

## Armenia and Georgia: A New Pivotal Relationship in the South Caucasus?

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With the recent change of government in Georgia, which has led to a reduction of tension between Russia and Georgia, Yerevan and Tbilisi are in a better position to improve their relations. Armenia and Georgia are also coming closer together through their efforts to continue and deepen the process of EU integration. In Georgia's case, this means a readiness to conclude an Association Agreement with the European Union that include a Deep and Comprehensive Free Trade Area (DCFTA), set to be initialized at the EU's Eastern Partnership (EaP) summit in Vilnius this November. In the case of Armenia, which Russia recently forced to abandon taking a similar step and instead to declare an intention to join the Russian-led Eurasian Customs Union, this means being on constant standby to resume the process of integration with the EU in a more favorable external environment. Regardless of this latest hiccup, the latest developments are promising for a breakthrough in Armenian-Georgian relations. If such a breakthrough occurs, it will have significant regional implications.

### **Parameters of the Current Armenian-Georgian *Modus Vivendi***

Economic cooperation between Armenia and Georgia is based on trade and energy transit through Georgia. Bilateral trade between the two neighbors is relatively low but growing. In 2012, Georgia was Armenia's 9<sup>th</sup> largest trading partner by exports (totaling \$78 million), while Armenia was Georgia's 2<sup>nd</sup> largest export destination (\$261 million, although most of this consists of the re-export of used cars).<sup>1</sup> In recent years, Armenian investment in Georgia's tourism and transportation infrastructure has increased significantly. In general, the states' economies are similar in structure and thus poorly

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<sup>1</sup> Armenia exports to Georgia construction materials, glass, rubber and plastic goods, agricultural products (especially grapes), machinery, and medical supplies. Imports from Georgia include foodstuffs, nitrogen fertilizers, timber, and wood products. In the last few years, the re-export of used cars (from the United States and Europe) has also become an important item of Georgian export. Data available at <http://comtrade.un.org>.

integrated. They target different markets and rely on different energy resources and raw materials.<sup>2</sup>

On security issues, Armenia and Georgia have different approaches and opposing major-power backers. This has been especially obvious since the August 2008 war between Georgia and Russia, as the latter is Armenia's main military-political partner, both bilaterally and through the Collective Security Treaty Organization. The Georgian attitude toward Armenia and Armenians in the post-Soviet period has been shaped by negative perceptions of the ongoing alliance between Moscow and Yerevan. For its part, Armenia closely monitors Georgia's cooperation with Turkey and Azerbaijan, fearing a deepening of the existing transport and communications blockade of Armenia by these two states. The position of the two states on the settlement of regional ethnic conflicts also differs. Georgia supports the principle of territorial integrity (in the case of Abkhazia and South Ossetia), while Armenia advocates for the principle of self-determination (Nagorno-Karabakh). The issue of Georgia's Armenian-populated Javakheti region plays an important role in their bilateral relations. The settlement of nearly 100,000 ethnic Armenians in this administrative-territorial region bordering Armenia has created mutual concerns and phobias.

However, the two countries have points of collegiality. For example, Armenia does not recognize the independence of Abkhazia and South Ossetia, while Georgia strives to maintain neutrality in the Karabakh conflict.

On the global level, within the tenets of the European Union's Eastern Partnership, the positions of the two countries are quite similar. Moreover, Armenia and Georgia are connected via relations with the United States, given the influential Armenian-American communities there and U.S. political support for Georgia.

The overall result of all the above is a fairly stable *modus vivendi* between Tbilisi and Yerevan.

### **New Factors and Trends: What is Different?**

The coming to power of Bidzina Ivanishvili's government in Georgia has been one of the most important positive factors for Armenian-Georgian relations. With Ivanishvili's efforts to normalize relations with Moscow, Armenia's political and military cooperation with Russia has been transformed from an obstacle into an opportunity. The most visible example of this are Georgian references to Armenia as a major beneficiary of restoring the railway connection through Abkhazia (closed since the early 1990s)—even as this idea serves as a convenient pretext for the Ivanishvili government to find ways to enhance relations with Russia.

To some extent, Georgia's attempts to adjust its foreign policy appear to borrow from Armenia's own foreign policy of "complementarism." These efforts are partially due to the disappointment of the Georgian political elite with the outcome of President Mikheil Saakashvili's single-vector policy. The danger of Saakashvili's daring but unbalanced foreign policy was evident in August 2008. During his first official visit to

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<sup>2</sup> For more, see Sergey Minasyan, "Armenia and Georgia: Problems and Prospects," *Central Asia and the Caucasus*, 13 (2), 2012.

Yerevan in January 2013, Georgian Prime Minister Ivanishvili bluntly mentioned the benefits of Armenia's balanced foreign policy, noting that "Armenia is a good example for Georgia [in this respect]. We can only be jealous of it."<sup>3</sup> Predictably, this caused strong criticism from Saakashvili and his team, suggesting that attempts to redefine Georgia's foreign policy will require considerable public support.

The opportunity to really implement more a balanced foreign policy could arise after Georgia's presidential election in October. But expectations of any dramatic change are unwarranted. There will be no pro-Russian turn in Georgia in the foreseeable future. The Georgian parliament's unanimous resolution in support of the country's top foreign policy priorities—including membership in NATO and the EU—proves the point.

Nonetheless, the overall softening of the Georgian-Russian political atmosphere has had a positive impact on many levels, including on the situation in Javakheti. Under Saakashvili, Javakheti was under the strict control of police and security services. The situation is now changing. With less pressure from the security services, local administrative entities and political organizations are gaining an opportunity to actively participate in public policy. This is increasing the local population's level of confidence in the central authorities and reduces the fear that their rights as an ethnic minority will be violated. This, in turn, is favorably affecting relations between Yerevan and Tbilisi.

Intriguingly, Russian-Georgian attempts at reconciliation and the overall rebalancing of Georgia's foreign policy are taking place at the same time as a greater discontent is settling among Armenians about Russian-Armenian-relations. This has been mostly due to the rising price of Russian gas and the announcement of a scandalous Russian arms deal between Moscow and Baku.<sup>4</sup> Most recently, Russia has actively sought to prevent Armenia's European integration and forced Yerevan to declare its intention to join the Eurasian Customs Union. Russia is trying in such a way to prevent Armenia's initializing of the Association Agreement/DCFTA it has already agreed upon with Brussels.

Practically speaking, however, a customs area is appropriate only for states that have a common border. Armenia could really only join the Customs Union by way of Georgia (as even if Azerbaijan were to join, a remote possibility for now, its border with Armenia remains closed). Thus, Armenia's cooperation with Georgia after Tbilisi's initialing of an Association Agreement/DCFTA acquires particular importance, as the latter will provide Yerevan a common border with the EU's customs area and will provide an additional argument for its difficult negotiations with Moscow in the framework of the Custom Union.

Growing domestic dissatisfaction inside Armenia concerning Moscow's current regional policy is unlikely to dramatically change the military-strategic framework of Russian-Armenian relations in the short-to-medium term. However, current dynamics can bring a kind of division between the military-strategic and economic dimensions of

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<sup>3</sup> RFE/RL. "Interview: Georgian Prime Minister Bidzina Ivanishvili", *RFE/RL*, January 18, 2013 ([www.rferl.org/media/video/24877492.html](http://www.rferl.org/media/video/24877492.html)).

<sup>4</sup> For more, see Sergey Minasyan, "[Russian-Armenian Relations: Affections or Pragmatism?](#)", PONARS Eurasia Policy Memo No. 269, July 2013.

Russian-Armenian relations. Yerevan hopes that such a division will allow Armenia to continue its integration processes with the EU (even in a holding pattern) without Russia's firm resistance, avoiding any threat to the military and security guarantees Moscow provides.

### **The Ongoing Importance of the European Integration Aspirations of Georgia and Armenia**

During a visit to Armenia and Georgia in July, the European Commissioner for Enlargement, Štefan Füle, favorably assessed domestic political developments in both countries and their progress toward signing Association Agreements. At the end of that month, Georgia and Armenia completed their negotiations with the EU on an Association Agreement and DCFTA and announced that they were ready to initiate the agreements. However, from the beginning of August, Russian pressure on Armenia became considerably stronger, mainly due to the Kremlin's frustration about Ukraine's determined resistance to join the Custom Union and simultaneous tensions with Belarus. As a result, during a meeting of Armenian President Serzh Sargsyan and Russian President Vladimir Putin in Moscow at the start of September, Sargsyan was forced to disassociate himself from any plans to initiate an Association Agreement. Instead, he made a political statement regarding Armenia's readiness to join the Customs Union.

Nonetheless, these developments will not stop the process of Armenia's EU integration, even if they slow it down. It is obvious that if Armenia does not initial documents already agreed upon with the EU, this will not be because of domestic constraints or be a voluntary choice of the Armenian political elite but the result of strong external pressure and even threats. Armenian society is aware of this, and it is also clear for Brussels. Accordingly, under slightly more favorable conditions, Armenia will resume the process of European integration at the point where it was forced to suspend it. Immediately after the Sargsyan-Putin meeting, Commissioner Füle stated during a meeting with Armenia's Minister of Foreign Affairs Edward Nalbandyan that the EU and Armenia "are convinced that it is in the interest of all to further strengthen together with Armenia what we have jointly achieved over the past years of partnership."<sup>5</sup>

Against this backdrop, Georgia's success in initialing its own Association Agreement/DCFTA in Vilnius is of critical importance for Armenia. It will mean the gradual establishment of a European economic and political space directly on Armenia's borders. The success of neighboring Georgia will be a good example for Armenia to continue its domestic reforms and synchronize its legal and economic environment with European standards even without a formal political commitment from the EU.

Georgia's success will not imply any immediate changes to bilateral relations, but it can lead to positive change over time. For example, the ongoing modernization of

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<sup>5</sup> "EU-Armenia: About Decision to Join the Custom Union," September 6, 2013 ([http://ec.europa.eu/commission\\_2010-2014/fule/headlines/news/2013/09/20130906\\_en.htm](http://ec.europa.eu/commission_2010-2014/fule/headlines/news/2013/09/20130906_en.htm)).

custom checkpoints on the Armenian-Georgian border and more simplified crossing procedures (part of a 60 million euro grant from the EU to Armenia) will encourage a more active and flexible trade regime between the two neighboring states even in such a complicated situation.

### **Conclusion**

In general, highly favorable conditions—namely the new leadership in Tbilisi, significant domestic economic and political developments in both states, and parallel European integration aspirations—are transforming Armenian-Georgian relations, on the basis of a stable *modus vivendi* and a productive two-decade-long record of interstate cooperation. Armenia and Georgia still have a long way to go to achieve the goals they have set for themselves, but the very prospect of a “shared path” will enable Armenia and Georgia to forge a newly pivotal political and economic relationship in the South Caucasus.

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