

Karabakh 2014: No war, but a difficult journey to peace

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Introduction

This article is an attempt to analyze potential developments around the resolution of the Nagorno-Karabakh (NK) conflict in the period 2009-2014. The conflict began at the end of the 1980s, following a demand by the Armenian population of the former Nagorno-Karabakh Autonomous Region (NKAO) to secede from Azerbaijan, and Armenia's support for that demand. By the end of 1991, with the disintegration of the Soviet Union, the conflict had turned into all-out war between the two republics, which ended in May 1994. Since then there have been many international attempts to resolve the conflict by peaceful means with the Organization for Security and Co-operation in Europe (OSCE) Minsk Group acting as mediators. Different resolution scenarios have been suggested at different times, but none of them have been implemented.

All the scenarios outlined below have been constructed to take into account the presumed geopolitical changes in the region before 2014. The influence third parties – major powers and leading regional actors – have on the sides of the conflict is such that it leaves very little room for the conflicting parties to achieve peace through their own efforts.

At the same time there is another highly unlikely – but not entirely improbable – scenario of a so-called 'authorized'

war, a war condoned by the major powers in order to force the reluctant party to peace. This war is likely to be a very quick affair ending in the adoption of a conflict resolution plan proposed by international mediators. This could only happen if the mediators – mainly Russia and the US – were to agree a final resolution model of mutual compromise, and one of the parties to the conflict suddenly dug in its heels and refused to accept it. There are precedents of such 'authorized' wars in recent history. For example, in the mid 1990s Croatia with the *de facto* tacit agreement and behind-the-scenes support of the major powers (in particular Germany), resolved the problem of Serbian Krajina with a kind of 'blitzkrieg'.

All the scenarios listed below assume a stable development of the internal political situation in Azerbaijan until 2014, underpinned by the robustness of Ilham Aliyev's political regime, assisted by Azerbaijan's growing oil revenues. The referendum on constitutional amendments held on 18 March 2009 allows the incumbent to run for presidency for a third and further terms. In the absence of any political competition (since its independence no election held in Azerbaijan has been declared free and democratic by the international community and there are no real grounds to expect any changes in this dynamic over the next five years), Aliyev is bound to be re-elected for a third term in autumn 2013. In the absence of any international leverage and given the restricted political and economic freedoms within the country we should not expect any serious changes or upheavals in its socio-political fabric in the next five years.

In view of this fact we can claim with a great degree of certainty that Aliyev's government will be able to smoothly implement almost any compromise solution to the Karabakh conflict if such a solution meets the interests of the ruling elite. Naturally, we are not talking about open recognition of NK's independence. In the next five years the regime in Azerbaijan is likely to have sufficient administrative, financial and information resources to put into action a compromise scenario of conflict resolution, without creating any trouble for itself.

In any case, the 'frozen' nature of the conflict does not benefit anyone. Recent public opinion surveys show that, with the ongoing delay in the resolution of the conflict, the number of opponents of compromise in the country is growing.

Results of a random survey conducted by the 'Plus-R' sociological service under the supervision of Azerbaijani political analyst Rasim Musabekov in January-February 2009, involving 1,000 participants in 15 districts and 12 cities of Azerbaijan and published in April 2009, show that the unresolved nature of the Armenia-Azerbaijan conflict remains people's biggest cause for concern. Over two thirds (67.8%) of the people questioned consider this issue a top priority for the country. At the same time, according to the results of the survey, the number of people opposing any compromises on the Karabakh resolution and on the issue of NK's status has increased considerably (from 62.3% last year to 70.8% this year). It is worth noting that there are some changes in the number of supporters for resolving the NK status by a popular referendum in the region, following the return of Azeri refugees. Compared with 2008 the number of supporters of this approach has grown by almost 3% (to 12.7%).

A similar number of respondents think it possible to offer NK cultural autonomy and a status similar to that of Nakhichevan (6.8% and 6.2% accordingly). Only 0.1% of those questioned supported the idea of NK's independence and 0.9% the idea of the highest possible autonomy for NK.

Over half (51.7%) of all those surveyed do not believe that a solution to the Karabakh conflict can be found in the near future. They believe the 'neither peace nor war' situation will continue. Only 11.5% of those surveyed believe there is a possibility of hostilities resuming in the near future.

Below are five scenarios of a possible resolution of the NK conflict by 2014.

An optimistic or best-case scenario

According to this scenario, diplomatic efforts around the NK conflict resolution could lead to the signing – as early as this year – of a Declaration of Basic Principles of Conflict Resolution, followed by a Political Settlement Agreement in the future (in 2010).

For the successful implementation of this scenario it is important that a consensus is reached between the key players in global politics – the US, EU and Russia, who act as principal mediators in the Karabakh resolution process (the EU is represented by France), with Turkey's involvement in the process as a regional power.

Lessons learnt from the August 2008 crisis in Georgia may help to achieve an agreement between the West and Russia. Several days of hostilities showed that even a local war in the region can lead to catastrophic consequences not just for the country concerned but also for its neighbours, and can create serious complications in the international arena. The short war in the South Caucasus had a strong psychological effect on Baku and Yerevan with both sides realizing the danger and futility of resuming hostilities over NK.

Although Russia emerged from that war as a military winner, it also lost a lot diplomatically and politically. In addition to its military intervention in Georgia, it went on to recognize Abkhazia's and South Ossetia's independence, thus seriously undermining its image as an unbiased mediator. Moreover, hostilities in Georgia contributed to East European countries' fear of the Russian military threat.

To restore the damaged trust Russia needs to exonerate itself in the eyes of the international community, and a constructive role in the resolution of other conflicts could serve as a good opportunity to achieve this.

The key lesson for the West in the events in Georgia, however, was the clear manifestation of the fragility of its position in the region, and the existence of a real threat to its energy and other interests. It only took a few days of hostilities to stop the supply of hydrocarbons along the pipelines running through Georgia despite the fact that these facilities had not been chosen as targets and were never attacked.

There is a new awareness in the West that without a lasting stability in the region there can be no solid guarantees of a safe operation of energy corridors. This is becoming particularly relevant in the light of prospects for the implementation of the Nabucco gas transport project.

The Nabucco project itself is unlikely to be implemented for a host of existing problems resulting from insufficient volumes of gas to properly fill the pipeline and guarantee its uninterrupted operation, and the absence of a consensus among the main EU member-states regarding the advisability of its construction. At the same time projects for supplying Azerbaijani, Central Asian and, in future, Iranian gas to European markets via a network of different routes (Turkey-Greece-Italy, the 'White Stream' project etc) will still be relevant in the coming years. In fact, there are reasons to believe that these transport routes and respective contracts will have been approved and signed by 2014.

A new war between Armenia and Azerbaijan could have catastrophic consequences not only for the two countries but for the West as well. Apart from dealing a blow to its energy projects, a war in the region could seriously damage the use of transit capabilities of the region to support the ongoing operations in Afghanistan which are unlikely to conclude in the near future.

In addition, a new war would be considerably more destructive and disastrous and lead to an exodus of tens of thousands of refugees from the region into Europe which would create an additional strain on the Old World's social infrastructure, already overtaxed by having to accommodate huge migrant numbers in the context of the global financial crisis.

On the other hand, the West has an interest in the NK conflict resolution from the point of view of normalizing

relations between Turkey and Armenia, which would stabilize the region, lessen Armenia's dependence on Russia and contribute to its gradual geopolitical re-orientation. As was noted earlier, Russia, on the other hand, has its own reasons to throw its weight behind the NK conflict resolution process.

Moscow needs a case in which it would appear as a peace-loving country which honours international norms. This would explain why the Kremlin has stepped up its diplomatic efforts on the NK conflict resolution since the August 2008 events in Georgia, when President Dmitry Medvedev directly called Ilham Aliyev from Yerevan in order to set up a meeting between him and President Serzh Sarkisian in Moscow. The meeting took place on 2 November and concluded with the signing of the Moscow Declaration. Although the document did not hold the parties to any concrete legal obligations it was the first document signed by the leaders of Azerbaijan and Armenia since the onset of the conflict.

On the other hand, Russia realizes that it has badly damaged its relations with Georgia which served as a link between Russia and Armenia, its only ally and satellite state in the South Caucasus. Because of the deterioration of Russia's relations with Georgia, its links with Armenia also suffered, and it is in Armenia that Russia has a military base and a contingent of border guards. In the emergent situation the communication between Russia and Armenia can only be maintained via Azerbaijan. But this requires resolution of the NK conflict. In addition, Russia cannot support Armenia forever on the issue of NK, because it runs the risk of completely antagonizing Azerbaijan, and therefore losing the economic preferences it has been granted.

There are different scenarios for Azerbaijan's potential economic development in the next five years. The differences in these scenarios are largely dependent on world energy prices (oil and gas). Under an optimistic scenario, when the average price per barrel holds at \$100 or more for over five years, the country's annual income by 2015 will be at least \$32 billion. Under a worst-case scenario (average price per barrel at around \$35-40) its income will still be high – at least \$16 billion annually. Russia's attraction to Azerbaijan as a main economic partner in the South Caucasus region and a potential market for Russian goods and services can only grow.

As a result, the West and Russia could reach the following compromise. The West would undertake not to deploy its military bases in Georgia and Azerbaijan, while Russia would limit its military presence in Armenia and exert pressure on Yerevan to reach a compromise on NK. Another incentive for Armenia would be the opening of its border with Turkey and the resumption of diplomatic relations with Ankara.

If this occurs, Russia need not fear the consequences of the normalization in Armenian-Turkish relations because

the inevitable revitalization of economic activity in Armenia resulting from these processes would rid Moscow of the burdensome need to provide economic support for Armenia.

There are good conditions for reaching a consensus between the West and Russia on the issue of the NK conflict resolution. In contrast with conflicts in the Balkans, Trans-Dniester, Abkhazia and South Ossetia where there were big controversies and even antagonism between Russia and the West, they have held similar positions on NK for many years. Thus, despite the fact that Russian-US relations in every sphere were put on hold for several months after the Russian-Georgian conflict, the joint work of the American, Russian and French co-chairs of the Minsk Group continued notwithstanding.

In November 2007 the Minsk Group presented a consolidated proposal on the Basic Principles of the NK resolution at the Madrid meeting of the OSCE's Council of Foreign Ministers. It is noteworthy that the proposal was presented at the level of heads of foreign ministries of member-states, emphasizing the high level of political support that diplomatic efforts of their special representatives in the Minsk Group enjoyed. To put this in perspective, the co-chairs' proposals at the end of May 2006 on the eve of the Bucharest meeting of the Azerbaijani and Armenian presidents were made on behalf of deputy foreign ministers after their visit to the region.

In short, if an agreement is reached between the co-chair countries, international mediators could put pressure on the parties as an encouragement (or even 'enforcement') to peace. Despite the fact that there is a certain consensus on the basic resolution principles among the co-chairs at a personal level, the urgency to persuade Armenia and Azerbaijan to agree to this consensus among the governments of mediator countries is still lacking. This sort of pressure on their part could become possible only if the great powers reached a consensus and took a political decision to drive through a peaceful resolution. This was the case with the Dayton agreement on Bosnia when an analogue of the Minsk Group – the Contact Group involving the US, EU and Russia – came to a common understanding and forced the three parties to the conflict to a painful compromise formula of peace.

The Madrid principles could form the basis of such reconciliation. As we know, the Principles anticipate the liberation of the five occupied districts of Azerbaijan with special arrangement for the return of the Lachin and the Kelbajar districts and with a deferred popular vote on the status of NK.

Given the importance of Azerbaijani energy resources, the mediators could still agree to the formula of a 'high level of autonomy' for NK within the framework of territorial integrity of Azerbaijan. This principle could be reflected in the political agreement leaving room for future manoeuvre for the Armenian side, given the fact that all key players

in global politics would act as guarantors of all the agreements. In such a case Azerbaijan would not be able to start a war in violation of its undertakings because this would result in serious international sanctions and pressure.

The reward for the Armenian side agreeing to comply with the territorial integrity of Azerbaijan is likely to come in the shape of multibillion dollar investments in NK and even Armenia. It is possible of course that this money will finance projects controlled by the ruling elites of NK and Armenia in exchange for their loyalty. Real investments, satisfying the ambitions of the elites could help formalize the final legal status for NK as an autonomous entity (state) within Azerbaijan.

Bearing in mind the figures given above of Azerbaijan's predicted revenues in the next five years, allocating such money and resources would not constitute a big problem for its government.

On the other hand, recent European experience shows that any territorial autonomy *de facto* serves as an attribute of independence. In contemporary Europe there are examples of the Åland Islands, Tyrol, Catalonia and other autonomous regions. They possess all the attributes of power – they have their own parliaments, a really high degree of self-government and limited possibilities of central government interference in their affairs. Moreover, Catalonia and Scotland, for instance, have their own permanent missions in the EU in Brussels, independent from Madrid and London. It would be wrong, of course, to equate the NK conflict with these autonomies but their examples show that, provided certain conditions are in place, a similar settlement is theoretically possible.

The European Court of Human Rights' jurisdiction over their territory, their representative missions in the Congress of Local and Regional Authorities of the Council of Europe as well as their observer missions in international organizations (such as Catalonia's mission in the OSCE) all serve as guarantees of the rights of autonomies. In addition, land and other private property rights would form the basis of NK's economic independence.

With the status issue out of the way, one could expect a resolution of the issue of the Lachin corridor connecting NK and Armenia. Until the final settlement of the conflict the corridor would remain under international management.

Security guarantees for the parties could be provided by international peacekeepers from the countries which do not have any special interests in the region.

Under the outlined scenario, the interests of all sides would be met to a greater or lesser degree. Armenia would be reassured by the guarantees of security and *de facto* independence of NK, and would finally get a chance to 'come in from the cold', leaving behind its

isolation in the region with a prospect of benefitting from economic cooperation with Azerbaijan and Turkey.

The Armenian community of NK would get a high degree of autonomy with *de facto* absolute economic self-sufficiency and political self-government/self-rule, with the exception of being able to conduct its own foreign policy. In addition to investments, NK would receive substantial subsidies from Azerbaijan's national budget.

Occupied territories would be liberated by peaceful means and there would be international guarantees for the return and security of the Azeri population of the Shusha district of NK, which would have its own separate status within the future autonomy of NK.

If the resolution process successfully unfolds according to this scenario, the situation would be greatly diffused by 2014. Confidence between the Armenian and Azerbaijani people would greatly improve and there would be cooperation and economic ties between them. This in turn would improve the standard of living of the NK population. Peaceful life and coexistence between the Armenian population of NK and the returned Azeri population would slowly but surely, if sometimes painfully, take shape. What is particularly important is the withdrawal of troops and demilitarization of the conflict area, which would bring about a surge in investment into the region from Azerbaijan as well as foreign donors like the EU. Consequently, for a few years the area would turn into the most intensively developing region of the South Caucasus. This would contribute to stemming the outflow of population and in fact encourage the migration of a workforce into the region of NK and liberated districts from other parts of Azerbaijan and Armenia.

All this is going to create a favourable background for the development of the final model of conflict resolution and a complete reconciliation of peoples in a more distant future. The societies would feel real advantages of peaceful co-existence and be more receptive to compromise on the issue of final status of the region which they find so painful today.

A 'pro-Russian' scenario – semi-resolution

This scenario forecasts potential developments if Russia's influence in the region increases. After consolidating its military presence in Abkhazia and South Ossetia, Russia manages to destabilize the situation in Georgia itself and replace the government of Mikheil Saakashvili with a politician who, if not openly pro-Russian, is at least moderate and neutral and will 'freeze' the plans for Georgia's membership in NATO and move to normalize relations with Russia taking account of its interests.

Such a development would greatly reduce Azerbaijan's ability to carry on with its independent energy policies and diversify gas supplies to European markets. The existing

transport routes – the Baku-Tbilisi-Ceyhan oil pipeline and the South-Caucasus gas pipeline would continue to operate, but the Nabucco and TGI (Turkey-Greece-Italy) projects as well as the Trans-Caspian gas pipeline to supply Central Asian gas to European markets bypassing Russia, lobbied for by Europe and the US, would be buried for good. This would seriously undermine the independence of Azerbaijan's energy policy and reduce its importance for Western countries. In practice, Baku and Central Asian countries would have to sign long-term agreements and sell their gas entirely via Russia. Such a turn of events in Georgia would force Azerbaijani and Armenian leaders to proceed with caution *vis-a-vis* Moscow and to agree to its dominant position in the region as a whole and the NK resolution process in particular.

In order to consolidate its reputation in the region, Moscow would propose a more or less balanced version of Karabakh settlement, which would allow it to preserve its influence over Armenia and to bring Azerbaijan back into its centre of gravity, after many years of the latter distancing itself from Moscow on account of Moscow's openly pro-Armenian stance in the initial years of the conflict.

Moscow could offer the following resolution scenario to the conflicting parties. Azerbaijan would get back the Agdam, Fizuli, Jabrail, Zangilan and, possibly, Gubadly districts. This would restore railway communications between Azerbaijan and Armenia along the Meghri corridor, with a simultaneous opening of a Kazakh-Idzhevan railway link in northern Armenia and Azerbaijan.

This would not oblige Azerbaijan to make any commitments re the future status of NK, which it would consider part of its territory. (This contrasts with the current proposals by the Minsk Group co-chairs, who suggest setting a timeframe for holding a popular vote – a referendum or a plebiscite – on NK's status.) The issues of NK's status and liberation of Lachin and Kelbajar would be deferred to the next stage.

The Armenian side agrees to withdraw from four (or possibly five) districts against security guarantees from Russian peacekeepers – or peacekeepers from the Commonwealth of Independent States (CIS) or Collective Security Treaty Organization (CSTO) with Russia playing a dominant role.

What could incentivize the parties to accept such a proposal?

This scenario allows Armenia to access alternative communications to Russia (even if Georgian-Russian relations normalize, freight transport from Russia to Armenia via Georgia costs more and takes longer if you consider unloading and loading freight from ships to railway-cars and lorries). This way the opening of the Kazakh-Idzhevan railway link provides a direct

railway communication between Russia and Armenia via Azerbaijan.

At the same time the resumption of economic contact with Azerbaijan allows Armenia to get involved in regional integration processes.

This scenario allows NK to finally 'relax' after many years of war stress. The *de facto* authorities of NK would be engaged in a dialogue with official Baku which would semi-legitimize their status, and which would be important for the development of external relations. Moreover, NK residents would be able to gradually restore former trade and economic links with the population of Azerbaijani districts neighbouring NK.

At the same time NK would not be subordinate to Baku within the power hierarchy and would preserve its independent stance.

The benefits for Azerbaijan would lie in the bloodless peaceful return of four (five) of its districts. Without having to make any international commitment to NK's right to self-determination, Azerbaijan would reserve the right to restore its full control over the region at some future point.

In addition, Azerbaijan would be able to restore a railway communication through the Meghri corridor (46 km of Armenian territory) to the Nakhichevan Autonomous Republic. The opening of this route would also be important for restoring railway communications between Iran and Russia. In Soviet times a railway link ran from Iran to Nakhichevan via the Meghri district of Armenia to Azerbaijan and on to Russia. There was even a regular Tehran-Baku-Moscow passenger train. The Karabakh conflict put an end to that route.

The re-opening of the railway now would provide for the railway component of the North-South transport corridor between Russia and Iran. Construction of a new railway section from Iran to Azerbaijan for the North-South corridor is estimated to cost €300 million and has been effectively shelved for lack of finance.

For Russia this would be a winning scenario from the point of view of restoring its military and political influence in the South Caucasus.

The drawback of this scenario for the parties to the conflict could be the 'freezing' of the conflict for a very long time, given that the final resolution of the conflict would not be in Russia's real interests because it could take one or both parties out of its sphere of influence. For with the final resolution of the conflict, Armenia's dependence on Russia would greatly diminish. It would be able to freely develop its own relations with Turkey, the US and EU without having to look over its shoulder to Moscow. Conflict resolution would also allow Azerbaijan to conduct a more consistent policy of Euro-Atlantic integration.

A 'pro-Western' scenario – the prospect of European integration

This scenario could emerge if there is economic deterioration in Russia as a result of a prolonged global economic crisis. This would lead to the acceleration in the process of normalization of Armenian-Turkish relations determined by Armenia's economic needs and Turkey's political needs. In response, Yerevan would have to make concessions on the Karabakh issue. The geopolitical importance of Azerbaijan could increase even further by 2015 if the projects supplying Azerbaijani and Turkmen gas to Europe bypassing Russia are implemented.

Russia's weakening position would deprive the authoritarian regimes in Azerbaijan and Armenia of its support which keeps them in power. They would increasingly have to observe European rules of political competition and embark on real compromises, instead of pretending to want to resolve conflicts but in fact using them as a pretext to justify their anti-democratic policies.

Under this scenario the elaboration of NK's final status could be postponed to a much later date.

There could be a parallel peace process to resolve conflicts in Abkhazia and South Ossetia. A weakened Russia would not be able to support separatist regimes as it does at the moment and this would force the latter to engage in a dialogue with Tbilisi.

If events begin to unfold according to this scenario, the West (the US and EU) could develop a single conceptual approach to guarantee long-term stability for the entire South Caucasus. Under this approach the whole region might be offered a candidate status to join the EU with a possibility of full membership before 2025, for example. Before this happens, inter-regional integration processes would be greatly encouraged along the lines adopted in the EU – providing free movement of capital and people between the republics. Georgian refugees from Abkhazia and South Ossetia would get the opportunity to go back to their homes.

As far as the issue of determining the final status for NK, Abkhazia and South Ossetia is concerned, it could be deferred to the time when Azerbaijan, Armenia and Georgia join the EU and when the issue of territorial sovereignty/ownership would lose its edge compared with the economic and legal advantages of membership in the EU where intrastate borders are more of a convention.

This scenario deals with hypothetical rather than real developments. So far neither Armenia nor Azerbaijan have indicated that they wish to become members of the EU in the near future. Nor does this scenario have any place in EU plans for the South Caucasus. This prospect, however, is considered in the light of a potential weakening of Russia's influence and the simultaneous strengthening of the West's position in the region.

One of the security guarantees for the region could be declaring it a demilitarized zone.

This is the most desirable and beneficial scenario of conflict resolution and future development of the entire region of the South Caucasus. Today this scenario appears no more than utopian. Yet in 1945 nobody could imagine that it would take Europe's age-old enemies – France and Germany – just a few years to lay the foundations of what has become the Common European House.

No real change

According to this scenario the current activity surrounding the Karabakh conflict resolution based on the Madrid principles could gradually begin to wane and finally vanish by 2010-2011. This has already happened in the Karabakh peace talks. The great expectations on the eve of the meeting between the Armenian and Azerbaijani presidents in Key West in April 2001 gave way to disappointment and a long pause in the negotiating process.

Thus, peace talks in 2002 were reduced to meetings at the level of foreign ministers acting as special representatives of the two presidents. In 2003 there came another pause caused by Heydar Aliyev's illness and presidential elections in Armenia and Azerbaijan.

A new stage in the talks began in April 2004 with the start of the so-called Prague Process. In fact the parties began from scratch and it took another three and a half years for the mediators to present in November 2007 a version of the basic document called the 'Madrid Principles'.

Something similar could happen this time.

The forcing of the Turkish-Armenian reconciliation process in spring 2009 caused a negative reaction in Azerbaijani society and government, with Aliyev refusing to go to Istanbul to attend the Dialogue among Civilizations summit, despite repeated invitations from the Turkish President Abdulla Gyl and the US Secretary of State Hillary Clinton.

In contrast with the first scenario when the rapprochement in the Turkish-Armenian relations finally leads to greater stability in the region and helps the process of the Karabakh conflict resolution, the situation in 2009-2010 could result in confrontation.

If this were the case, Turkey would open its border with Armenia without reciprocal concessions by Armenia on the NK issue (withdrawing from some of the occupied districts around NK), which would go against the national interests of Azerbaijan and could lead to a serious deterioration in Azerbaijani-Turkish relations. Azerbaijan's reaction could be a refusal to export 'big gas' from the second stage in the development of the Shakh Deniz deposit via Turkey and its agreement to sell the entire volume of 'big gas' to Russia's Gazprom. This would signify a change in Azerbaijan foreign policy, with Azerbaijan distancing itself from the West and

forming closer ties with Russia. Baku's relations with the US and EU would be damaged, but the West would have no real levers to put pressure on Azerbaijani authorities or the resources to change its government.

Moreover, the continuing global economic downturn and the deterioration of the situation in other hotspots on the planet, for example Afghanistan and Pakistan, would divert the world's attention from the South Caucasus and the resolution of conflicts in the region.

Under this scenario the negotiating process around NK could fade by the end of 2009 and continue smouldering along with periodic peaks of futile activity until 2014.

At the same time Azerbaijan and Armenia (depending on which one of them comes under greater pressure from the mediators) might suddenly decide to stop further talks. This is unlikely to lead to a large-scale war because the present leaders of both countries understand that such a turn of events would cost them dearly in terms of domestic and international complications. But local incidents, similar to the one which occurred in northern Karabakh at the beginning of March 2008, could take place. Despite the ceasefire regime, the number of victims in the conflict area would be in double digits every year.

With these developments the mediator-countries at any rate would make every effort to try and prevent a large-scale war.

The main actor-mediators would remain, of course, as the present triumvirate of co-chairs representing the main centres of power in the world – the US, the EU and Russia.

In view of the public gradually losing faith in the Minsk Group co-chairs, however, there could be some changes made to its format. In particular, an element of rotation in the Minsk Group's composition and its visits to the region as a whole group could be implemented.

The 'no peace, no war' situation could be 'unfrozen' by 2014-2015. By that time both the economic and military potential of Azerbaijan would increase. The prospect of a military solution of the conflict on the part of Azerbaijan would also grow because patience in Azerbaijani society towards the on-going occupation of the country would be wearing very thin.

On the other hand, there would be an obvious gap between the economic development of Armenia and that of Azerbaijan. Yerevan would feel the constant threat of a potential confrontation with a stronger Azerbaijan and feel the need to resume dialogue with it.

About that time, in 2013, presidential elections will be held in Armenia and Azerbaijan which would create new conditions for the resumption of talks at a higher level of commitment. Good personal relations which have formed, according to many diplomats, between the Azerbaijani and

Armenian incumbents Aliyev and Sarkisian, would also contribute to keeping the peace process ticking over for many years.

With the activation of talks the Minsk Group co-chairs might once again try to monopolize mediation. It would require another year or year and a half to develop new proposals for conflict resolution. They may represent a modified version of the existing Madrid principles.

A broad geopolitical consensus

The least likely scenario is the idea that the NK conflict resolution would come about as a result of achieving comprehensive peace and security in the Caucasus and neighbouring regions. Such a resolution would be the most preferred scenario of future development but it is unlikely to be achieved by 2014 given the current situation in the region.

The scenario of a 'broad geopolitical consensus' suggests an agreement among the key players in the region – Azerbaijan, Armenia, Georgia, Turkey, Iran, the OSCE and the co-chair countries of the Minsk Group – to resolve all issues by peaceful means. At the same time the South Caucasus countries would reach a consensus re staying outside any bloc, with Azerbaijan and Georgia scrapping their plans to join NATO and Armenia welcoming the withdrawal of Russian troops.

Under this scenario the NK conflict resolution could be formalized in a bilateral agreement between Azerbaijan and Armenia involving the opening of borders between the two countries, establishment of diplomatic relations and restoration of all communications. Armenia and the *de facto* government of NK would withdraw from all occupied territories outside NK, with the exception of Lachin. Armenian troops would withdraw to within the administrative borders of the former NKAO. Azerbaijan would introduce no troops to the liberated territories other than police, border guards and de-mining units. The OSCE peacekeeping troops would be deployed along the former NKAO's administrative border and along the northern section of the Azerbaijani-Armenian border.

The next stage could envisage the construction of a highway linking Armenia and NK and bypassing Lachin, withdrawal of the town of Shusha from the administrative-territorial system of NK and its inclusion together with Lachin into Azerbaijan. These towns are then demilitarized with a subsequent introduction of OSCE (or UN) peacekeepers. All Armenian troops are withdrawn from NK to Armenia with a subsequent introduction of OSCE (UN) peacekeepers into NK. The residents of NK are given the right to elect their own representatives to the elected bodies of Azerbaijan. Armenia and Azerbaijan sign an agreement on dual citizenship for NK residents.

During the third stage, following the withdrawal of international peacekeepers from NK, law and order would

be maintained by an internal police force. Azerbaijani laws would constitute the legal framework of NK. There would also be room for adopting additional legislation, different from the rest of Azerbaijani law, to reflect local issues.

Such resolution assumes a deferred status for NK which could be determined in the future either by means of a referendum, or by granting NK the status of an autonomous state within Azerbaijan.

This scenario could involve the declaration of the area along the Turkish-Azerbaijani, Turkish-Armenian and Turkish-Georgian borders a free international transport and economic zone. This would give Iran and Armenia fast railway access to the Black Sea as well as to Europe via the Turkish Straits. To enable this access it would suffice to restore the existing railways from Nakhichevan to Yerevan and the Gyumri-Kars railway between Armenia and Turkey

. The route that emerges from this plan is as follows: Iranian Julfa – Julfa (Nakhchivan) – Yerevan-Gyumri-Kars-Black Sea or western Turkey – and on to Europe.

There is no doubt that at present the resolution of the Karabakh conflict according to this model appears least likely. However, in theory at least this model contains some rational ideas as it proposes a comprehensive solution to the region's problems and its transformation into a zone of stability and peace.

Conclusion

Prospects of a peaceful resolution of the NK conflict or of its conservation in its present frozen state in the next five years look more likely than a resumption of hostilities in the region. Having said that, the situation is developing rather dynamically and it is difficult to make long-term forecasts. The August 2008 crisis between Russia and Georgia was a case in point as it seriously changed the geopolitical picture of the South Caucasus within a very short time. The same crisis exposed the danger of unresolved conflicts which lies in their unpredictable consequences, threatening disaster not only for the countries of the region but globally. This fact should encourage global political actors to give greater importance to the issue of regional stabilization.

This article intentionally avoided considering the violent resolution of the conflict as one of the scenarios. Although resumption of hostilities in the conflict area within the next five years is possible, war remains one of the least likely scenarios. It appears that the parties realize that a new war in the region would spell disaster for all – in view of the weapons arsenals at the parties' disposal it could prove mutually destructive. Moreover, the side which starts the war without the prior agreement of the global powers runs the risk of facing tough pressure from the international community and superpowers.

Delaying resolution, on the other hand, and maintaining the conflict in its present form of 'neither peace nor war' does

not benefit Armenia or Azerbaijan, and cannot be in the long-term interests of the conflicting parties. The ongoing occupation of the territories remains a serious humanitarian problem for Azerbaijan. The NK conflict has a serious impact on Baku's foreign policies, forcing the regime to balance between global centres of power and delay its process of integration into Euro-Atlantic institutions.

Armenia in its turn continues to suffer from regional isolation which has deprived it of a chance to participate in almost all regional transport and energy projects. In addition, Armenia is forced to pursue a lopsided foreign policy because of continuing threats from Azerbaijan and Turkey. Yerevan has to take its cue from Russia's policies and participate in rather odious regional projects, such as the CSTO.

It is undoubtedly very hard to forecast the developments around the Karabakh conflict before 2014. In the scenarios outlined above we have tried to run through all the potential, mostly optimistic, versions of events. They allow us to rule out the possibility of a resumption of hostilities with a greater degree of certainty. At the same time there is not much hope for the speedy establishment of an enduring peace in the region.