RUSSIA'S ARMENIA STRATEGY: FROM CALIBRATED PRESSURE TO A TEST OF INTEGRATION

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Russia has moved from targeted trade restrictions against Armenia toward examining whether Yerevan can retain the benefits of Eurasian Economic Union (EAEU) membership while deepening ties with Europe. An October 20 report prepared by four EAEU members outlines the economic consequences of suspending Armenia's treaty privileges, although the bloc lacks an explicit expulsion mechanism. The dispute follows Prime Minister Nikol Pashinyan's June electoral victory and extends to Russian control of Armenia's railways and energy supplies. EU trade preferences and a U.S.-backed transit initiative offer alternatives, but neither can quickly offset Armenia's dependence on Russia or the constraints on regional connectivity.

BACKGROUND: Armenia's relations with Russia have deteriorated as Yerevan has expanded its political and economic engagement with Western partners. In 2025, Armenia adopted legislation initiating a process of European integration, although this neither conferred EU candidate status nor ended the country's membership in the Russian-led Eurasian Economic Union (EAEU). Moscow initially responded with warnings about the economic costs of Armenia's changing orientation and a series of restrictions on selected Armenian exports.

The confrontation intensified around Armenia's June 7, 2026 parliamentary election. Prime Minister Nikol Pashinyan's Civil Contract party received 49.75 percent of the vote and won 64 of the National Assembly's 105 seats. The outcome gave Pashinyan a renewed mandate to pursue a more diversified foreign policy.

Russia remains Armenia's major economic partner. During his September 1 meeting with Pashinyan in Bishkek, President Vladimir Putin estimated Russia's share of Armenian trade at approximately 30 percent, with bilateral turnover reaching US$ 2.5 billion in the first half of 2026. Armenian agricultural producers, beverage exporters, and other businesses remain particularly exposed to the Russian market, where they have long-established distributors and commercial networks.

Russian import controls became more restrictive in the weeks following the election. Beginning June 12, Russian authorities blocked the import or transit of a wide category of quarantine-controlled Armenian goods. Additional restrictions on fish followed on June 26 and on dairy products on July 27. As of late September, the fish and dairy measures remained in effect. World Bank figures reported in September indicated that Armenia's agricultural exports fell 15.2 percent year on year in July, including a 52.2 percent decline in vegetable-product exports. A broader decline in aggregate exports also reflected unrelated changes in precious-stone re-exports.

On October 20, representatives of Russia, Belarus, Kazakhstan, and Kyrgyzstan submitted a report examining the consequences of temporarily suspending the application of the EAEU treaty to Armenia. Its scenario projected a 15.6 percent contraction in Armenian GDP, a 55.6 percent decline in trade with the EAEU, and an inflation increase of 14.9 percentage points relative to the baseline. It also envisaged the reintroduction of customs controls, tariffs, certification requirements, and restrictions affecting Armenian workers in EAEU labor markets.

Infrastructure has become another point of dispute. Russia's state railway company has operated Armenia's railway network through its South Caucasus Railway subsidiary since 2008, under a concession extending to 2038. Pashinyan has argued that Russian

management could deter investment and divert future transit traffic because of geopolitical tensions and sanctions risks. In October he said Armenia had grounds to terminate the concession, while expressing a preference for transfer to a third country acceptable to both governments. Following bilateral talks on October 14, Yerevan and Moscow agreed to observe the existing agreement and to explore transit opportunities through a joint working group, without agreeing on a change of operator.

Energy supplies remain another major link. Russia provided about 82 percent of Armenia's natural gas in 2025, with Iran supplying most of the rest under a gas-for-electricity arrangement. The EAEU report illustrated a possible increase in the indicative price of imported gas from US$ 177.50 to US$ 300 per thousand cubic meters if Armenian privileges were suspended, a rise of roughly 69 percent.

IMPLICATIONS: Moscow's consideration of suspending Armenia's EAEU privileges marks a change in its approach. A suspension affecting the treaty itself would turn Armenia's economic integration into a geopolitical bargaining instrument involving potential loss of market access, labor rights, and customs advantages, which can itself influence calculations in Yerevan.

The legal obstacles, however, are considerable. The EAEU treaty does not clearly provide four members with a route to expel the fifth, and an improvised suspension could damage the organization's reputation as a rules-based economic union. It would also set a precedent, potentially unsettling other members that maintain diversified foreign relations. Armenia can pursue closer ties with the EU while remaining in the EAEU for now, but membership in two separate customs unions with different external commercial policies would be impossible in the longer run. Russian pressure may have the opposite political effect: the greater the perceived risks of dependence on Russian decisions, the stronger the incentive for Armenian policymakers and businesses to build alternative links.

Yerevan has meanwhile sought alternative economic and transport arrangements. In June, the European Union disbursed €34 million in immediate support in response to the Russian trade measures. A two-year EU trade-liberalization regime took effect on October 10, reducing or eliminating duties on selected Armenian goods and covering nearly 80 percent of Armenia's existing exports to the EU, including many fresh products and beverages affected by Russian restrictions.

The United States has also become more involved in Armenia's connectivity plans. On October 21, an Armenian parliamentary committee approved ratification of a framework agreement with Washington concerning the Trump Route for International Peace and Prosperity (TRIPP). Surprisingly, however, Armenian diaspora organizations in the U.S., foremost among them the Armenian National Committee of America (ANCA), have been steadfast in resisting deeper U.S. engagement with Armenia dismissing Trump's keystone project as a "pan Turkic corridor." This clashes with Yerevan's attempts to normalize relations with its neighbors, distance itself from Russia and, by extension, also contradicts U.S. interests.

The limits of Armenia's alternatives are equally clear. EU tariff preferences and emergency financial support reduce some of the immediate costs of Russian restrictions, but they cannot rapidly replace distribution networks developed over decades. Exporters must find buyers, adapt to product standards, and absorb new transport costs. The EAEU's labor-market provisions also extend the stakes beyond goods trade. For Yerevan, effective diversification will depend less on declarations of European orientation than on

the practical ability of businesses and workers to adapt to other markets and arrangements.

Control over railways could prove particularly consequential if the South Caucasus becomes more interconnected. TRIPP and the prospect of reopened routes through Azerbaijan and Turkey would increase the strategic value of Armenia's existing rail network. Russian management could complicate efforts to attract Western-backed capital and transit contracts, while surrendering the concession would remove one of Moscow's remaining instruments of influence over regional connectivity. The October discussions indicate that neither side prefers any major rupture. With construction under TRIPP not expected before 2027 and the region's borders still subject to political negotiations, the commercial balance is also not settled.

Gas creates a similar dilemma. A substantial price increase would be capable of imposing costs on Armenian households and producers precisely because Russian supplies remain dominant. However, aggressive use of this leverage could intensify Armenian efforts to diversify energy supplies and encourage further external assistance. Russia must weigh the value of short-term coercion against the possibility of weakening its own long-term market position.

The political context makes this calculation more difficult for Moscow. Pashinyan's electoral victory demonstrated that pressure before the June vote had not reversed the government's Western opening. At the same time, the erosion of Armenia's role in the Collective Security Treaty Organization has left economic interdependence as an increasingly important pillar of Russian influence. The Kremlin therefore has an interest in retaining Armenia within the EAEU, even while warning that an eventual move toward EU membership will carry costs.

CONCLUSIONS: Ahead of the expected EAEU leaders' meeting in December, a continued combination of targeted restrictions, legal warnings, and negotiations appears more plausible than an immediate comprehensive suspension. Moscow can preserve leverage by keeping the possibility of harsher measures on the table while protecting its railway and energy interests. For Armenia, the challenge is to expand European, U.S., and regional options without disregarding its exporters' and consumers' near-term vulnerability. The central question is not simply whether Yerevan can distance itself from Russia, but whether Moscow can still determine the economic conditions under which that process unfolds.

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