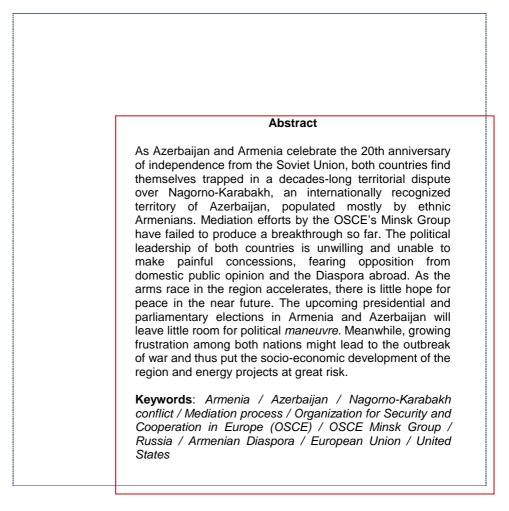


Istituto Affari Internazionali

IAI WORKING PAPERS 11 | 29 - November 2011

The Nagorno-Karabakh Conflict: Current Trends and Future Scenarios

Fariz Ismailzade



The Nagorno-Karabakh Conflict: Current Trends and Future Scenarios

by Fariz Ismailzade*

Introduction

The conflict between Armenia and Azerbaijan over Nagorno-Karabakh, a majority Armenian populated but internationally recognized territory of Azerbaijan, is one of the bloodiest and most complicated conflicts in the post-Soviet area. More than 30,000 deaths and over 1 million refugees and internally displaced persons as well as billions of USD in damaged economic and social infrastructure are all painful consequences of this protracted conflict. More importantly, the broken human links and lack of communication between the two countries have resulted in growing mutual mistrust and misunderstanding, further distancing the two nations from a peaceful resolution of the conflict.

The unresolved conflict and thus the tense relations between Armenia and Azerbaijan hinder regional economic development, the integration of the South Caucasus into a common trade zone, the development of infrastructure and, most importantly, they pose an increasing threat to regional security. International observers and local pundits point out the growing number of ceasefire violations and the deepening frustration among the publics of both countries. The chances for the resumption of military activities remain high, leading to speculations about the uncertain nature of stability and security in the region. The OSCE's Minsk Group has led the mediation process between the Azerbaijani and Armenian presidents over the past two decades, albeit with no concrete results to show for. To many in the region, the conflict seems deadlocked, with neither side willing to make the necessary compromises towards a breakthrough.

What scenarios are on hold for the future negotiation process? Who and what are the main hurdles to peace in the region? This paper attempts to shed light on these questions by analyzing the current state of deadlock in the peace talks, identifying important obstacles and offering three most likely scenarios for the decade ahead.

1. Peace talks: complete deadlock

The ceasefire agreement was signed in 1994, after a significant portion of Azerbaijani territory (some 20%) was already under Armenian military control. Since then, both sides have engaged in intense negotiations, mediated by the OSCE's Minsk Group, and more specifically by its three Co-chairs: Russia, France and the US. Although the

Paper prepared for the Istituto Affari Internazionali (IAI), November 2011. Revised version of a paper presented at the seminar on "The Future of Mediation on Nagorno-Karabakh", Rome, 11 July 2011.

^{*} Fariz Ismailzade is Executive Vice Rector at Azerbaijan Diplomatic Academy. Views expressed in this paper are solely his own and do not represent the official position of his employer.

peace talks have been held with regular frequency and varying degrees of success, no substantial breakthrough has been possible so far. Armenians continue to hold on to the occupied regions of Azerbaijan, using them as a bargaining chip in the negotiations and demanding the full independence of Nagorno-Karabakh in return for the liberation of the surrounding regions. Azerbaijan continues to offer the highest level of autonomy to Nagorno-Karabakh and demands the full withdrawal of Armenian military forces from the occupied regions.

Mistrust and growing frustration with the deadlocked peace talks further antagonize the situation. Ceasefire violations have increased, as has the military rhetoric on the part of Azerbaijan. This further increases insecurity in Armenia and consequently hardens its positions in the bilateral talks. Azerbaijan, instead, is angered by Armenia's attempts at populating the occupied territories by moving Armenian families from Armenia proper and from the Diaspora. Both sides engage in harsh diplomatic rhetoric and continue to attack each other in public diplomacy fronts.

Over the last decades, several peace proposals by the Minsk Group have been rejected either by one party or the other, for various reasons. The first proposal to resolve the conflict in a "step by step" manner (meaning first the liberation of the surrounding regions of Azerbaijan, a return of displaced Azerbaijani population to their former residences, and a resumption of economic and human contacts, and then an eventual decision on the status of the Nagorno-Karabakh) was rejected by Armenia due to the perception that Yerevan would lose an important bargaining chip (i.e., the occupied territories) without guarantees over the status of Nagorno-Karabakh.¹ The following proposal, the "package deal", envisaged the concomitant resolution of the conflict's thorniest issues (most importantly the status of Nagorno-Karabakh and the withdrawal of Armenian military forces). This proposal was rejected by Azerbaijan, which did not feel ready to discuss the status of the Nagorno-Karabakh without the prior return of Azerbaijani population there. A third proposal concerned the establishment of a "common state", which suggested that Azerbaijan and Nagorno-Karabakh form a common federative state. Azerbaijan rejected the offer.

Over the last five-six years, peace talks have centered on the so-called "Basic Principles" or "Madrid Principles", which attempt to combine the first two proposals above, presenting a scheme that would satisfy both sides by addressing their chief concerns. As Tabib Huseynov points out, the "[t]he advantage of the Basic Principles over previous proposals is that they avoid a false choice between package and step-by-step methodologies preferred respectively by Armenia and Azerbaijan.²"

The "Basic Principles" propose that the final status of Nagorno-Karabakh must be put on hold, while other issues, such as the liberation of the surrounding territories, the return of Azerbaijani internally displaced people, the restoration of crucial social and

¹ Actually, this proposal had been first accepted by former Armenian President Levon Ter-Petrosian. Then, the bloodless coup in Armenia in 1997 and the subsequent departure of Ter-Petrosian from office buried the chances of this proposal.

² Tabib Huseynov, "Karabakh 2014. The day after tomorrow: an agreement reached on the Basic Principles, what next?", in *Karabakh 2014. Six analysts on the future of the Nagorny Karabakh peace process*, London, Conciliation Resources, 2009, p. 28, http://www.c-r.org/our-work/caucasus/documents/2014/Karabakh_web_03_huseynov.pdf.

transport infrastructures, the resumption of trade and other confidence building measures are dealt with first. At the same time, all of these actions would start after the sides agree on the mechanism for the determination of the final status of Nagorno-Karabakh. Meanwhile, Azerbaijan would, for the first time, recognize and work with the de facto government in Nagorno-Karabakh.

The proposal has met solid support from the American, Russian and French governments, expressed by their leaders during G8 summits, held in Italy and Canada. In 2007 the proposal was officially presented to the governments of Azerbaijan and Armenia during an OSCE summit. Later, minor amendments were made to the proposal and the so-called "updated Madrid principles" were offered to both sides.

Azerbaijan expressed its general consent to the proposal, but Armenia, despite its active engagement in the protracted elaboration of this proposal, suddenly veered away from it. At first, it refused to give a concrete answer to the proposal. In January 2009, during a meeting in Sochi between presidents Aliyev and Sarkisian, the latter asked for two weeks to respond to the peace proposal. The response never came. It is unclear what caused this prolonged silence. Most probably, President Sarkisian simply did not dare to take a political risk and accept the proposal. Azerbaijan's Foreign Minister, Elmar Mammadyarov, stated in his speech at NATO in Brussels on October 1, 2010: "We have now a very delicate situation. It is not only about whether Armenia accepts a proposal of the OSCE Minsk Group or not. It is about whether Armenia is sincerely willing to change the status-quo in any way under any condition. We start to have our doubts. There are too many worrying signals that suggest that Armenia is not interested in a peaceful solution to the conflict".³

Having put their reputation behind this proposal, Yerevan's silence also put the mediators in an uncomfortable situation. The OSCE's summit in Astana in December 2010 was a vivid example of the fiasco of the peace talks. The OSCE summit's final statement on Karabakh stated: "the time has come for more decisive efforts to resolve the Nagorno-Karabakh conflict. [...] The three OSCE Co-Chair countries pledged their support for the Presidents of Azerbaijan and Armenia as they make the necessary decisions to reach a peaceful settlement. They urged the leaders of Armenia and Azerbaijan to focus with renewed energy on the issues that still remain in the "Basic Principles", and instructed their Co-Chairs to continue to work with the parties to the conflict to assist in these efforts"⁴. These solemn words were inconsequential on the ground.

Then came the meeting in Kazan between the Armenian and Azerbaijani presidents with Russian President Medvedev in June 2011. In that meeting, despite heightened expectations by the international community, the conflicting sides missed the opportunity to strike a deal once again. Azerbaijan was apparently unhappy about the fact that Armenia challenged and brought back to the negotiation table agenda items

³ Statement by the Minister of Foreign Affairs of the Republic of Azerbaijan H.E. Mr. Elmar Mammadyarov at "28+1" Meeting of NATO North Atlantic Council, Brussels, 1 October 2010,

http://www.mfa.gov.az/eng/index.php?option=com_content&task=view&id=595.

⁴ Joint Statement by the Heads of Delegation of the OSCE Minsk Group Co-Chair countries and the Presidents of Azerbaijan and Armenia at the OSCE Summit in Astana, Kazakhstan (CIO.GAL/200/10), 1 December 2010, http://www.osce.org/cio/73871.

that had been previously settled and included in the "Basic Principles", such as the formula and schedule for the withdrawal of Armenian military forces from the occupied territories. The Minsk Group mediators thus came to Kazan changing the text of the "Basic Principles". Azerbaijan, in turn, objected to these changes and thus, refused to accept the revised document.⁵

Failures to reach a compromise on the Nagorno-Karabakh conflict have occurred in the past as well. On two past occasions, the sides had been extremely close to a deal: first in 1999 when then US Deputy Secretary of State Strobe Talbot travelled to the region to seal a deal, only to find out that gunmen had entered the Armenian parliament, killing the Prime Minister, the Speaker of Parliament and several other officials, thus putting an end to hopes for a peace breakthrough; second, during the peace talks in Key West, US, in 2001 when presidents Heydar Aliyev and Robert Kocharian, in presence of then Secretary of State Colin Powell, seemed very close to a compromise, which they then pulled back from a week later.

The current fiasco in the negotiation process should thus come as no surprise. Russian President Dmitriy Medvedev, who has become extremely active in the talks, in many ways putting his own reputation at stake, seemed very frustrated with the lack of progress in and after the Kazan summit, reportedly saying that he would not host such a meeting again, unless the parties agree to sign a deal.

2. Obstacles to peace

Having reviewed the successive failures in the negotiations, despite the several moments of near breakthrough, let us step back and analyze the structural features underpinning the protracted conflict and the many elusive attempts at resolving it.

2.1. The maximalist positions of the public

According to some, one of the main reasons for the absence of a breakthrough in the negotiations is the inability of the leaderships on both two sides to persuade their respective publics to make painful compromises. Both Armenia and Azerbaijan, for two decades, have advocated maximalist positions. The two publics have become used to these demands and thus see the resolution of the conflict only through the concessions made by the other side. Azerbaijanis do not accept the idea of Nagorno Karabakh's independence. Armenians refuse to see the region reintegrated under Azerbaijani sovereignty. Thus, any departure from these maximalist positions might portray the respective leaders of these nations as "traitors", risking their power bases and causing domestic political instability in their countries.

Opposition in both countries is rather weak, but actively seeks opportunities to gather the masses against the ruling parties on both sides. Compromises on this sensitive issue might provide such a galvanizing opportunity. President Aliyev looks more

⁵ Azerbaijan demands that Armenian military forces initially liberate five occupied regions, followed by further withdrawals from the other two occupied regions, surrounding the former Nagorno-Karabakh Autonomous Oblast. Armenians insist on holding on to these two regions, i.e., Lachin and Kelbajar.

[©] Istituto Affari Internazionali

comfortable in terms of his popularity ratings than President Sarkisian, who rose to power as a result of contested elections and mass killings on the election night in 2008. Yet neither Aliyev nor Sarkiskian would want to give the trump card of the conflict to the opposition, providing it with the opportunity to destabilize the political situation and mobilize the protest electorate.

In this respect, the lack or weakness of public diplomacy efforts over the past twenty years contributes to and further aggravates the problem of mistrust between the two nations. Azerbaijanis and Armenians hardly know each other these days, especially the younger generation. The older generation still remembers the days of mutual coexistence during Soviet times. Some even have personal friends and warm memories. Yet, the majority in both countries has been raised and educated by the mass media of the last two decades, which significantly draws on and embeds enemy images, scapegoating and angry nationalistic rhetoric.

Some believe that were public diplomacy efforts to be encouraged by the governments of Armenia and Azerbaijan, this would lead to warmer relations between the two nations, paving the way for mutual understanding and eventual compromises. Yet, the harsh reality of *Realpolitik* is that neither government is willing to encourage track-two diplomacy without gaining a major victory on the official diplomatic front. It is widely believed in political circles on both sides that encouraging public diplomacy might weaken the country's negotiation position and diminish the chances for a political settlement under the maximalist terms of that respective country.

Thus, the governments in Azerbaijan and Armenia prefer to maintain the status quo and political stability in their respective countries than risk at the negotiation table. The fate of former Armenian President Levon Ter-Petrosian is a harsh reminder to the current leaders of what could happen to those who go against the maximalist positions of their respective nations. Political coups, revolts, instability, civil war and even political assassinations cannot be excluded.

2.2. External actors and factors

Others believe that the conflict is protracted due to foreign factors. Some optimists believe that the Armenian and Azerbaijani governments would have reached an agreement long time ago, had they been left alone. The Caucasus, however, is much too important to be left alone. Major global and regional powers have vested interests in this region due to its rich energy resources and its geostrategic location. Thus, maintaining the status quo in the balance of forces is perceived as one of the motivations for foreign powers to prevent a peace deal.

Russia is traditionally mentioned as one of the outside powers which hinder the peace process. It maintains strong military and economic presence in and leverage on Armenia. Two Russian military bases and several large Armenian economic and transportation projects and enterprises owned by Russian state-controlled monopolies have created a strong relationship of dependency between Armenia and Russia. Some political and military circles in Russia believe that the settlement of the Nagorno-Karabakh conflict would open the way for Armenia to rid itself from Russian influence and further integrate into Euro-Atlantic structures. Thus, dragging the peace process

© Istituto Affari Internazionali

and preventing any substantial breakthrough is seen as a way for Russia to continue exerting pressure on both Armenia and Azerbaijan. Azerbaijani-Russian relations have recently improved, thanks to the growing trade between the two countries and friendship between the two presidents Medvedev and Aliyev. Yet this has not led to increased Russian pressure on Armenia regarding the resolution of the conflict.

Some analysts have elaborated solutions to the conflict which would not damage Russian interests in the region. One of these options could be the stationing of Russian peacekeepers along the ceasefire line. Yet this option is rejected by Azerbaijan. Another idea is to phase out the settlement process through the Madrid principles, so that Russia maintains its influence in the region. In any case, the Russian factor continues to loom over the conflict irrespective of the Kremlin's active mediation efforts.

A second external factor is the Armenian Diaspora, which, following the signature of the Turkish-Armenian protocols in Zurich in 2009, has revealed to be an obstacle to peace. Driven almost exclusively by the quest for recognition of the Armenian "genocide", the Armenian Diaspora in the US, France and other European countries holds a more nationalistic and uncompromising stance than Armenia. It treats the Nagorno-Karabakh issue as part of its own anti-Turkey drive, thus adding a specific identity twist to the conflict. The genocide indeed represents a critical identity formation factor in the Diaspora, the single most important feature defining, uniting and mobilizing the nation.

The financial remittances and assistance from the Diaspora to Armenia render Yerevan highly dependent on it. At least, publicly, Diaspora organizations can exert significant pressure on the Armenian government and shape public opinion. Lack of financial support would put the Armenian regime in a very difficult situation. The country's economic stability, already seriously shaken by the global financial crisis and the Russian-Georgian war in 2008, would not sustain such a punch from the Diaspora. Hence, managing Diaspora relations, keeping the Diaspora satisfied and preventing a rift between the Diaspora and the Armenian government is a key Armenian priority.

It is no secret that representatives of the Diaspora oppose any compromise on Armenia-Turkey and Armenia-Azerbaijan issues without a prior recognition of the "genocide". Despite the lack of connection between the genocide and the Nagorno-Karabakh conflict, the real-life linkage drawn by the Diaspora makes it almost impossible for the Armenian government to make any moves towards a peaceful breakthrough on the conflict. The massive demonstrations and significant political pressure by the Diaspora on the Armenian government after the Zurich protocols were signed between Turkey and Armenia testifies to this.

Other external factors, while not active obstacles to peace, have not mobilized effectively in support of it. The EU and the US have been passive recently on the peace process, largely due to their own domestic and foreign policy problems. They have happily given the champion role to President Medvedev. Turkey, despite its ill-planned and therefore subsequently failed Armenia rapprochement initiative, can still play an important role in the peace process, but prefers to maintain a pro-Azerbaijani policy due to its strategic links with Baku.

[©] Istituto Affari Internazionali

2.3. Sovereignty, borders, and nation-building

A final obstacle to peace is the stage in which Armenia and Azerbaijan, as relatively new nation-states, find themselves. Both countries are in an early stage of the nationbuilding process. Having regained independence from the Soviet Union in the early 1990s, they are eager to strengthen their statehood and show to the international community that they deserve a place on the political map of the world. Thus, for both countries, developing the attributes of statehood, such as borders and sovereignty is very important. They feel insecure when they are asked to compromise on such issues, fearing a weakening of their national security as a consequence. Especially in the case of Azerbaijan, such fear exists because of the presence of many ethnic groups on the territory of the country. The legitimate question that Azerbaijanis ask is why should they grant independence to Armenians if tomorrow the Lezgin or Talysh minorities could demand the same? How would Azerbaijan as a state survive?

Preserving territorial integrity, borders and sovereignty are thus of the essence to both countries. Neither Azerbaijan no Armenia are post-modern states able and confident enough to compromise on these issues.

3. Three scenarios for the future

After the frustration at the Kazan summit in 2011, the negotiation process has entered a dead end. In this situation, there are three possible scenarios for the period ahead:

3.1. Continued peace talks without tangible results

Both Azerbaijan and Armenia prefer to talk at this point. War would be costly and detrimental to the economies of both nations. Besides, war can be risky and, in the case of heavy military losses, the political leadership of both countries would risk losing power. Thus, even though progress at the negotiation table is elusive, the sides would continue the peace talks and try to show to their domestic and international audiences that the chances for a peaceful resolution of the conflict still exist.

3.2. Gradual, unwanted transition to war

Azerbaijan and Armenia feel extremely frustrated with the lack of progress in the peace talks. This frustration is felt both by the leaderships and by ordinary citizens. Hatred and antagonism toward each other are high. Therefore, it is likely that some sporadic violations of the ceasefire agreement might become more frequent and intense. Against the will of the two governments, troops on both sides might engage in uncontrolled shoot-outs and this could gradually expand into full-scale military warfare. In this case, it would be difficult for the two governments to stop this spiral of violence, and war might erupt against the will of the two sides. Such scenario almost happened in the summer of 2010 when Azerbaijani soldier Mubariz Ibrahimov crossed into the Armenian side and killed several Armenians. Azerbaijanis treated him as a national hero. The incident shows that the chances for such escalation cannot be excluded.

3.3. Planned war

Azerbaijan recently held a military parade, in which President Aliyev once again mentioned that war remains a last resort for the liberation of the occupied territories and that if peace talks fail, Azerbaijan might resort to war to preserve its territorial integrity. He also mentioned that the military might of Azerbaijan is growing and the defence budget of the nation overpasses 3 billion USD, which is higher than the total state budget of Armenia. Armenian politicians understand that the economic boom in Azerbaijan results in the massive growth of its military might.

Meanwhile, President Medvedev has signed a decree on the prolongation of the presence of Russian military bases in Armenia until 2044. This and other forms of Russian military assistance to Armenia raise concerns about the neutral mediation by the Kremlin and point to the growing arms race in the region.⁶

Although unlikely, a planned war by Azerbaijan or provocative acts triggering war by Armenia in order to prevent the rapid economic development of its arch-rival and the export of Azerbaijani gas to Europe are also possible scenarios.

Conclusion

The Nagorno-Karabakh conflict between Azerbaijan and Armenia has become hostage to domestic politics in both countries as well as to the geopolitical situation in the South Caucasus. Nationalism in Armenia and Azerbaijan prevents the political leaderships of both countries from making serious concessions at the negotiation table. At the same time, international players involved in the conflict, such as Russia, the EU, the US, Turkey and others, press for their own interests and try to seal a deal, which would boost their influence in the region, but refrain from pushing Armenia or Azerbaijan to make painful compromises. Thus, the status quo remains in place, despite being extremely dangerous and unstable.

In the absence of such international pressures, the status quo is likely to persist over the next five to ten years. The US and EU are busy with their internal economic problems and global wars against terrorism. Russia is increasing its political presence in the region, but prefers to maintain a balanced policy towards Armenia and Azerbaijan. The military and political balance of power between the warring sides is likely to prevent the eruption of a large scale military operation. The Nagorno-Karabakh conflict, ironically, is one of the few conflicts in the world, which remains in a semifrozen condition despite the absence of peacekeepers along the ceasefire line. This situation remains in place since 1994 and it is unlikely that the balance of power will change in the near future. Hence, while war is unlikely, the peace process will probably persist without tangible results. From an Azerbaijani perspective, it looks like unless the international community puts unified pressure on Armenia, the peaceful resolution of the conflict is not on the horizon. The Azerbaijani Member of Parliament, Musa Gasimli, summed it up well in his interview to Public TV on 28 June 2011, "Armenia's actions

⁶ Alman Mir-Ismail "Kazan Summit Breaks Hearts In Baku", in *Eurasia Daily Monitor*, Vol. 8, No. 126, 30 June 2010, http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=38116.

are encouraged by the international community. If the latter does not make a distinction between the occupied and the occupier, if the international community does not punish the aggressor, the peace deal will never be reached and Armenia will never free the occupied territories."⁷

Updated 11 November 2011

⁷ Ibidem.

[©] Istituto Affari Internazionali



Istituto Affari Internazionali

Latest IAI Working Papers

- 11 | 28 A. Dessì, Algeria at the Crossroads, Between Continuity and Change
- **11 | 27** R. Alcaro and A. Dessì, The September UN Vote on Palestine: Will the EU Be Up to the Challenge?
- 11 | 26 F. Di Camillo and V. Miranda, Ambiguous Definitions in the Cyber Domain: Costs, Risks and the Way Forward
- **11 | 25** N. Mikhelidze, The 2012 Presidential Elections in Russia: What Future for the Medvedev-Putin Tandem?
- 11 | 24 S. Felician, North and South Korea: A Frozen Conflict on the Verge of Unfreezing?
- 11 | 23 M. Comelli and R. Matarazzo, Rehashed Commission Delegations or Real Embassies? EU Delegations Post-Lisbon
- 11 | 22 A. Veclani, N. Sartori and R. Rosanelli, The Challenges for European Policy on Access to Space
- 11 | 21 P. Droz-Vincent, A Return of Armies to the Forefront of Arab Politics?
- 11 | 20 M. Haubrich Seco, Decoupling Trade from Politics: The EU and Region-Building in the Andes
- 11 | 19 N. Koenig, The EU and the Libyan Crisis: In Quest of Coherence?
- 11 | 18 M. Fiore, Israel and Iran's Nuclear Weapon Programme: Roll Back or Containment?
- **11 | 17** R. Balfour and H. Ojanen, Does the European External Action Service Represent a Model for the Challenges of Global Diplomacy?

Istituto Affari Internazionali

Via Angelo Brunetti, 9 00186 Roma Tel.: +39/06/3224360 Fax: + 39/06/3224363 E-mail: **iai@iai.it** - website: **http://www.iai.it** Send orders to: **iai_library@iai.it**

The Institute

The Istituto Affari Internazionali (IAI), founded by Altiero Spinelli in 1965, does research in the fields of foreign policy, political economy and international security. A non-profit organisation, the IAI aims to further and disseminate knowledge through research studies, conferences and publications. To that end, it cooperates with other research institutes, universities and foundations in Italy and abroad and is a member of various international networks. More specifically, the main research sectors are: European institutions and policies; Italian foreign policy; trends in the global economy and internationalisation processes in Italy; the Mediterranean and the Middle East; defence economy and policy; and transatlantic relations. The IAI publishes an English-language quarterly (The International Spectator), an online webzine (AffarInternazionali), two series of research papers (IAI Quaderni and IAI Research Papers) and an Italian foreign policy yearbook (La politica estera dell'Italia).