

VILNIUS, November 24, 2013 /PRNewswire/ --

New format for EU-Armenia cooperation requires Armenia to seriously fight corruption

Ahead of the Vilnius Summit on the EU's Eastern Partnership (EaP) on 28/29 November 2013, one impression is that a huge possibility has been lost for the EU to strengthen the ties with its eastern neighbours. First, there is the situation regarding the Ukraine. European leaders will most likely veto any deal on free trade as long as former Prime Minister Yulia Tymoshenko is not released from prison. Second, there is the situation regarding Armenia, arguably one of the more unfortunate setbacks in the run-up to the summit.

During a meeting with Vladimir Putin on 3 September 2013, President Sargsyan announced that Armenia would join the Russian-led Customs Union with the intention to be involved in the further formation of the Eurasian Economic Union. Therewith, negotiations on an Association Agreement with the EU were off the table. What remains is the question whether there is still room for the EU to engage in closer economic cooperation with Armenia in order to gain a new partner in the Caucasus region.

Many argue that the ball is now in Armenia's corner. In this regard, the reform path that Armenia has declared to pursue would be a necessary precondition to base economic cooperation on a new foundation. First, the democratisation of political structures within the system needs to be an on-going process. Second, market reforms must be thoroughly implemented to make the

economy more attractive for foreign investors. A first step to launch a new format for EU-Armenia trade relations could be the liberalisation of the EU's visa regime with Armenia - and other Eastern Partners - with the ultimate goal to drop visa requirements for EaP citizens.

However, despite several important achievements, many obstacles for economic cooperation outside the scope of DCFTAs (Deep and Comprehensive Free Trade Agreements) - which require democratic and market reforms - remain. One of these obstacles, especially with view to Armenia, is the level of government corruption. The "Policy Forum Armenia" in Washington (<http://www.pf-armenia.org>), a renowned Think Tank of the Armenia diaspora, recently published a report titled "Corruption in Armenia" (<http://www.pf-armenia.org/document/corruption-armenia>). A team of interdisciplinary scientists and country experts analysed the level of corruption by focusing on different areas. According to the report, the results are rather alerting: "Corruption threatens to destroy Armenia's economy and remains one of the major problems in the Caucasus republic."

The report refers to bribery costs in large companies that amount up to 5% in annual turnover. Daron Acemoglu, economic professor at the Massachusetts Institute of Technology (MIT) comes to a drastic conclusion: "

Some say, Armenia's economy is doomed to fail due to its geographical position...to be blamed, however, are corruption, ruthless politicians and weak institutions

". Dr

Zaven Kalayjian

, member of the "Policy Forum Armenia" executive board, identifies the lack of interests of government elites in public opinion as the key problem: "[c]

orruption in

Armenia

directly benefits the very top layers of the country's ruling regime

". Political decisions are made in favour of corrupt elites rather than in favour of the Armenian citizens. "

For that reason the regime is immune against electoral pressure.

"

Vilnius Summit - Which Way Forward for the European Eastern Neighbourhood Policy?

Written by Australian Business

The decision to join the Eurasian Customs Union, particularly in the light of remaining reform deficiencies in the country, overshadows the upcoming Summit in Vilnius and puts a question mark over Armenia's willingness and capacity to develop closer economic relations with the EU. As regards the latter, a commitment to fight corruption would be a first signal for the EU that cooperation with Armenia has not reached its destination.

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