not help Armenia's economy, especially due to the fact that Russia has closed these factories. With the closure of six industrial facilities, thousands are left without jobs. The extent of Russian control of Armenia is also resembled in the transportation-sector. Russia leases all of Armenia's railways.

Russia feels more than free to resort to economic extortion of Armenia and takes for granted its political loyalty as an ally. Russia has proposed that Armenia hand over its stakes in the joint Armenian-Iranian energy projects. Doing so would insure that the Russian monopoly in Armenia will continue to thrive. The Armenian government needs to stop living in the present and look into the future. The Armenian leadership is content in sacrificing projects that would benefit Armenia in the long run for a short term relief in natural gas rates. It seems *economic uncertainty and debt servitude* is a small price to pay for lower rates of natural gas (Socor, 2006).

Despite Russia's mistreatment of Armenian resources, Armenia cannot fully cease cooperating with Russia. After the Rose Revolution in Tbilisi, Georgia stopped relations with Russia (the nation with which it shares its entire northern border) in order to become an ally of the United States. Although such a risky move required a great deal of strength, the consequences seemed to outnumber the benefits. This is evident in the recent war between Russia and Georgia which the entire world is watching unfold. By no means do I think that Armenia should or will stop being an ally of Russia, especially after recent events. However, for Armenia to succeed in the future and develop economically at a more international level, Armenia needs to rethink allowing Russia to manipulate future projects that possess the potential of creating paths for future success. Armenia should remain an ally of Russia, particularly because the Russian army is guarding Armenia's borders. With a prevalent threat from Azerbaijani and possibly Turkish forces, Armenia needs the added security. That being said,

Russia and Armenia can remain allies without Russia abusing Armenia's vulnerable economic condition.

For any of the former republics of the Soviet Union to fully relinquish ties with Russia would have been impossible. After nearly two decades since independence, all of the former soviet republics have strong relations with Russia, excluding Georgia. The Commonwealth of Independent States (CIS) remain strategic partners in trading. However, the manipulation of Armenia via Russia is due to Armenia's current economic and political situation. Being the last illegal blockade in Europe, Armenia is not able to receive goods through its western and eastern borders. With no where else to turn, Armenia must rely on Russia. According to recent statistics, Armenia seems to be on the path to success. It is now up to Armenia's leadership to not compromise future success by making agreements with Russia to only temporarily solve problems.