



Karabakh 2014

Six analysts on the future of the
Nagorny Karabakh peace process

2009

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Summary

Summary

Nagorny Karabakh is both the most dangerous and most invisible conflict in the post-Soviet space. A peaceful resolution of the Armenian-Azerbaijani dispute, now 21 years old, would transform the region between the Black and Caspian Seas. A new conflict would be catastrophic for a vast area. Despite an increase in diplomatic activity surrounding the conflict in 2009, the most likely prospect is the current status quo of "no war, no peace". But what might the conflict look like five years from now? What policy choices do the conflict parties have to make to reach their desired outcomes?

The 'Karabakh 2014' project was devised with the aim of stimulating discussion about where the Nagorny Karabakh peace process is heading and where the best hopes for its peaceful resolution lie. Conciliation Resources (CR) commissioned six papers from three Armenian and three Azeri analysts, in which they were invited to explore scenarios for the state of the conflict in 2014. This publication presents the papers in their final form, following their presentation for discussion in London in July 2009. The papers provide insights into the approaches taken by the conflict parties to thinking about the Karabakh conflict, and discuss possible future approaches to a number of key conflict issues.

Among some of the key points emerging from the papers:

- All six analysts agree that a resumption of hostilities is unlikely. Yet they also agree continuation of the current 'no war, no peace' situation is not in the long-term interest of either Armenians or Azeris. Azerbaijan would continue to suffer the humanitarian costs of the status quo, while Armenia would continue to suffer from regional isolation. Both would continue to have their foreign policy options restricted by the unresolved conflict.
- The international context surrounding the conflict is likely to continue to change, but any peace agreement dictated by one regional or global power will not be stable. External geopolitical forces, even when they cooperate, cannot solve the Karabakh conflict alone. Yet through coordination, balanced approaches and encouragement of the conflict parties, surrounding powers can have an important enabling effect.
- More intensive work to prepare societies for peace is needed. This should include both work to improve elite-society linkages in ways conducive to generating genuine public support for a peace agreement, and engagement by local and

international actors with groups who currently do not have a voice in the peace process. Key internal constraints to a workable peace agreement include low standards of governance and public trust in state institutions, and the absence of channels for society to communicate concerns upwards and influence policy.

- Overcoming cognitive obstacles to peace is crucial. An important aspect of this work would be moving beyond current 'win-lose' attitudes where each side strives for 'total victory' at the expense of the other's interests. New types of forum and communication channel allowing for Armenians and Azeris to engage in informed debate, within their own societies as well as with each other, are needed to ensure that final outcomes are agreed and not coerced.
- Much thinking about the Karabakh conflict continues to be dominated by statements of position, rather than pursuit of interest. This can make the conflict seem completely irresolvable, while continued impasse serves the interests of none of the conflict parties. A further shift in approach is needed, through which Armenians and Azeris can begin to see each other as problem-solving partners confronting a series of issues of mutual concern.

Contributors to this publication have used different spellings for place names, which have been left unchanged. Similarly the variant spelling of Nagorny Karabakh as 'Nagorno-Karabakh' has been left according to contributors' own preferences.

The Karabakh 2014 project



Introduction

Nagorny Karabakh (NK) is both the most dangerous and most under-estimated conflict in the post-Soviet region in terms of its destructive potential. Since fighting ended in 1994 over the disputed territory, there has been an uneasy situation of "no war, no peace" between Armenians and Azerbaijanis. There is no major bloodshed, although several soldiers die each month in incidents on the Line of Contact between the two sides. But fundamental problems of the conflict remain unresolved. Hundreds of thousands of refugees and internally displaced people cannot return home; borders are closed; NK under *de facto* Armenian control, lives in an uncertain state, its declaration of independence unrecognized even by the Republic of Armenia.

Everyone recognizes that a peaceful resolution of the dispute would transform the region between the Black and Caspian Seas and benefit both Armenians and Azerbaijanis. A new conflict would be catastrophic for a vast area. Yet negotiations, within the format of the Organization for Security and Cooperation in Europe (OSCE) Minsk Group, depressingly continue to fail to deliver progress, despite periodic signs of optimism. A recent burst of diplomatic activity in summer 2009, following the announcement of a Turkish-Armenian 'road-map' on normalization of relations, inspired optimism internationally, but the mood in both Armenia and Azerbaijan was markedly different, with loud public rejection of the latest proposals drowning out much fainter voices of support.

Conciliation Resources (CR) devised the Karabakh 2014 project in early 2009 to stimulate discussion about where the conflict is heading and where the best hopes lie for a peaceful resolution. The belief was that too much of the thinking about Nagorny Karabakh, both within the region and internationally, is clouded by short-term tactical considerations and an emphasis on immediate events. This was the theme of *The Karabakh Trap* paper by CR programme associate Thomas de Waal, arguing both sides were stuck in a trap that made them continually opt for the status quo instead of the more beneficial but riskier option of compromise and peace.

Following this, CR decided to give a group of analysts from the region the opportunity to explore these issues and look five years ahead. We asked them to depict scenarios for the state of the conflict in 2014, consider where the deep-seated structural problems obstructing peace in Karabakh lie, and ask where the best prospects for a peaceful resolution can be found.

The project also provided an important platform for thoughtful local experts, whose voice is not always heard. Participants first met in March in Tbilisi, along with a group of international experts, who briefed them on issues such as US and Russian foreign policy and the context of energy policy. We were not disappointed: the six analysts wrote six very different and thought-provoking analyses. On 10 July 2009—coincidentally the same day Presidents

Medvedev, Obama and Sarkozy issued their joint appeal to the conflicting sides at the G8 Summit in Italy—the six presented their papers in London. This meeting was hosted at the International Institute for Strategic Studies by one of our Tbilisi experts, Oksana Antonenko, while another of the attendees from the March meeting in Tbilisi, former US Karabakh negotiator Carey Cavanaugh led a broader discussion in a final session.

We are now publishing the six papers—with minor revisions and updates—and also some conclusions on what CR has learned during the Karabakh 2014 project. The next step will be presentations and discussions of the papers in the region. We welcome feedback and comments from readers to these papers.

The Karabakh 2014 essays: short summaries of the key arguments

Shain Abbasov outlines five scenarios for the evolution of the Karabakh conflict until 2014, assuming political stability in Azerbaijan, assisted by growing oil revenues and a third presidential term for President Aliyev. In his first 'optimistic' scenario, the West and Russia arrive at a strategic compromise in the South Caucasus. The formula of 'high autonomy' for NK is accepted so long as Azerbaijan publicly renounces the use of force. NK and Armenia are promised multi-billion dollar investments. NK receives a comparable status to Tyrol, Scotland or Catalonia with elements of sovereignty and representation in European institutions.

A second 'pro-Russian' scenario sees Russia managing to install a more friendly regime in Georgia and gaining more influence over Azerbaijan and its energy policies, leading to the end of the Nabucco project and to a peace agreement dictated by Moscow. The third 'pro-Western' scenario sees weakening Russian influence in the South Caucasus, and integration of the region into Western institutions. The fourth scenario of 'no real change' envisages renewed deadlock in the peace process, as after the Key West meeting in 2001 and the threat of renewed war.

In a fifth and most unlikely scenario, 'broad geopolitical consensus' all outside powers achieve consensus on issues such as NATO expansion, facilitating a comprehensive security agreement for the conflict and the creation of a free economic zone, stretching from Iran via Nakhichevan and Armenia to the Black Sea coast. Abbasov concludes that the continued situation of 'no war, no peace' is not in the interests of any of the conflicting parties. Azerbaijan will continue to suffer the humanitarian costs of conflict, while Armenia will still be internationally isolated.

Karen Bekaryan's paper reviews the positions of different actors in the Karabakh peace process. His fundamental argument is that the "Nagorno-Karabakh Republic" (NKR) is one of two parties to the conflict, Azerbaijan being the other. He argues against the exclusion

of the NKR from the peace process, as it functions very differently from Armenia and has different attitudes. In Azerbaijan the non-resolution of the Karabakh issue is a useful political tool and a useful way of influencing the European Union. Armenia's influence over NK is overestimated but it remains the guarantor of NK's security.

Of outside powers, Turkey has adopted a strongly pro-Azerbaijan position in the conflict and the current Armenian-Turkish rapprochement will only be successful if Turkey decouples normalizing relations with Yerevan from the issue of NK. Iran has a balanced approach but currently no role in the conflict. Russia is playing a more active and constructive role in the peace process, but once again is trying to control it. The EU's 'soft power' has won it respect in the region, but it is constrained by internal problems and lack of internal consensus. The United States is not seen as a 'soft power' and has had a major influence on the region in the last few years, but is not as sophisticated in its policy as Russia.

Bekaryan sees any reunion of NK with Azerbaijan as unrealistic. Armenians and Azeris cannot be made to live together, even with the help of peacekeepers; at best displaced people will be able to return to the five districts outside NK. Clearly delineated borders, rather than peacekeepers, are the best guarantee of peace. Bekaryan concludes work needs to be done within societies. There is a big deficit of honesty in the peace process and a need for democratization and European integration to move it forward.

Tabib Huseynov analyses four scenarios proceeding from the hypothetical signing of a framework agreement based on the Madrid Principles at the end of 2009, followed by a more comprehensive agreement the next year. His paper tries to identify the best scenario for what the Minsk Group co-chairs have called a "non-coercive environment in which well-informed citizens have had ample opportunity to consider their positions after a vigorous debate in the public arena". All the scenarios explore possible developments with regard to the most contentious issues of the status of the Lachin corridor and the method of a population vote on the status of NK.

The first scenario envisions a "half-agreed peace plan" in which the parties agree on the Basic Principles document but fail to agree on the Lachin and population vote issues. Armenian forces withdraw from five regions but not from Kelbajar and Lachin and NK obtains some kind of interim status as promised in the Basic Principles. The dangers of this scenario lie in the possible frustrations of both sides, with the Armenians not receiving the final status they want and the Azerbaijanis not regaining Lachin and Kelbajar, thus risking renewed confrontation.

A second scenario has the parties agree on everything except the method for the population vote. This foresees the construction of a new road between NK and Armenia, bypassing the town of Lachin. The biggest challenge to this scenario is the settlement of Armenians in the Lachin district. The third scenario envisages a plebiscite for Nagorny Karabakh in which a clear majority of votes decides the outcome. The problem is that it risks becoming a "status before standards" policy and encourages demographic rivalry between Armenian and Azeri populations of NK.

A final scenario envisages parallel votes by the Armenians and Azeris of Karabakh as happened in Cyprus in 2004 with the Greek and Turkish communities. Only when both votes agree on the outcome would the result be final. While allowing for consensus, this option will not work so long as both sides continue to think in 'win/lose' categories and pursue their own security at the expense of the insecurity of the other side.

Proceeding from significant recent developments in Turkish-Armenian and Russian-American relations, **Manvel Sarkisian** focuses on the complex relationships between external powers and local actors in the Karabakh conflict. He charts the possible implications of Turkish-Armenian reconciliation to imagine a strategic union between the two estranged nations. While acknowledging that each nation's current concepts of security and history are antagonistic, both have an interest in 'semi-recognized states' (Turkey being the sole sponsor of Northern Cyprus) and in opening their common border. Sarkisian highlights the costs to Turkey of linking reconciliation with Armenia to progress on Karabakh. Assuming that transformed Turkish-Armenian relations would impact negatively on Azerbaijan's position, he then examines prospects for closer Azerbaijani-Russian relations. Effectively his analysis illuminates possible consequences of deep movements in the region's geopolitical tectonic plates, reminding us that today's categories and alliances are always subject to change.

Rashad Shirinov focuses on the ability of the Azerbaijani state to move the peace process forward. He asks what could make membership of the Azerbaijani state attractive to Karabakh Armenians and what 'autonomy' would mean in practice. He envisions two possible scenarios. In one, Azerbaijan becomes a 'wealthy peacemaker', confronted with providing constitutional and economic guarantees for an autonomous NK. Shirinov notes that the "Azerbaijani government will have to demonstrate that it has something to offer to NK and to persuade NK to accept its offers". He observes that two pre-conditions are necessary for such offers to be accepted. First, wide societal consent in Azerbaijan for such offers would be necessary, implying a wide, genuinely consultative process between state and society of the kind lacking in recent Azerbaijani politics. Without such consent any peace agreement will always be vulnerable to criticism by excluded groups. Second, governance standards in Azerbaijan would need to be of

sufficient calibre to make the prospect of self-government seem plausible and real.

In his second scenario power-sharing arrangements fail, due either to disagreements between Baku and Stepanakert or government-opposition tensions in Azerbaijan, resulting in a 'cold peace'. Overall, Shirinov's analysis suggests that resolution of the Karabakh conflict could carry the seeds of much wider-ranging change in how power is exercised in Azerbaijan.

Countering what he calls the 'top-down' approach, **Mikayel Zolyan** downplays the impact of regional or global powers to emphasize local politics. In his view it is change in local societies, and in the elite-society relationship, that is needed for peace to become possible. He observes that elites required to compromise in the peace process have boxed themselves into a corner by feeding their societies the language of 'no compromise'. He touches on the same issues as Shirinov when he writes that selling compromise to their societies would require "rejection (or at least transformation) of the ideological basis of their own power", which he acknowledges is very unlikely.

In an optimistic scenario Zolyan charts a harmonious interaction between internal and external processes: elites cede space for civic contacts, bringing about a transformation in attitudes that is further supported by renewed trade between Armenia and Azerbaijan. On the international scene the US enters a new, more cooperative phase of relations with both Russia and Iran. The South Caucasus becomes an intermediary in a number of new spheres of dialogue. In a pessimistic scenario the international community forces through a peace deal excluding NK's *de facto* authorities. The Armenian government falls to a coalition of radical opposition and nationalist groups, while the Azerbaijani government is able to crush dissent and clamp down on democratic freedoms.

In a third, and in Zolyan's view, more likely 'status quo' scenario, the Karabakh peace process is 'put in the freezer' as the sides fail to agree on a framework document. The Armenian-Azerbaijani impasse brings the Turkish-Armenian process to a halt and more intransigent positions make the South Caucasus a more dangerous place in 2014 than it was in 2009. In a slightly more optimistic version of the status quo scenario, Zolyan sees the continuing Turkish-Armenian process as driving a change of mindset among both Armenians (away from a 'siege mentality') and Azeris (towards a 'your friend is my friend' mentality). By 2014 societies are more open to compromise and the Minsk Group finally achieves its breakthrough.

Terms of debate

The six papers all tackle the major issues influencing the future of the Nagorny Karabakh conflict, which will decide whether and how it is resolved peacefully. Certain

key concepts and approaches that structure the terms of the debate recur throughout. What follows are some observations about the problems obstructing the peace process from the perspective of CR.

External versus internal factors

The Karabakh 2014 essays provide vivid illustration of the differing emphases on external and internal factors in analysis of the conflict and peace process. For some analysts the geopolitics of the conflict determines everything: they argue that it is only when it is in the interest of outside powers to work together that a solution will be possible. This view is popular across the South Caucasus. Following Russia's intervention in the Georgian-South Ossetian conflict, it has gained wide currency in both domestic and international thinking about Georgia's conflicts. The Georgian government has indeed actively encouraged us to interpret events through a geopolitical lens, since this reconfigures the conflicts in Abkhazia and South Ossetia as an unequal struggle between a Georgian David and a Russian Goliath, while also evoking the familiar black and white categories of the Cold War.

Fortunately the map of geopolitical alliances is less black and white in the case of the Karabakh conflict, where more actors are involved. What seems 'natural' in the Georgian-Abkhaz context – Russian-Western antagonism – seems far from it in the Armenian-Azeri context. The geopolitical map is more fragmented, with a range of global and regional powers competing for influence. Yet several of the Karabakh 2014 scenarios envision a 'big power peace', that is to say, a peace agreement dominated by a big power – Russia, Turkey, or 'the West'. Shain Abbasov, Karen Bekaryan and Manvel Sarkisian all outline different scenarios for a big power peace. The counterpoint to a big power peace is one rooted in what Abbasov calls 'broad geopolitical consensus'. While acknowledged as being unlikely, clearly the potential benefits of such an outcome are both considerable and dependent on a shift away from 'win/lose' categories.

Perhaps unsurprisingly in a peace process that has spanned 15 years, however, it is too often forgotten that moments of international cooperation have come and gone in the past – and the conflict has stayed unresolved. Indeed the OSCE Minsk Process was born in the mid-1990s at a time of unparalleled enthusiasm and optimism for collaboration between former Cold War foes. Key international actors at loggerheads in more recent times worked effectively together in 2000-2001 to promote a peace deal at Key West, yet ultimately this proposal failed because of *domestic* opposition. And cooperation in one policy domain does not preclude the resilience of big power rivalries in others.

Mikael Zolyan's critique of the 'top-down' approach and emphasis on internal factors brings us back down to earth. Both his emphasis on elite-society relationships and Rashad Shirinov's examination of the Azerbaijani state's

institutional make-up tap a line of analysis that emphasizes local circumstance and internal obstacles to peace. Shirinov poses the rarely discussed question of what autonomy could mean in practice in the post-Soviet, post-war context of Armenian-Azerbaijani relations. The concept of autonomy, after all, has a long and unhappy history in the South Caucasus as a key pillar of dysfunctional Soviet ethno-federalism (a system which tied federal institutions to particular ethnic identities). Local actors are aware of this legacy, and do not take promises of autonomy seriously, whether they be those doing the promising or those hearing the promises. However, central governments present autonomy to audiences outside the region as the only option for seceded territories and a reasonable institutional solution to their needs. This remains a core public relations – rather than conflict resolution – strategy, which ignores the realities of poor governance and institutional weakness. Central governments in the South Caucasus demonstrate little ability to tolerate pluralism and opposition even within their own communities, let alone others. The assumptions of a rules-based, contractual relationship and delegated powers intrinsic to autonomy are a long way from the top-down, informal networks through which power is actually exercised in the South Caucasus.

Azerbaijan's status as a major oil and gas producer is obviously an important factor. Control over such a substantial resource, which can be exploited by a narrow group of people, means there are even fewer incentives for elites to establish a contractual relationship with society. This is indeed an important factor differentiating Azerbaijan from Georgia, where the absence of oil and gas means the state will always rely more on taxation, and therefore on a contractual relationship with its citizens. It is often suggested that a share in Azerbaijan's oil wealth could ease the relationship between the Azerbaijani state and the Karabakh Armenians—a scenario discussed by both Shain Abbasov and Rashad Shirinov. However the Azerbaijani state does not appear to have sufficiently robust or transparent ways of distributing oil wealth equitably to make such a prospect realistic. Azerbaijan's political economy, then, currently appears to be an important internal factor militating against power-sharing as a means of resolving conflict.

Positions versus interests

In various ways the six papers highlight how the approaches of the conflict parties tend to reflect rhetorical positions more than pragmatic interests. Claims about 'self-determination' or 'territorial integrity' rely on a legalistic framing of the conflict and are assumed to be synonymous with the negotiating stances of the conflict parties. Framed in this way, the positions of the sides easily appear completely incompatible and the conflict irresolvable: territorial integrity does not trump national self-determination, nor vice versa. This conceptual impasse is routinely reflected in public statements and defines for all sides a rhetorical comfort zone that avoids key issues.

Legalistic and moral arguments, for example those used to justify the formal absence of Armenians from Karabakh from the negotiations, also ignore practical realities of territorial control and *de facto* veto power on any peace agreement. Ignoring these realities can store up uncomfortable obstacles for further down the road to a peace deal: although it is the Azerbaijani leadership's *position* that it does not have relations with Stepanakert, it may be in its *interest* to do so. Azerbaijan's long-term interest – forging a workable relationship with the Armenian population of Karabakh – is not served by its current position of refusing to enter into relations with that population. In the same way, the position of Nagorny Karabakh Armenians that their independence is non-negotiable may undermine their interest in gaining long-term security with regard to Azerbaijan.

Debates on Karabakh only rarely explicitly identify interests and pragmatic approaches. Interests can be understood as the real concerns of the parties, such as fear of alien rule, fear of internal destabilization or the desire to open borders, which stand behind position demands such as independence or territorial integrity. Debate rooted in the identification of one's own interests (as opposed to statements of position) and acknowledgement of the other side's is more likely to yield common ground than debate defined by rhetorical positions.

Implicit in this approach is the paradoxical assumption that to arrive at a viable peace agreement Armenians and Azerbaijanis must work together as problem-solving partners. This runs directly counter to the currently dominant zero-sum, or 'win/lose', mentality focused on positions. Exchanging that mentality for one aimed at the most functional resolution of outstanding problems is no easy task. Azerbaijani Foreign Minister Elmar Mammadyarov's 2005 proposal for a 'road of peace' linking Aghdam-Stepanakert-Shusha-Lachin-Goris-Shahbuz-Nakhichevan is one example of a 'win/win' approach to the shared problem of transport corridors. Similarly in this volume, Tabib Huseynov's proposal that Karabakh Armenians be included in the reconstruction effort of the occupied territories around NK is another example where this approach can provide incentives for cooperation.

Conflict resolution versus democratization

In different ways the essays draw attention to the uncertain relationship between conflict resolution on the one hand and internal political developments on the other. Zolyan's focus on the elite-society relationship is especially useful here. Over the past decade this relationship has consistently prompted questions such as: is more democracy needed to resolve the Karabakh conflict? What is the minimum level of democracy to make a peace agreement possible? What would resolution of the conflict mean for government-opposition relations, pluralism and the way power is exercised?

There is no agreement on answers to these questions. This is not least because of the contradictory ways the Karabakh conflict interacts with domestic politics and power structures. The conflict both offers current elites a source of legitimacy, by framing them as defenders of the national interest against an external enemy, and it is also the principal potential threat to their power. If too much ground is ceded for a 'bottom-up peace', especially in the polarized political environment we find in the South Caucasus, the peace process could easily spin out of control and assume a much wider agenda of democratization and regime change.

Karabakh is therefore both a prop for elites lacking other sources of legitimacy, and an Achilles' heel: it is probably the one issue, which if mishandled could eject them from power. Throughout the 1990s the Karabakh conflict partially or wholly caused the downfall of two presidents in Azerbaijan and one in Armenia. It is little wonder that leaders have worked so hard to maintain a monopoly on the peace process.

There is no one-way causal relationship between democratization and resolving conflict. Indeed, the experience of the South Caucasus in the late 1980s and early 1990s is a textbook case of how democratization can create openings for nationalist groups with little interest in a peace agenda to come to power. The administration of Abulfaz Elchibey which took office in 1992 was more democratic but also more aggressive on the Karabakh issue than that of Elchibey's successor, Heydar Aliyev. More recently, the democratic promise of Georgia's 'Rose Revolution' did not deliver the necessary political goods for a peaceful transformation of Georgia's conflicts. More democracy will not *necessarily* result in an enabling environment for peace. It could instead promote the exploitation of the conflict by governments and opposition groups motivated by more immediate goals of retaining or acquiring power.

Here it is crucial to remember that the overriding interest of elites throughout the South Caucasus is to stay in power. Across the region leaders removed from power have suffered political exile, the loss of economic wealth and sometimes even physical extinction. The need to stay in power at all cost has led to prolonged crises in state-society relations in Armenia and Azerbaijan. Confronted with mass protest from society both Armenian and Azerbaijani elites have risked state violence, political clampdowns and massive human rights violations to stay in power.

Yet as Tom de Waal has argued in *The Karabakh Trap*, the paper that preceded the Karabakh 2014 project, they are caught in a trap. They have invested considerably in the 'Prague Process' and the current proposal on the table, known as the Madrid Principles. They cannot afford to see this proposal (it would be the fifth) fail, and probably with it the entire peace process discredited.

The alternatives are dark for both sides. The Azerbaijani leadership has raised expectations of a 'Plan B' in the form of military action and displayed expensive new hardware at military parades. If the peace process fails, that could mean the Azerbaijani elite is eventually faced with the unenviable prospect of tying its future survival to the outcome of an unpredictable war. On the Armenian side, as former Armenian Foreign Minister Vartan Oskanian argued in an interview with Radio Liberty in August 2009, the Madrid Principles may be the most favourable peace proposal so far from an Armenian point of view. If they fail, Armenia would face a potentially decisive loss of momentum in its evolving relations with Turkey and lose a chance to end its regional isolation. A historical, and for once real, window of opportunity would be closed, and a politically fraught period of re-inventing the peace process would follow.

It could therefore be argued that Armenian and Azerbaijani elites face a situation where the risk of *inaction* in the peace process might now be greater than the risk of *action*. The key underlying dilemma is that – assuming rational behaviour – elites will only engage in controversial, unpredictable and risky moves on Karabakh when the risk of *not* doing so is greater than the risk of making such moves. Put differently, the problem facing the leaders on both sides is how to manage expectations of progress, while controlling the process.

This is indeed a formidable task, since many analyses of the Karabakh and other conflicts indicate that minimum levels of public participation and consent are necessary for a peace agreement to have a chance of success. Even in situations where elites closely control the political process, a 'top-down peace' is difficult to impose: not even Heydar Aliyev was able to impose a compromise on his own political establishment in 2001. So even if elites are reluctant to allow a 'bottom-up peace', some kind of broad consultation, public education and state-society interaction are almost certainly required for a peace deal to take root. This may entail the following:

- a critical mass of people and key political constituencies need to be convinced of the benefits of peace and opportunity costs of the status quo
- potential 'spoilers' (be they motivated by ideology, economic opportunism, insecurity or a combination of all three), need to be engaged and brought 'on board' in ways that meet their concerns rather than justify them
- genuine flows of information and channels of communication need to be activated so that elite messages can be passed downwards without misperception, and public concerns directed upwards.

For a conflict resolution process to move forward, then, new kinds of alliance are needed between elites, civil societies and wider populations. To date, however, in terms of the democratization process the three points in

this triangle have had a hostile relationship. The elites fear an alliance between NGOs and wider society that could oust them as 'undemocratic'. Ceding room to NGOs in the peace process – including as many social and political groups who have an interest in the resolution of the conflict as possible – and allowing a free and open debate in society would be perfectly rational in terms of *conflict resolution*, but would be dangerous to elites in terms of the prospect of *democratization*.

This unhappy relationship between conflict resolution and democratization processes is key to the lack of progress in the Karabakh process. No degree of international cooperation will resolve this problem, although a more principled stance on democratic standards from outside powers might help. Yet Armenian and Azerbaijani elites are arguably faced with a choice: risk the fallout of another failed peace process – or loosen the reins of power to allow a peace deal to move forward. They need to weigh up where the greater threat to their power comes from: the conflict resolution process or the democratization process. It seems fair to say that the 'colour revolution moment' has passed in the former Soviet Union: is it time to allow effective political participation to enable the peace process to move forward?

A better understanding of some of the recurring attitudes and assertions about the nature of the Karabakh conflict may help the process of rethinking the problem and reaching greater consensus on a way forward for solving it. We hope of course that by the year 2014 the conflict will have been resolved peacefully and there will be broad support for a peaceful way forward in the region. Sadly at the moment this looks unlikely; the minimum we can hope for is that there will be more creative and strategic thinking about how differences can be bridged, that peace will be appreciably closer – and that these essays will have played a useful part in that process.

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

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Shain Abbasov

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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 by-passing 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.

Karen Bekaryan

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Introduction

The resolution process of the Nagorno-Karabakh (NK) conflict contains many factors which require detailed discussion and a forward-looking as well as a static evaluation of the conflicting parties' positions.

This article will focus on the parties and factors which are directly or indirectly associated with the negotiating process. We will consider their influence on the process, possible ways they may change over the next five years and the different scenarios we may face in 2014. Our aim is to identify the challenges resulting from each particular scenario and determine the likelihood of achieving the best-case scenario – lasting peace.

We have chosen not to focus on the history of the conflict or address questions such as how long NK was part of a particular state, how long it enjoyed independence, the nature of historic justice and what historic injustices there have been in the history of NK. One could discuss 'whose justice is more just' and which side's rights are more 'justified' but these issues have already been debated at length.

The positions of the parties to the conflict are radically different and, in some cases, are at opposite ends of the spectrum. There is one important issue, however, which is rarely addressed by our own public or by the international community. We are talking about honesty in our dealings – both within our societies, between the negotiating states and in relation to the international community. Many critics say that honesty and politics do not mix. We believe, however, that without a certain degree of honesty built into it, the negotiating process becomes a mere imitation of itself.

Actors in the peace process

We have divided parties directly or indirectly linked to the peace talks into the following groups:

1. Direct participants in the conflict: the Nagorno-Karabakh Republic (NKR) and Azerbaijan
2. Parties closely linked with the conflict: Armenia
3. Parties which officially have an indirect link with the conflict, but in practice are more closely involved: Turkey
4. Parties which are geographically near the conflict area (but do not necessarily border it): Iran and Georgia
5. Parties which act as mediators in the conflict resolution process and maintain a presence in the region: Russia, the US and EU.

Direct participants in the conflict: the NKR and Azerbaijan

Nagorno-Karabakh

Although the NKR is a key party to the conflict, this fact is often 'overlooked' by others associated with the conflict, which begs the question: what is the real situation in the NKR?

Society

We will not quote statistics on citizenship, population or society because we consider 'talking numbers' amoral, and we think it unrealistic to draw conclusions from figures and quantities.

In order to have a clear picture of prevailing public opinion, we need to consider two main age groups:

- Thirty years and under. Their attitude to conflict resolution can be summed up as follows: there is no question of choosing between living as 'citizens of an independent state or being part of another country'. They have always lived and continue to live their adult lives as citizens of an independent country and, although they have grown up with the perception of their neighbours as enemies, they do not have their own 'emotional experience' of hatred towards Azeris or Azerbaijan. Most of them have learnt about the nightmare of war from their parents' stories so their approaches differ considerably from the perceptions of those who have first hand experience of the war.

- Over thirties. They still remember the hardships of war, they are quite radical and can barely imagine a future co-existence with the Azeris. They have a heightened sense of personal security/insecurity and they will not consider the possibility of rejoining Azerbaijan.

The authorities

Their expressed opinions largely reflect the prevailing ideas in society. Since the authorities are not direct participants in the negotiating process, they are not responsible for its outcome. This gives them resources to interrupt and end the process if they are not happy with its development. This feeling is shared to some extent by the wider public.

Political forces

Their attitudes to the NKR's domestic situation, economy and the social sphere are quite varied, but they are united in their stance on the status of Karabakh, the negotiating process and its actors, and contacts with the outside world.

It is incorrect to think that Armenia has a strong influence over the NKR and even dictates certain decisions. This widely-held view is similar to the myth that Turkey can dictate certain policy decisions in Azerbaijan.

We have tried to outline the situation in the NKR without attempting to characterize political positions. We consider the issue in the following terms: unless we have a grip on the reality on the ground, we cannot plan next steps – just as it is impossible to outline the parameters of someone's future without their participation.

Azerbaijan

We must stress that we cannot describe the situation in Azerbaijan as comprehensively as that of the NKR or Armenia. It is not possible to describe a neighbouring country and its society simply by reading about it, and any contacts we have with our Azerbaijani colleagues outside the region, in third countries, cannot provide us with a full understanding of the situation there. (Unlike Azeri experts, analysts and journalists who often visit Armenia, their Armenian counterparts have not been able to visit Azerbaijan recently.)

Society

Azeri society has many different attitudes to NK and its neighbouring districts.

Refugees and internally displaced people (IDPs) have a strong influence on public opinion, and have radicalized it. There are both subjective and objective reasons for this state of affairs. Objectively, they bore the brunt of the war and lost everything they had. Naturally, their attitude is quite different from that of some other members of society.

The subjective factor is the long-standing use of the refugee card by the Azerbaijani authorities as a means of achieving their political aims by artificially delaying the process of refugees' naturalization and full integration

into society. At the same time Azerbaijan has received considerable financial assistance from international organizations, donor states and other sources to improve the situation of its refugees.

The authorities

The Karabakh issue and its resolution create both challenges and new opportunities for the Azerbaijani authorities.

The challenges include:

- an almost complete 'defeat' syndrome with all its implications, that is to say, the emotions and mind-set associated with having been defeated in war
- a need to 'save face' in the national arena – one of the reasons for its ongoing military rhetoric
- a need to 'save face' in the international arena which results in aggressive tactics
- the next point is a challenge for the society and the country, but an opportunity for its leadership: maintaining the unresolved status of Karabakh – by creating and elaborating the image of the 'enemy' – gives the leadership a chance to distract people from their daily problems and other important issues in society, and hampers the country's democratic development.

The opportunities include the following:

- The authorities have used the Karabakh issue to consolidate their position and, against a backdrop of a poor state of democracy, have succeeded in tightening the elite's control over the country's major resources. However, a spontaneous change in the NK peace process might deprive the Azerbaijani leadership of its levers of control.
- The Karabakh issue and its resolution are the main factors linking Azerbaijan with Europe and opening opportunities for its integration into Europe. This point requires some clarification. Since independence Azerbaijan, in terms of its political value system, has most closely followed the development model of Central Asian states: imitating democratic processes while maintaining dynastic power in the literal sense of the word, and featuring an economic system typical of energy-rich countries. The idea that the process of 'Europeanization' of Azerbaijan derives from and serves Europe's own interests is greatly exaggerated. (Europe has been able to cooperate with Azerbaijan and dozens of other non-democratic regimes outside Europe without attempting to address the issue of conflicting value systems or the so-called 'Europeanization' issue.) At the same time there has been an increasing number of declarations by Azerbaijan that it does not need Europe (or 'Europeanization'). This brings us to the conclusion that the process of European integration (whether real or declaratory) is mainly

affected by the fact that European institutions are actively involved in the conflict resolution process around NK. One could say that Azerbaijan is being integrated into Europe in order to prevent bias in Europe's position in its role of direct or indirect mediator in the Karabakh conflict resolution process.

Political forces

Differences in opinions, positions and approaches to the issue of the NK conflict resolution are not very apparent. It is therefore difficult to decide which forces play a constructive role and which do not.

Parties closely linked with the conflict: Armenia

The international community and Azerbaijan do not fully understand Armenia's position and attitude *vis-à-vis* the NK peace process. Many from Azerbaijan and the international community suggest that Armenia might have a legal right and/or ability to represent the NKR and to achieve all kinds of agreements on the Karabakh issue. However, this approach does not reflect the situation on the ground. It is true that Armenia has some influence over Karabakh but that should not be overestimated. Even if the Armenian authorities wanted to act with complete disregard for the NKR, it could result in a situation whereby the NKR people or leadership might seek direct help from the Armenian public. This could lead to a high level of social consolidation which no leader could resist. The Armenian state leadership is fully aware of this dilemma and it is difficult to imagine that they would allow such a development.

Naturally, Armenia is not indifferent to the negotiating process and it plays an active role as:

- a guarantor of security in the NKR
- a guarantor of the NKR's self-determination (this is seen to be the only effective guarantee of lasting security for the NKR).

Unlike other parties to the Karabakh conflict – direct and indirect – Armenia has itself borne the full brunt of the hardships and losses of the war. During the hostilities Armenian towns and villages bordering Azerbaijan found themselves drawn into the conflict.

The Azerbaijani-Turkish policy of blocking and trying to exclude Armenia from regional processes cannot be considered effective for the following reasons:

- Armenia's society has not shown any willingness to sacrifice its national interests or to see either a better economic life or the well-being of their compatriots in the NKR as trading chips.
- Armenian society is becoming more radicalized because of the threat of war from Azerbaijan and its militaristic rhetoric, and by the Turkish-

Azerbaijani blockade. Azerbaijan continues to state that when it reaches a certain stage in its economic development and increases its military spending it is going to resolve the Karabakh conflict by force. Some parts of Armenian society have responded to this, saying Armenia must carry out preventive strikes before Azerbaijan achieves this level of economic strength.

- In reality a new war is not in Armenia's interests. The fact that Armenia has not yet recognized the NKR as an independent state is seen by its political elite and public as a good-will gesture to ensure the continuation of the negotiating process. However, they also insist that the moment they finally lose faith in the effectiveness of the negotiations, Azerbaijan's tough stance might force Armenia to recognize the NKR's independence.

It is worth noting that even in the very thick of internal political battles, attitudes to the Karabakh issue never become a source of major disagreement between forces at different ends of the political spectrum.

Parties with no official link to the conflict, but closely involved in practice: Turkey

Turkey does not have a formal role in the NK negotiations, despite being a member of the Organization for Security and Co-operation in Europe (OSCE) Minsk Group which oversees the negotiating process. Turkey has proved itself incapable of developing a balanced position and has come down wholeheartedly on the side of Azerbaijan. The Turkish-Azerbaijani principle 'one nation – two states' has been fully applied by Turkey in the Karabakh conflict itself, and in the process of its resolution. It is worth remembering that the Turkish-Armenian border remains closed (on the Turkish side), there are no diplomatic relations between the two countries and Turkey has openly tried to use a policy of enforcement towards Armenia since its declaration of independence.

Turkey gives several reasons for its behaviour:

- As a country committed to international norms, Turkey cannot accept a violation of the territorial integrity of a UN member state, Azerbaijan, and for this reason has taken the necessary steps towards the country violating this territorial integrity. (We shall not discuss here the objectivity of calling Armenia's actions 'a violation', but it is difficult to accept that these are the explanations given by the state which initiated the well-known actions in Cyprus and which met Russia's recognition of Abkhazia's and South Ossetia's independence with a large degree of tolerance, to say the least.)
- The problems of Azerbaijani refugees and IDPs have not been addressed for reasons of war. The rapid and unhindered return of refugees should be given the highest priority.

You could argue that Turkey is acting on humanitarian principles (so long as it includes the return of Armenian refugees). But the reality is that this is the same state which in 94 years has not resolved the issue of the return of Armenian refugees to their homes in Turkey and the rights of their descendants.

We could continue to list the reasons given by Turkey but the fact remains that Armenia does not consider Turkey's approach to be genuine or constructive.

The current Armenian-Turkish talks could, given a positive outcome, have a positive impact on the Armenian-Azerbaijani negotiations. This process, however, is still in its infancy and may be quickly aborted if Turkey again tries to force onto the agenda a discussion of Armenia's role in the NK talks as a kind of precondition.

Parties close to the conflict zone:

Iran and Georgia

Iran

Iran has tried to take a balanced approach to the conflict both during and after the NK war. It has played a role in several mediation attempts and tried to help bring about a ceasefire. This balanced approach has been difficult for Iran, if we consider the fact that on the one hand Azerbaijan has repeatedly tried to add a religious subtext to the conflict and thus draw Iran in indirectly and, on the other hand, the part of Iran directly bordering the conflict zone consists mostly of ethnic Azeris.

Iran has repeatedly called for regional problems to be addressed only by regional actors. One gets the impression that Iran is interested in a speedy and peaceful solution achieved without the involvement of forces outside the region.

Iran's active involvement in tackling regional issues and promoting peaceful co-existence greatly diminished during its stand-off with the US under President George W. Bush. However, given recent developments in US-Iran relations, it is quite possible that Iran will embark on more decisive steps.

Georgia

Georgia is going through a difficult period, dealing with the fall-out of the five-day war in 2008, Russia's subsequent recognition of Abkhazia and South Ossetia, and the country's ongoing internal political crisis.

Georgia has an interest in the resolution of the NK conflict which would create opportunities for regional development. The Armenian-Azerbaijani conflict propelled Georgia to a dominant position and gave it a leading role in the region until the events of 2008. Georgia has been worried about the emergence of an Armenian-Russian military and strategic alliance, and at the same time has contributed, directly or indirectly, to Azerbaijan

and Turkey's attempts to isolate Armenia economically. Armenia's only access to the west and north is via Georgia, increasing Georgia's influence.

Nevertheless, we should note that Georgia has maintained a relatively balanced position on the Armenian-Azerbaijani conflict and the negotiating process.

Mediators in the peace process who maintain a presence in the region: Russia, the US and EU

The Russian Federation

For years Russia has used the NK conflict as leverage to preserve and increase its influence over Armenia and Azerbaijan. According to many experts, Russia continues to exercise the same approach, albeit more subtly than before.

In reality, however, recent developments in the region show that Russia's approach is undergoing some change. This is happening for several reasons:

- After the events in Georgia, Russia feels the need to restore its reputation in the eyes of the international community and appear as a more constructive force/actor in the region
- Since Barack Obama's election as president of the United States there has been a slight thaw in Russian-American relations. Given the existence of so many Russian-American controversies in the international arena, there have to be some issues, or at least one issue, where they can demonstrate to the rest of the world their potential for cooperation. The resolution of the NK conflict could be one such issue.
- Turkey aspires to be the principal (perhaps the only) military and strategic partner of the United States in the region, and in this regard America's direct presence in the region runs counter to Turkey's interests. Russia has also sought to prevent active American involvement in the region. On that score their interests converge, and for this overlap to find practical expression they need to show cooperation in the resolution of regional problems including, say, the NK conflict.
- Russia may also benefit economically from at least a partial resolution of the NK conflict because of a shift in Russia's economic policies in the South Caucasus. It appears that Russia is becoming aware of this fact.

At the same time Russia occasionally resorts to 'old (at times, outmoded) methods' to achieve its goals. In this respect there is a danger that the Meindorf Declaration, which played a positive role in the NK resolution process, may monopolize the process. On the other hand, Russia's over-reaction to the EU's Eastern Partnership Policy also testifies to the inertness of its old-fashioned policies.

As a result, Russia's approaches to the conflict resolution process show some positive and constructive changes but it is too early to say whether these are irreversible.

The European Union

The European Union's involvement in the South Caucasus has grown in recent years, but many of its actions can seem ambiguous.

The parties to the conflict have always considered the EU to be an embodiment of 'soft power' which enjoys a certain degree of trust and confidence in the region. This is partly because the EU acts as a buffer in the US-Russia confrontation and clash of interests in the South Caucasus.

The European Neighbourhood Policy, which suggests a rather theoretical involvement of the EU, has been superseded by the more pro-active Eastern Partnership Policy. After the events in Georgia it became clear that the EU's passive involvement can lead to unpredictable and dangerous results. However, there are several reasons why the EU has taken a less active role in the region, in particular over the issue of NK. These factors include:

- the difficulty EU members have in reaching consensus on foreign policy issues 'fatigue' caused by the on-going EU expansion
- the desire to avoid direct confrontation with Russia and a feeling that Russia has a greater understanding of the Caucasus
- problems caused by NATO's expansion to the east, many of which translate into the problem of Russia's growing intolerance of EU policies given the membership structure of both institutions
- the EU's ambiguous attitude towards Turkey and its potential membership in the EU, and the potential indirect consequences of this ambiguity for the South Caucasus region.

At the same time the EU will undoubtedly continue to increase its involvement in the South Caucasus because:

- the region provides an alternative transit route for energy supplies to Europe
- unpredictable and *force majeure* situations in the region threaten EU security
- the EU's 'younger' members have an interest in the EU's further expansion and the South Caucasus states are seen as potential candidates for such expansion.

Another factor is the large amount of trust in the EU held by the parties to the conflict, the US and Russia.

The United States

US involvement in conflict resolution in the South Caucasus has the potential to neutralize or even reduce Russia's influence in the region. The US has given considerable assistance to the South Caucasus states since their independence and was the only country apart from

Armenia to offer direct assistance to the NKR. The US, like the EU, sees the region as a potential transit route for energy supplies using existing pipelines and commissioning new supply lines. The region does not view the US as a 'soft power', both because of its current image and its ambition to create a unipolar world system. As with the EU, the US's understanding of the region is not as sophisticated as Russia's and in this respect its actions constitute both an attempt to access the Black Sea (indeed, why not have an alternative access to EU countries, even if this is controversial for Turkey?) and the Caspian Sea (based on huge US energy and military-strategic requirements), and an attempt to create a strategic relationship between Russia and Iran.

We should also bear in mind that as a result of its policy in Iraq and Afghanistan the US is no longer seen as simply 'a country over the ocean'. We should point out that the process of NATO's eastward expansion and the issues of Ukraine and Georgia's NATO membership which were mooted in that context for quite some time have exacerbated tensions between the US and Russia and have fuelled Russia's opposition towards US policies in the South Caucasus.

We conclude that although the US is a long-standing actor in the South Caucasus and, in particular, in the NK resolution process, it is premature to talk of America's role in the region as being comparable to that of Russia. The five-day war in Georgia was a case in point. However, there are currently some indications of growing US involvement in the region, in particular through its indirect brokerage of the Armenian-Turkish negotiations.

Regional and international factors which affect the NK peace process

This section will address issues which result from the parties' policies outlined in the first section, and from global processes in the rapidly changing world. These issues are or might become linked with the NK resolution process.

- Azerbaijan has been taking a tougher stance in negotiations, introducing such statements as 'we lost the first – the military – stage of the conflict, but we are winning its second, peaceful stage'. This statement contains several destructive elements: the emphasis is on the predicted increase in the country's economic development. It is also being stated quite openly that at some point Azerbaijan's military spending will equal Armenia's total budget and then the NK conflict will be resolved by force. Such behaviour justifies Armenian fears and adds to lack of confidence in the negotiations.
- The NKR has indicated that, because it is not part of the negotiations, it cannot be responsible for their outcome and so reserves the right to refuse to implement the final agreement. This message casts doubt over the effectiveness of the

negotiating process in its present format and there are fears that without the NKR's participation these negotiations could become pointless.

- Armenia may leave the negotiations because of the lack of perceived results, and/or recognize the NKR's independence. This could lead to a crisis of confidence in the negotiations. Turkey is trying to persuade Azerbaijan that there will be no progress in the Armenian-Turkish talks unless Armenia makes certain concessions over NK. This gives Azerbaijan a chance to toughen its stance in the negotiations. But there are also reasons for Azerbaijan to be apprehensive: Armenia has repeatedly stated that the NK issue is not discussed in the Armenian-Turkish talks, and there has been no evidence to the contrary.
- A plausible development in the Russian-Georgian relationship could have an impact on the NK negotiations. Russia's position and its policy would depend on whether it can 'see' Georgia as having any 'status' and can engage in a normal political dialogue with it, or whether Russia is going to 'ignore' Georgia in the South Caucasus configuration. This factor could lead to big changes and affect Russia's own influence on the NK talks.
- The change in the American administration and softening of the West's position on Iran could mean Iran will begin to pursue its own interests in regional processes and may protest any initiatives which ignore these interests. The Russian-Turkish dialogue will also have an indirect effect on NK. Depending on the content and the form of this dialogue it could either create a favourable atmosphere for the negotiating processes or, conversely, meet with opposition from the NKR, Armenia and Azerbaijan.
- The EU's Eastern Partnership Policy could have a major positive impact on the NK negotiations. But there is a danger that Russia will react aggressively to the policy and this may lead to a deterioration of the situation in the South Caucasus and have a negative impact on NK.
- It is unwise to expect the US to increase its involvement in the NK talks, given the new American administration's foreign policy priorities. However, the US has the chance to increase its influence over the talks and the region as a whole in its role as, albeit indirect, broker in the Armenian-Turkish dialogue. If the Armenian-Turkish dialogue breaks down, the country responsible would find itself in a rather unfavourable position.
- The partial recognition of Kosovo, Abkhazia and South Ossetia has set in motion international processes which could influence the NK conflict resolution process.
- The global financial crisis will also have an impact on the process. It casts doubt on the likelihood of international projects being implemented. These projects may seem to be predominantly economic, but are in fact mainly political in nature.

Nagorno-Karabakh in 2014

We need to consider three potential scenarios of the situation in NK in 2014:

- The resumption of hostilities. It makes no difference whether the war is planned and controlled by a particular party or whether it is the result of unplanned developments. In either case, the conflict would spiral out of control and turn into a regional crisis which would draw in countries other than those directly involved in the conflict.
- A continuation of the status quo. This scenario is preferable to the first one but it contains many challenges for each of the parties. We should bear in mind that the existence of lines of separation in itself hampers the natural development of processes.
- A peace agreement. This is obviously the best scenario and to discuss it we should establish some fundamental principles which would guarantee true peace or at least create a process which would bring us closer to that reality. For the peace to be lasting, the agreement must not create a situation with the potential to trigger fresh conflict. In our view these principles are:
 - a. establish peace with the participation of the parties and their full understanding of the importance of the process
 - b. ensure the peace brings with it prospects of development
 - c. provide guarantees of peace which contain the seeds of confidence and long-term cooperation.

Essential principles for achieving peace

The history of the negotiating process shows that the conflicting parties still lack real will to resolve the conflict. Hardly any attempts have been made to work with societies (in some cases, none at all). Moreover, we could claim that the reverse is true: societies experience constant pressure from propaganda and honest and open discussion is rare. The situation is particularly bad in Azerbaijan and the NKR. Especially worrying is the fact that at times even human suffering is politicized under the guise of protecting human rights and/or displaying a humane approach. Some of these approaches could torpedo the very process of resolution.

Let us start with the premise that the NK conflict resolution process must be based on the following hypotheses:

- It is unrealistic to try to go back to the situation which existed under the USSR. This must mean that any attempt to return NK to Azerbaijan is doomed to fail. In our opinion, all those who suggest this in public are more than aware of its hopelessness. The only solution is to be honest and to accept the situation as it is.

- It is unrealistic to try and equate the five districts which form a security belt around NK (with the exception of Lachin and Kelbajar) with the territory of NK itself. It should be made absolutely clear that it is impossible to have sustainable peace without a proper understanding that these five districts will only act as a security belt until there is a final resolution of the conflict and NK's status, and its residents are guaranteed full security. Both NK and Azerbaijan need to understand this.
- It is unrealistic to try to make Armenians and Azeris live together – in Baku, Sumgait, Yerevan, Stepanakert, Shushi or elsewhere – either by force or with the help of peacekeepers. The ability to live together can only arise from trust which develops over time and is the result of conflict resolution. It is impossible to make them live side-by-side and simply hope that this will not spark a new conflict. It would be a serious crime – against both refugees and the local population – if either side were to try to earn political dividends at the expense of their lives. It is unrealistic to expect refugees to return to NK. At best we could talk about the return of refugees to the five districts which form a security belt around NK, but even this would be subject to NK's final status. In addition, the districts would have to be regarded as a demilitarized zone at the very least. If, following all the processes outlined above and after the signing of a peace agreement, refugees from the five districts around NK are given the right to return, it is only natural that a peace agreement should improve the situation of Azeri refugees from Armenia, Armenian refugees from districts currently controlled by Azerbaijan, and Azeri refugees from NK, Lachin and Kelbajar. In our view there should be some general principles applied to those refugees who 'cannot return yet', and with the parties' consent it might be necessary to achieve a separate compensatory agreement on this issue. We should not rule out a scenario in which each side, with help from the international community, shares the difficulties and problems of their compatriot refugees, resident on their soil, by giving them substantial and well-managed assistance.
- It is unrealistic to think that it is possible to resolve the NK conflict and establish guarantees for stable and lasting peace in the region without making provisions for a functioning land communication between Armenia and NK. The issue of the Lachin district should be considered in this context given the fact that there are new settlers currently living in this district.
- It is unrealistic to discuss the fate of the Kelbajar district without discussing territories formerly within the administrative borders of the Nagorno-Karabakh Autonomous Region but currently controlled by Azerbaijan. The issues of these territories and that of the Kelbajar district should be considered simultaneously at the very least.
- It is unrealistic to expect peacekeepers to maintain a lasting presence in the region following a peace deal. It would be more natural, with mutual agreement (so that neither side would suffer additional losses) to try and delineate Azerbaijan's and NK's borders along the most convenient ground lines which correspond to the geographical terrain/topography, which would minimise the likelihood of border skirmishes.

Conclusion

In our view the following actions could result in an agreement which offers the prospect of lasting peace in the region by 2014:

- Vital wide-ranging and thorough work with societies (especially in Azerbaijan and NK). The work should be carried out by local authorities both with the help of international (European) institutions and independently from them. International mechanisms that help prevent the creation and elaboration of an enemy image should be set in motion.
- Immediate and comprehensive engagement of the NKR's civil society and leadership - irrespective of NK's political status. The peace process is more likely to produce results if the NKR returns to the negotiating table as soon as possible.
- Establish direct NKR-Azerbaijan contact. This can be in any format.
- The NKR, Azerbaijan and Armenia should stop playing off different centres of power in the region against each other.
- If Armenia and Azerbaijan submit a joint application to the EU to give the NKR a place and role in the Eastern Partnership, this could improve the NK conflict resolution process.
- Turkey could play a positive role provided it does not make its relations with Armenia conditional on progress in the NK resolution process. Any step or statement by Turkey can cause a negative reaction in Armenia and NK, awakening painful memories of the past and radicalizing public opinion.

We do not share pessimistic assertions that there is no prospect of a speedy resolution of the NK conflict. We are even less inclined to accept the prospect of the long-term existence of lines of separation in the region.

However, we are concerned that there is a real 'deficit' of the honesty required for a lasting peace agreement in three key areas:

- a. within the societies themselves
- b. during negotiations with opponents
- c. in dealings with the international community.

Finally, we believe that democratization of the South Caucasus and its integration into Europe could make the most significant contributions to resolving the NK conflict.

Karabakh 2014: The day after tomorrow – an agreement reached on the Basic Principles, what next?

3

Tabib Huseynov

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Introduction: the Basic Principles

The ongoing talks, revolving around the so-called "Basic Principles" first outlined by the Organization for Security and Co-operation in Europe (OSCE) Minsk Group in 2005 and officially presented to Armenia and Azerbaijan at the Madrid summit of the OSCE in November 2007, provide the best framework yet for a peaceful resolution of the Nagorno-Karabakh (NK) conflict. No other previous proposal by the mediators has drawn so much attention from either the Armenian or Azerbaijani sides.

The advantage of the Basic Principles¹, also known as the "Madrid proposals", over previous proposals is that they avoid a false choice between package and step-by-step methodologies preferred respectively by Armenia and Azerbaijan. Throughout the negotiation process, Armenia has preferred to agree all contentious issues in one package. This approach maximizes its negotiation power, allowing it to use the occupied territories adjacent to NK as a "bargaining chip" to get more concessions from Azerbaijan on the status of NK itself. On the other hand, Azerbaijan, mindful of this strategy, has demanded

Armenian withdrawal from its occupied territories first, leaving the status issue unresolved. This is a hard sell for Armenians, because of the fear of losing their strategic political and military advantage without clear security guarantees.

The novelty of the new approach centred on the Basic Principles is that both Armenia and Azerbaijan have fundamentally agreed that the final status of NK will be determined at the last stage after the consequences of the conflict are eliminated and other confidence building measures have been put in place (an element of a "stage-by-stage" approach), but these measures themselves will start after agreement on the *mechanism* for the determination of that status is reached (an element of a "package" approach).

While Armenian and Azerbaijani sides fundamentally agree on this general framework, they remain deeply divided on the specifics, which would determine the ultimate outcome. As both Azerbaijani Foreign Minister Elmar Mammadyarov and his former Armenian counterpart Vartan Oskanian used to say, "the devil is in the details". The principal differences concern the modalities of a population vote to determine the final status of NK and the fate of the Lachin district, which serves as a vital corridor to Armenia for the Karabakh Armenians. There are also significant points to be agreed on the issue of what kind of "interim status" Armenians and Azeris are prepared to agree among themselves, how much international access NK will have and what role and rights the Karabakh Azeris will have under this temporary status.

In sum, the agreement on the details of the Basic Principles and its implementation poses both opportunities and challenges for a sustainable and just peace in NK. The Basic Principles envisage an open-ended process, which gives both Armenian and Azerbaijani sides ample room for manoeuvre. This formula certainly has its merits, as it is highly unlikely that Armenians and Azerbaijanis can agree on any definite status for NK in advance, but its ambiguity also presents a challenge, since both sides tend to instrumentalize every aspect of the peace talks, including the issue of Armenian withdrawal from occupied territories,

¹ In general terms, these include, renunciation of the use of force; gradual Armenian withdrawal from parts of Azerbaijan surrounding NK, most probably with special modalities for Kelbajar and Lachin; interim status for NK, with substantial international aid, including peacekeepers; and mutual commitment to an internationally supervised population vote on NK's final status after the return of displaced Azeris.

the return of the displaced population, and the opening of communications and trade – all in order to achieve a better deal.

Consequently, understanding the potential pitfalls in the peace process and examining different scenarios for implementation of a peace agreement is a useful endeavour to try to discern a path to a durable and just peace between Armenians and Azerbaijanis.

Scenario-building: big assumptions and creative thinking

The paper deliberately adopts a very narrow and micro-level focus by looking at several major scenarios that could follow the signing of the Basic Principles.² The conviction behind this approach is that such a hypothetical exercise could be useful for stimulating greater discussions on the substance of a future possible peace deal and pre-empting possible future problems.

Thus, the paper proceeds from the rather bold assumption that Armenia and Azerbaijan sign a framework agreement by the end of 2009, followed by a more detailed and comprehensive peace agreement by 2010. Therefore, the paper will try to look at possible developments within the first several (four) years after a peace agreement.

The main goal of the paper is to discern a scenario which, as the Minsk Group co-Chairs put it in their groundbreaking 22 June 2006 statement, would allow Armenians and Azeris to create "a non-coercive environment in which well-informed citizens have had ample opportunity to consider their positions after a vigorous debate in the public arena" before they decide on the final status of NK.

Before proceeding further, it is important to note that the author personally finds it unlikely that Armenia and Azerbaijan will sign a peace deal by 2010. Even a possible formal agreement on Basic Principles by the end of 2009 would not necessarily imply that Armenia and Azerbaijan quickly agree on a comprehensive peace agreement and begin swift implementation, since they may still be bogged down in technicalities. However, the purpose of this paper is not actually to look at the year 2014 proceeding from the current realities on the ground, but to look at the year 'X' four or five years after the year 'Y', when a peace agreement based on the Madrid proposals is signed. In this sense, the paper conditionally takes 2014 to be the year 'X'.

It is important to consider that the implementation of a peace agreement based on the Basic Principles will probably be a long-term process, lasting at least 10-15

years. This process will culminate with a "population vote", the modalities of which are now subject to discussion, determining the final status of NK. According to the draft document on Basic Principles, prior to determination of final status, NK will have an "interim status", the specifics of which are also the subject of ongoing talks. In general terms, the interim status would essentially semi-legitimize NK's *de facto* Armenian administration, while ensuring the return of the Azeri displaced and deployment of international peacekeeping forces to provide security.

The current paper looks at possible developments during the initial four to five years following the signing of a peace deal. It briefly discusses but does not focus on the later stages of a particular possible scenario, including the crucial last stage when the final status of NK is determined. This approach derives firstly from the purpose of the Karabakh 2014 project, for which the paper is written and which, as the project's name suggests, aims at discerning scenarios for the short- and medium-term, rather than long-term prospects. Also, the way the Basic Principles are agreed and implemented in the first years will be the most decisive factor determining the success of the whole peace process.

Major possible scenarios based on modifications of the Basic Principles

The paper will focus on four major scenarios that could emerge from certain modifications of an agreement on Basic Principles.

Common traits for all scenarios

Considering that the most contentious issues relating to an agreement on the Basic Principles concern the status of the Lachin corridor and the modalities of a population vote to determine NK's final status, the four scenarios revolve around possible agreements or disagreements on these most contentious points.

All the scenarios envision a dynamic peace process, characterized by gradual Armenian withdrawal from a certain number of occupied Azerbaijani districts around NK, gradual return of the displaced, re-opening of communications and trade. This initial stage will completely transform the atmosphere in the region, and will generate keen interest from international donors to help Armenians and Azerbaijanis solidify their much-anticipated progress. In the years immediately following an agreement, both the Azerbaijani government and international donors will spend billions of dollars to clear mines and rebuild homes and infrastructure to enable safe return for displaced Azerbaijanis, as well as to develop the economy in and around NK.

2 The paper does not review the possibility of resumption of hostilities, continued stalemate of "no war, nor peace", or drastic domestic or regional cataclysms not related to the NK conflict which would derail an agreement. It does not discuss geopolitical rivalries and assumes that major external powers (primarily, the EU, the US, Russia, as well as Turkey) would cooperate constructively to facilitate the smooth implementation of a particular agreement.

Most of the initial investment, including from international donors, may go on rebuilding completely devastated infrastructure in formerly Azeri-inhabited territories to enable speedy and safe return of the bulk of Azeri internally displaced persons (IDPs). This may create tensions with the relatively better established Armenian population in NK, which may feel that most of the money is being allocated to the Azerbaijani returnees. These grievances can be effectively minimized by means of Azerbaijani and international investment in the NK economy and by involving, however paradoxically it may sound now, Karabakh Armenians in rebuilding the ruined infrastructure in formerly Azeri-inhabited territories around NK. By giving Karabakh Armenians a stake in rebuilding the infrastructure destroyed during the war and its aftermath, this measure would not only provide economic benefits to Karabakh Armenians but would also serve as an important confidence-building measure with a profound symbolic meaning. It would also serve Azerbaijani interests well, not least because it would allow for reconstruction in these areas to start earlier. Because of security considerations and inadequate living conditions, the Azeri population may not be able to start returning in great numbers to their original places of residence immediately after Armenian troops' withdrawal. Hence, involving NK's Armenian population in the reconstruction projects would compensate for the initial lack of labour force in these newly liberated territories and would foster a joint interest in IDP return.

A major predictable source of tension relating to all post-conflict scenarios is the issue of Armenian settlement in formerly Azeri-inhabited territories. In an effort to create a new reality on the ground, the Karabakh Armenian authorities have manipulated the regional demographics through a deliberate policy of resettlement of certain formerly Azeri-inhabited areas. Especially in Shusha, Lachin, Kelbajar and certain areas of Agdam, which were overwhelmingly populated by Azeris before the war, the *de facto* authorities of NK have provided economic incentives to Armenian settlers, such as free housing, utilities, money and livestock. These illegal settlements and privatization of Azerbaijani property will likely complicate the peace process, especially in the middle stages as Azeris begin to return to Kelbajar, Lachin and NK itself, where most of the new Armenian settlers live. In the earlier stages, including the time frame which is the focus of the present paper (i.e. three to four years after the signing of a peace deal), this issue will be more manageable, since the number of Armenian settlers in Azerbaijani lowland districts east and south of NK are relatively negligible and the Armenian side has not strongly insisted on keeping the Armenian population in these areas.

Interestingly, the dynamic peace process in the early years following the signing of a peace deal is likely to serve the interests of the Armenian and Azerbaijani elites, which is important for the successful implementation of any peace deal. Thus, the Azerbaijani leadership will present Armenian withdrawal from most of the occupied territories

as its diplomatic victory and will be able to return most of the displaced to their homes in lower Karabakh (Agdam, Fizuli, Gubatli, Jabrayil and Zangilan). The Armenian and Karabakh Armenian leadership will also have a reason to celebrate a diplomatic success, because any Armenian withdrawal from the occupied territories adjacent to NK will most likely take place only after Azerbaijan renounces its right to use of force to reclaim its lost territory and these territories will be demilitarized in the short- to medium-term.

Enthusiasm on both sides and among the international observers will therefore be high in the early stages, since each side will benefit from the immediate effects of the peace process: Azeris will regain peacefully most of their lost lands; Armenians will receive internationally-backed security guarantees and will benefit from the opening of communications and trade with Azerbaijan. The frustration and grievances may grow in later stages, putting more pressures on the peace process, as greater numbers of Azeris return (or remain unable to return) to their homes in Lachin, Kelbajar and NK and more pressure accumulates to deal with the ambiguities concerning the use of Lachin corridor and the population vote to determine the final status of NK.

Scenario I: A half-agreed peace plan

This scenario envisions a situation when Armenia and Azerbaijan formally agree to the Basic Principles document as a framework by the end of 2009, but fail to achieve an agreement on the technicalities concerning the most contentious issues of the Lachin corridor and the population vote. In this case, the conflict parties may nevertheless move ahead and start implementing some of the measures deriving from the Basic Principles document a few months later, presumably by 2010. This would be an essentially stage-by-stage peace plan, which leaves the final status of NK unresolved and a subject to be agreed at a later, unspecified date.

As part of this scenario, Armenian forces withdraw from five Azerbaijani districts east and south of NK followed by the gradual return of Azeris to these districts. Azerbaijan renounces its right to the use of force in NK, agrees to demilitarization of the liberated territories, at least in the short- to medium-term, and resumes communications and trade with Armenia. As Armenian forces withdraw, they will be replaced by international peacekeepers to separate forces and provide security for the Azeri returnees. NK will be given "interim status", allowing its Armenian population to legitimately elect its representatives, freely conduct economic affairs with the external world and receive direct aid from international donors.

Within this scenario it is likely that Armenian withdrawal from Lachin and possibly even from Kelbajar districts will be postponed, pending further agreement on the vote modalities and status of Lachin. As an alternative

modification of this scenario, it is possible that pending successful implementation of the initial steps outlined above, Armenian forces will withdraw a few years later (say, by 2013 or 2014) from Kelbajar district in return for greater legitimacy for NK's *de facto* authorities as part of the territory's interim status. This could entail granting NK observer status at the OSCE. A similar proposal to decouple Kelbajar from the population vote and link it instead to the agreement on interim status for NK was actually made by the OSCE Minsk Group during the Armenian and Azerbaijani presidents' meeting in Bucharest in June 2006.

This initiative may be highly unpopular in Azerbaijan, since many Azeris may view this as a first step towards international *de jure* recognition of NK. It may be an even harder sell for the Armenian side and would require greater leadership from their side, since Kelbajar hosts fairly large numbers of Armenian settlers (some 2,500), who will likely oppose leaving their new homes. Kelbajar's strategic location as an alternative land corridor between NK and Armenia is likely to increase opposition within the Armenian and Karabakh Armenian societies to any Armenian withdrawal from this district, which was home to some 50,000 Azeris before the war. Unless Armenian resettlement reaches critical levels, Azerbaijan and international donors can provide compensation and economic incentives for the Armenian settlers in Kelbajar, many of whom are actually IDPs from Azerbaijan, to vacate Azerbaijani homes. They can be offered a choice to remain in the district or resettle in NK.

The positive element of this scenario is that in the absence of a full agreement, it allows Armenians and Azeris to start removing some of the consequences of the conflict in the hope that they can bridge the remaining differences at a later stage. The ambiguity concerning NK's final status could initially serve as a face-saving strategy for the Azerbaijani leadership to downplay for domestic audiences the extent of the internationally-backed legal powers NK would gain as part of its interim status, while capitalizing on Armenian withdrawal from most of the occupied territories and post-conflict reconstruction work in these territories.

However, there are also significant pitfalls associated with this scenario. The ambiguities that it leaves on the most contentious issues would over time turn into a serious source of tension and may lead to a deep impasse in the peace process.

Thus, Azerbaijan by renouncing *ad infinitum* its right to the use of force may face the challenge of the permanent *de facto* loss of both NK and Lachin (and possibly even Kelbajar). Although this point is usually diplomatically omitted in many analyses, Azerbaijan's claim that it has the right to use force in NK as a legitimate exercise of self-defence is in effect a key source of strategic leverage over the peace process. In the absence of a complete roadmap, having secured a non-use of force commitment from Azerbaijan and a certain degree of internationally

recognized legitimacy, the Karabakh Armenian authorities may opt for dragging their feet indefinitely on any further compromises relating to withdrawal from Lachin and Kelbajar and return of Azeris to these districts and to NK itself. Because of this fear, convincing the Azerbaijani leadership and public to give up this right will not be easy if the peace process does not provide sufficient guarantees for the return of Azeris to NK in safety and dignity.

The Armenian side, on the other hand, may also have its objections to this scenario as it, for instance, does not address the end status of NK and risks condemning the territory to indefinite legal limbo. If no progress is achieved on status in the medium- to long-term, the advantages that NK would receive as part of its interim status would be lost in practice. Because of the growing tensions, the entity would become unattractive for investors, Azerbaijan would increasingly apply economic sanctions and the threat of renewed conflict would be a real possibility.

Scenario II: An "almost agreed" peace plan

According to this scenario, Armenia and Azerbaijan formally agree on all aspects of the conflict settlement, including the Lachin corridor, but fail to agree on the modalities of a future population vote, although endorsing this element of a peace deal in principle. Hypothetically, they still move ahead with implementing the peace deal by 2010.

Most of the elements of this scenario are similar to the previous one: the parties commit to the non-use of force; Armenian forces gradually withdraw from five districts east and south of NK and then, pending successful implementation, also from Kelbajar and Lachin; transport and trade routes reopen; peacekeepers are deployed; displaced Azeris gradually return to the liberated territories, which become demilitarized; and NK receives interim status, including observer status in the OSCE. The conflicting parties agree to deal with the modalities for a population vote at a later, unspecified date.

The major difference between this scenario and the previous one is that the conflict parties agree on Armenian troop withdrawal from most of the Lachin district, while retaining joint and equal rights to use of a road linking NK and Armenia. Azerbaijan is unlikely to ever agree to Armenian maximalist claims to treat Lachin district and NK as the same entity with the same status. Decoupling the issue of a secure land corridor from the issue of Lachin town, through which the vital road currently passes, would remove a major stumbling block in the peace talks and would make the Azerbaijani side more willing to consider Armenian demands for a secure land corridor.

To provide for this solution, an alternative road linking NK with Armenia bypassing the Lachin town could be built. This would allow a sizeable Azeri population of the town

(some 11,500) and district (some 65,000) to safely return, while providing for a free and secure passage for the Armenians travelling between Armenia and NK. The road would be jointly patrolled by international peacekeepers and the Karabakh Armenian side.

Much has been said about the importance of a land link through Lachin for the Armenian side; however, in post-settlement period the road through Lachin will similarly be very important for Azerbaijan for economic and humanitarian reasons. In the first years following the implementation of a peace plan, the Lachin road will provide the shortest and economically most efficient link between Azerbaijan and its Nakhichevan exclave as part of the existing Agdam-Lachin-Goris-Nakhichevan road. Given that the railroad between mainland Azerbaijan and Nakhichevan passing through the occupied territories and Armenia has been completely destroyed and will take years and significant finances to rebuild, most cargo shipments and communications in the initial years will pass along this road. Considering that this road will pass through Armenian-controlled NK as well as Armenia itself, the Armenian side will benefit from these transits. Thus, both Armenian and Azerbaijani sides will be interested in the security of the Lachin corridor as a vital transport link between NK and Armenia and Azerbaijan and Nakhichevan. This will lay the ground for confidence-building. In the more distant future, the humanitarian-strategic value of Lachin road will grow for the Azerbaijani side, since it will be the only Azerbaijani-populated neighbouring district that the Karabakh Azeri population concentrated in Shusha in NK will have direct access to.

The economic and humanitarian interest of both Armenian and Azerbaijani sides in maintaining the secure joint use of the Lachin corridor is the most important positive aspect of this scenario. As a result, both sides will have more incentives to cooperate even if no agreement is found on population vote modalities in the next several years.

The biggest challenge to the realization of this scenario is significant Armenian settlement in Lachin. The largest number of Armenian settlers, possibly up to 10,000, now lives in this district. Because of greater numbers of settlers and the vital strategic importance of Lachin, the Armenian opposition to withdrawal from the district will be even higher than from Kelbajar. As the experience of the Israeli-Palestinian conflict shows, dismantling illegal settlements is a painful decision that haunts both the peace process and leaders themselves. Therefore, it is important that the Armenian leaders understand their responsibility and cease resettlement policies that pre-empt and could sabotage a future peace plan.

The problem with the distorted demographics of Lachin may be somewhat minimized by compensation payments and economic incentives for the Armenian settlers to vacate Azeri homes and be offered a choice to remain in the district or resettle in Armenia. Resettlement to NK may

be a choice if the settler was born in the region or is an IDP from other parts of Azerbaijan.

Although the second scenario provides more positive interdependencies for a future peace in comparison with the first one, the major shortcomings of the first scenario still apply to the second as well. Because of the ambiguity surrounding the question of a population vote, the Armenian side will most likely prevent any return of Azeris to NK, including to Shusha, the historical capital of the region and the largest predominantly Azeri-populated regional town before the war. Over time, this issue could increasingly poison relations and become a cause for nationalist mobilization. This would sever communications along the Agdam-Lachin-Goris-Nakhichevan road and would jeopardize the delicate achievements of peace.

Scenario III: Majority-rule plebiscite in NK

This scenario envisages a situation in which the parties agree on a full peace plan, including the determination of NK's final status through a population vote to be held exclusively among Armenians and Azeris of the region. The final decision would be based on the will of the majority; however, the vote would take place at the very end of the peace process (say, in 15-20 years), after all the other confidence-building measures mentioned above have been put in place. In effect, this scenario regards the holding of a population vote as conditional and tied to achieving certain governance and human rights standards. These would encompass functioning democratic institutions, rule of law, sound economy and minority rights, including sustainable return, security and power-sharing arrangements for the Azeri population of NK.

Theoretically, Azerbaijan may agree to a majority-rule plebiscite in NK provided that it does not commit itself to automatically recognizing the decision of this plebiscite if that decision would endorse independence for NK. This is because the Azerbaijani Constitution requires a nationwide referendum on the issue of border change. Thus, a plebiscite in NK, which endorses its independence, would have to be followed by an Azerbaijan-wide referendum, which would either confirm or reject the plebiscite decision.

However, to enable the process envisioned by this scenario to move forward, conflict parties and mediators would agree not to overemphasize the problem of an all-national referendum, instead focusing on the will of the population of NK in determining their future status. The assumption behind this approach would be that in the long-term, as Armenians and Azeris normalize their relations and learn to coexist peacefully in NK, they would be more prepared to consider any outcome that would be based on the will of the local majority. Furthermore, the Armenian side could argue that the outcome of an independence plebiscite, carried out in a peaceful and democratic manner would

boost the Armenian case and legitimize it in the eyes of the international community, thus eventually forcing Azerbaijan to comply too.

Under this scenario, the return of Azeris to NK is unlikely to take place before 2014, assuming that the parties sign a peace deal in 2010. Hence problems associated with their return (or inability to return) will remain beneath the surface in the early stages, although they will significantly influence the attitudes and behaviours of both Armenians and Azeris vis-à-vis the unfolding peace process. On the surface, the implementation of this scenario within the first four to five years would largely repeat the policy actions and challenges described in Scenario Two.

The biggest deficiency of this scenario is that it sets up an ambiguous and competitive process, which will run contrary to its own stated assumptions on the conditionality of a self-determination plebiscite, particularly relating to Azeri minority protection and representation in the government of NK. As experience in Kosovo illustrates, a "standards before status" policy may easily degenerate into "status before standards", thus effectively overshadowing the debate about standards.

Within this scenario a majority decision based on local demographics eventually allows the ethnic majority to impose its will on the minority. Armenians constituted three-quarters of NK's population before the war and will likely remain a majority in NK even if all displaced Azeris return to the region at some stage of the peace process. Therefore, the threat of having to comply with the decision of the Armenian majority to secede from Azerbaijan will discourage the Azeri minority of NK from returning to the region and engaging in its institutions as equal citizens.

However, there is also a possible flip side to this scenario. The opportunity for the majority to impose its will on the minority will in effect lead to attempts from both sides to manipulate NK's *de facto* and *de jure* demographics by listing as many as possible Armenians or Azeris as eligible voters at any future plebiscite. Although Azeris constitute a minority at present, the demographic situation may change in Azeris' favour in 15-20 years, especially given traditionally higher birth rates among them. The Azerbaijani official estimates claim the number of Azeris from NK has increased in the last 20 years from slightly over 40,000 to 65,000. Within the next 15-20 years, the demographic trends may further change in favour of Azeris, thus making the outcome of the majority-rule self-determination plebiscite less certain, while also contributing to ethnic insecurity and polarization.

It is highly unlikely that Azeris would constitute a majority in NK *per se* and would be able to impose their own will on the Armenian population. Many Azeris may choose not to return to NK at all, given the years of displacement. But those Azeris who for whatever reason do not return to NK, would still be listed as potential voters for a future

plebiscite and thus, would be able to influence the final outcome simply by voting from their places of residence outside of NK.

These considerations would be likely to increase the insecurity of the Karabakh Armenians, prompting them to discourage the substantial return of Azeris to NK before final status determination. This motive may express itself in the failure of the Karabakh Armenian administration to ensure adequate protection for returnees, hindering institution-building efforts of the Azeris within their municipalities in NK and limiting their representation in common institutions established as part of an interim arrangement. On the other side, the frustration of Azerbaijanis over the fate of NK's Azeri minority would become a serious source of tension. This would threaten to disrupt the delicate peace process later on, once Armenians withdraw from Azerbaijani districts surrounding NK and the issue of Azeris' return to NK itself becomes the next priority.

Scenario IV: Consensus-based plebiscite in NK

This scenario envisions that Armenians and Azeris of NK will decide the final status of the region after successful implementation of all confidence-building measures discussed previously. However, the decision will be based on two parallel plebiscites held among Armenians and Azeris of NK, similar to the parallel voting on the reunification of Cyprus held among the island's Greek and Turkish communities. If Armenians and Azeris vote in diametrically opposite ways, which is likely to be the case in their first try, the interim status would continue for a few more (e.g. five) years, until the population of the entity votes again.

The idea behind this approach is that by agreeing to disagree in a peaceful, democratic and non-coercive environment, Armenians and Azeris of NK would in the long-term manage to come to a joint decision equally acceptable to both. Over time, as they re-learn to coexist peacefully within the framework of interim status, which in effect would grant most attributes of independence to NK, both Armenians and Azeris of the region would revive their common identity as Karabakhis and develop common interests. This would take the edge off the final status controversy. Thus, the question of NK's independence or its *de jure* association with Azerbaijan would cease to be a divisive issue. Any outcome that is endorsed by the NK population would be fundamentally acceptable for both Azerbaijan and Armenia.

The advantage of this scenario is that, while still providing for an open-ended process, it limits the inbuilt factor of ambiguity as a source of insecurity and conflict. Knowing that the process is not structured in a way that would eventually force them to an agreement against their will, Armenians and Azeris would feel more confident about the

peace process, hence more flexible and willing to consider different options.

If both the Armenian and Azerbaijani sides agree on this option, the implementation of the peace agreement could proceed quickly. This is because neither side would face the insecurities associated with an uncertain process, as described in the previous three scenarios, and thereby be tempted to instrumentalize various elements of the peace plan. This accelerated peace process would most apparently express itself in a relatively shorter time frame, within which Armenian troops would complete their withdrawal from the seven adjacent districts around NK, an earlier date when Azeris would be able to start returning to NK and an earlier date at which both Armenians and Azeris could agree to hold the first self-determination plebiscite in the entity (e.g. already in seven to 10 years after the signing of a peace agreement).

A consensus-based plebiscite scenario is apparently the best possible option for a peaceful and speedy solution of the NK conflict. However, it will be hard to convince the parties of this option as long as they think in zero-sum categories and pursue their own security at the expense of insecurity of the other side.

Conclusion

This paper visualizes the most likely scenarios arising from the implementation of a peace agreement based on various modifications of the Basic Principles. The realization of these scenarios, and especially of the third and fourth ones, is a big "if", considering that Armenians and Azeris still disagree on the most fundamental questions.

Moving the current peace talks out of deadlock requires a serious shift in approaches and policies towards the conflict. There is a need to break win-lose attitudes by articulating a common vision, which would lead to a common discourse based on shared values, needs and aspirations.

Ongoing negotiations revolving around the "Basic Principles" represent the best chance yet to achieve a settlement. However, a brief look at the NK peace process shows that any procedure that would pre-determine the NK's final status is by definition unacceptable to either Armenians or Azeris. For these negotiations to succeed, both Armenians and Azeris should know that they will not be forced into a decision against their will at the end of this process, particularly on the issue of determining NK's status. If the parties feel more confident, they will be more flexible and willing to consider different options. That means final status determination can and should take place in a "non-coercive environment" based on a decision made by "well informed citizens", as articulated by the mediators.

Manvel Sarkisian

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Armenia and the major powers believe that Armenia-Turkey relations should continue to normalize without any preconditions and that resolving the NK conflict is a separate, albeit overlapping and concurrent, process. Turkey and Azerbaijan insist that the border between Armenia and Turkey cannot be opened until all Armenian troops have withdrawn from the territories surrounding NK. This new problem has resulted in tensions between Azerbaijan and Turkey, mainly because of Azerbaijan's approach which has put Turkey in a very difficult position.

So far there have been no signs that this controversy will be quickly resolved. This circumstance alone has already created serious problems both for Armenia-Turkey relations and for diplomatic efforts to resolve the NK conflict. The French co-chair of the Organization for Security and Co-operation in Europe (OSCE) Minsk Group, Bernard Fassier, said on 16 May 2009 in Baku that "the process of negotiations will be very long and will conclude only when the presidents agree to sign a peace deal ... The timing of the meeting and its prospects depend on the presidents. I hope that we do not take as much time to arrive at the resolution of this conflict as the ongoing conflict in the Middle East ..."

Azerbaijani President Ilham Aliyev also underlined the slow resolution of the situation on 14 May 2009 when he said that "17 years have passed since the creation of the Minsk Group and despite all the breakthroughs there have been no results ... There are different approaches and different evaluations resulting from this situation. Some might think that we are close to achieving an agreement, others claim that there is still a lot to be done on this front."

If we also bear in mind the fact that since 2008 there have been numerous indications of change in the international community's attitude to the conflicts originating in the 1990s, one could say that the emergence of such pessimism is undoubtedly connected with the deepening realization of the unprecedented nature of the new situation. We are talking mainly of the radical change in attitude to the principle of territorial integrity of states which have ongoing conflicts. Some territories previously categorized as 'unrecognized entities' have become 'semi-recognized states'. This has led to changes in the state of international security and stability. And the 'culprits' are the major powers themselves.

There can be no doubt that the new situation will have a serious impact on conditions for the resolution of the NK conflict.

Introduction

Recent political changes in the international arena and South Caucasus region have revitalized global interest in the Nagorno-Karabakh (NK) conflict area. In the past year international mediators have stepped up their efforts, and a growing number of voices are saying that conditions are emerging which can lead to a speedy resolution of the conflict. At the same time serious new differences of opinion over the terms of such a resolution have also become evident. It is becoming apparent to all the main actors that the issue of the conflict has become deeply interwoven into the canvas of broader regional issues and affects the interests of many countries.

The fact that the NK issue has become the source of emerging new differences between major powers and Armenia on the one hand, and Turkey and Azerbaijan on the other, is of particular interest. April 2009 marked the beginning of a process of normalizing relations between Armenia and Turkey, which has caused serious controversy over interlinking Armenia-Turkey relations and resolution of the NK conflict.

¹ Please note: the terminology in the biographies of authors was chosen by the participants themselves.

This long-standing conflict has had a complex structure from the very beginning. It has been intertwined with such an intricate network of international interests that any attempt at its transformation creates a response in the most unexpected areas of relations between different countries.

One should remember that the 'conflict potential' in the relations between NK, Azerbaijan and Armenia was firmly established when these states first emerged. What underpins the ongoing conflict is the international recognition of NK as part of Azerbaijan in 1991.

At the time no attention was paid to the fact that the collapse of the Soviet Union resulted in a conflict already mapped out onto the territory of the former Soviet Republic of Azerbaijan with two separate sectors of military and political control. As a result of ignoring those circumstances and recognizing Azerbaijan's independence within its former Soviet borders, the international community *de facto* legitimized Azerbaijan's right to start an armed conflict against NK. It was then that the first complication arose – Azerbaijan could not avail itself of that opportunity and this simply exacerbated the conflict situation even further. In fact the war which Armenia found itself dragged into set the parameters of this deadlock: NK found itself controlled by one state, while the legal power resided elsewhere. It was then that the present status quo first emerged.

That circumstance determined the specific nature of the diplomatic efforts aimed at conflict resolution – to restore the pre-war status quo in the conflict area. In practice this meant demanding that Armenia and NK should return part of the territories they controlled to Azerbaijan. At the same time, Azerbaijan demanded that the international community force Armenia to hand NK back to Azerbaijan, together with all the territories it controlled.

The international community's response was to introduce the principle of a compromise agreement with a predetermined model of compromise into diplomatic practice. The mediators represented by the Minsk Group, set up in 1992, have been trying to persuade Armenia to hand over part of the Nagorno-Karabakh Republic (NKR)-controlled territories to Azerbaijan, in exchange for promises to determine NK's new status.

Fifteen years of effort have not yielded any tangible results. Experience has shown that this approach to the problem has simply become a mechanism for supporting the status quo which formed after the war. Throughout this period Azerbaijan has continued to press for the right to have another go at a military solution to the problem. Global powers in their turn demand that Azerbaijan negotiate a peaceful resolution of the conflict with Armenia.

Any attempts to predict future developments in the NK conflict area should be based on the picture I have outlined so far, as well as taking into account the current radical changes in the international situation and their possible effects on the conflict. It seems that only this

kind of comprehensive approach can create the necessary background for proposing and arguing convincingly any hypothetical scenarios which may develop in the next five years. This is the underlying logic of the rest of this article.

Evaluation of the basic state of the conflict

Evaluation of the compromise model developed by the Minsk Group

To begin with, it is advisable to assess the effectiveness of the Minsk Group's approach to the resolution of the Karabakh conflict. It appears that this approach is the main reason for the failure of international diplomacy so far. This is because the conflict resolution process excludes the actual subject matter of the compromise under negotiation from the scope of the discussions. It is suggested that everything could be reviewed apart from the resolution model itself which has been the staple of the negotiating process since 1992. Yet the absence of any progress in negotiations impels us to re-evaluate all aspects of the conflict resolution diplomacy.

We should re-evaluate the principle of a *compromise solution* itself, in particular the proposed *compromise* model. This is important because we think that the suggested formula is the least likely to contribute to a solution.

The Minsk Group's approach initially consisted of the following:

- a. The object of the compromise was to *return the formula of military control and the demographic situation to their 1991 status*. This would be followed by an agreement on the status of NK in one form or another.
- b. It was assumed that the parties would agree to the pre-arranged compromise formula having first abandoned some of their claims. In other words, it was suggested that a compromise is achieved by following the principle of the *mutual waiver by the sides of the conflict of their unacceptable claims*.

Thus the initial subject matter of the compromise which was modelled on the basis of the outcome of the 1994 war and the organizational principles of the negotiations' format had a clearly defined shape. None of the parties to the conflict or international mediators have attempted to encroach on any aspect of this compromise model. All that has changed are the ways of proposing the formula and the format of its discussion. At the moment the subject of the compromise is presented in the form of the Madrid principles drawn up in 2007.

Parameters and evolution of the military and political situation post-12 May 1994, and resolution diplomacy

Since 1994 there has existed a territorial and a military-political status quo in the conflict area. At the same time

there are two important circumstances which determine the nature and formula of the military-political balance in the South Caucasus region, and the major powers' attitude to the conflict situation. The first is the absence of peacekeeping forces in the NK conflict area. The second is the blockade of the Turkish-Armenian border by Turkey which has been in place since 1993.

Of all the parameters of the status quo only the military and economic potential of the conflicting parties have changed. In the absence of peacekeeping forces in the 15 years since the ceasefire, conflicting sides have equipped their national armies with modern long-range weapons. In addition, a single security system for NK relying on the joint potential of the Armenian and NK armies has been put in place. Consequently the strategic significance of the conflict's geographic range has considerably diminished.

Since Turkey was drawn into the conflict, Armenia has acted as a deterrent to any eastward-looking plans by Turkey. Armenia's accession to the Collective Security Treaty Organization (CSTO) raised this role to an international level. The closed Armenian-Turkish border has become one of the most important aspects of international regulation of the military balance between NATO and Russia. Russian troops located along this border symbolize this fact. Thus the NK issue together with the closed Armenian-Turkish border has fitted well into the broader spectrum of international security issues.

This means the conditions for achieving a compromise have greatly diminished. The condition of waiving one's claims has become unattainable because the parties to the conflict have received *additional resources* for avoiding a compromise solution. These resources were clearly discernable in the interests of the powers bordering the region. This circumstance has slowed down the resolution process for many years.² In addition, since 2008 the effectiveness of the conflicting parties' waiver of claims principle has diminished even further.

Radical changes globally and regionally: key changes in international relations in 2008-09

The conflict situation and international diplomacy described have been transformed by recent qualitative changes in

international relations. Three important events changed the parameters of the situation around the NK conflict:

a. Russian troops' entry into Georgia on 8 August 2008 and Russia's subsequent recognition of the independence of Abkhazia and South Ossetia. These events have served as a catalyst for new political processes and highlight the fact that the principle of a military resolution of conflicts has undergone a major revision.

b. The emergence of the 'reset' strategy in Russian-US relations. For the purpose of this article an important element of this strategy was the fact that on 5 March 2009 the meeting of foreign ministers from 26 North Atlantic Treaty Organization (NATO) countries decided to resume the Alliance's full official relations with Russia.

On 2 April representatives of NATO member states declared that they were inclined to think that NATO's steady expansion to the east since the end of the Cold War would be halted for a period of time, while the bloc turns its attention to improving relations with Russia.

This attempt by the West to involve Russia in its plans changed the very essence of the system of political confrontation, in place until 2009, including the situation in the Caucasus. Subsequent events have shown the importance of this circumstance.

c. Turkey and Armenia's 22 April agreement to a 'road map' for the normalization of their relations without any preconditions. The fact that NK is not even mentioned in the agreement has become the most important element of the situation under discussion.

As early as 23 April the US State Department welcomed Armenia's and Turkey's declarations about the start of the process of normalization of their bilateral relations, noting that "the US position for many years has been a firm belief that any normalization of their relations should take place without any preconditions and within a reasonable time frame". A similar statement was made later by the Minsk Group's co-chairs.

The very fact that the Karabakh conflict resolution has been placed outside the framework³ of Armenian-Turkish

2. Conflicting parties' positions began to show symptoms of lacking confidence in the possibility of reaching an agreement on the formula proposed by the mediators back in 2006. Following an unsuccessful round of talks in Rambouillet, Armenian President Robert Kocharyan said in February 2006 that Armenia might review its position and recognize NK with the subsequent conclusion of an agreement on military cooperation and adopting a programme of the territories' incorporation. Just as symptomatic was the statement made by Azerbaijan's President Ilham Aliyev in October 2006 that the only way to solve the Karabakh issue was a policy of total isolation of Armenia at the regional and international levels, as well as shifting the military and economic balances in Azerbaijan's favour. The president saw this policy as an opportunity to force Armenia into a voluntary withdrawal from NK. The parties to the conflict were emphasizing their rejection of the compromise solution principle. This approach, however, did not lead to the refusal to hold negotiations in the traditional format.
3. The US representative Matthew Bryza's treatment of the logic of separating these processes bears witness to the non-accidental nature of this step. According to Bryza "we have two processes: the conflict in Nagorno-Karabakh or Armenian-Azerbaijani relations and a separate process of Turkish-Armenian relations ... these are two different processes, proceeding in parallel at a different speed. One might therefore suppose that the 'road map' is focused on the Turkish-Armenian relations. In my view, the improvement in these relations would improve the diplomatic and psychological situation in the region. This would mean a better environment for the Nagorno-Karabakh peace process." The proposition about the different speeds of the two processes is quite interesting. One is left with an impression that both clusters of issues are seen as phenomena in inverse proportion to each other. The sphere of Armenian-Turkish relations is marked here as the leading one. It is unlikely that such an interpretation by the aforementioned official is a figment of his imagination. (MS)

negotiations came as a total surprise for Azerbaijan. Following the Minsk Group and US statements the head of Azerbaijan's Ministry of Foreign Affairs told the US that the "opening of the Turkish-Armenian border before Armenia withdraws its troops from the occupied Azerbaijani territories runs counter to the national interests of Azerbaijan".

From the very outset of this process Turkey also clearly understood the complexity of the emerging situation. As early as 8 April, Turkey's Prime Minister Recep Tayyip Erdogan stated that it was difficult to overcome the problems of Armenian-Turkish relations until the conflict between Armenia and Azerbaijan was resolved. Erdogan also mentioned that he was hoping that "the UN Security Council would recognize Armenia's occupation of Nagorno-Karabakh and would adopt a resolution urging Armenia to leave the region".

Nevertheless, the agreement between Armenia and Turkey was signed. Since then, in recognition of repeated statements by Turkey's leaders that the border with Armenia would not be opened until Armenian troops are withdrawn from territories adjacent to NK, conflict resolution diplomacy has become somewhat vague in nature. This has impacted on the political situation around NK and Azerbaijan.

Scenarios of developments for the next five years

Analysis of all these aspects helps us to consider different scenarios of potential developments in the situation around the NK conflict area. It is possible to make a clearer case for them in the context of the trends outlined above. For, irrespective of the international mediators' efforts, the extent to which recent changes in international relations could affect the positions of the mediator countries themselves and the positions of the parties to the conflict has become particularly important. There is no doubt that the way bilateral relations between key interested parties pan out will affect the conflict situation.

Consequently the following three scenarios are worth considering:

a. Likelihood of reaching consensus between interested parties on the speedy resolution of the conflict concurrent with the process of normalization of Armenian-Turkish relations (changing the status quo).

It is clear that at present Turkey's and Azerbaijan's hopes are pinned on the idea of holding six-party (Azerbaijan-Armenia-US-Russia-France-Turkey) negotiations. This proposal has been made by Turkey's Minister of Foreign

Affairs Ali Babajan. Despite universal declarations about the priority status of the work carried out by the Minsk Group, there have been parallel attempts to change the format of diplomacy.

Once all six countries have reached an agreement, there could be a withdrawal of Armenian troops from the five territories around NK in the near future. In addition, an international peacekeeping force could be introduced into the conflict area. In other words, the traditional compromise approach based on the Madrid principles would have been successfully implemented.

We should point out, however, that the likelihood of such a development depends on the positions of the major powers. It is not in Armenia's interests, and it would be impossible to achieve the proposed format of negotiations solely through Turkey's and Azerbaijan's efforts. It would only be possible if the US and Russia changed their stance and welcomed Turkey's increased role⁴ in the South Caucasus. The political potential of Turkey alone would not be sufficient to unilaterally procure a desired restructuring of relations in the region. But the fact that the international community has separated the Armenian-Turkish normalization process from the Karabakh conflict resolution process testifies to the absence of any desire in Russia or the US to see this happen.

Turkey has no doubt been strongly resisting this separation but it is important to remember that Turkey's room for manoeuvre is greatly limited by its own internal problems and by the demands of the global powers. Only Armenia's consent could help Turkey's position.

But Armenia cannot afford to compromise on this issue. The decision to pursue talks with Turkey was approved by the Armenian Security Council on 25 April, but it triggered a domestic crisis. The Dashnaksutyun (ARFD) party decided on 26 April to leave the coalition government over the issue. Dashnaksutyun has a history of major grievances against Turkey, and it saw the 'road map' as a threat not only to the country but to its own future as well.

Armenia's strong opposition, led by former President Levon Ter-Petrosyan, welcomes the normalization process, but considers Turkey's involvement in the resolution of the Karabakh conflict unacceptable. This opposition force pressured the government to abandon its initial intentions to agree to Turkey's involvement in conflict resolution.

NK's regime also considers the ongoing processes a threat to the interests of its people. During the hearings in the NKR National Assembly on 29 April 2009 there was strong criticism of the Armenian leadership. The

4 It is clear from the statement of the new Minister of Foreign Affairs of Turkey that it is expecting to play a significant role in the region. On 4 May Akhmed Davutoglu stated that his country "should become a country which brings order to the Middle East, Balkans and the Caucasus". In his view, "from now on Turkey is no longer a country which simply reacts to crises. It should try to effectively prevent them and create order in the region". At the same time Davutoglu emphasized that "the country's foreign policy will continue to focus on its relations with the West ... EU and NATO are the most important links in the policy of creating a balance between security and stability".

participants expressed their concern that Azerbaijan and Armenia may come to an agreement which goes against Karabakh's interests.

One should note that no-one in NK accepts the idea of handing over territories to Azerbaijan or agreeing to anything other than independence. On this second issue they are supported by the Armenian public and political parties. Considering the significant influence the NK issue has on Armenia's internal politics, the NKR's position will always present a potential threat to the Armenian leadership. The opposition is always ready to appeal to the NKR's point of view if there is any sign of a rift between them and the government. The events of 1998 were a case in point when such a rift led to Ter-Petrosyan's resignation.

It appears that any significant change in the NKR's position will only occur if there is a change in attitude to the machinery of the negotiations. For example, if there is international recognition of the NKR's independence and the establishment of direct dialogue between the NKR and Azerbaijan, the NKR could consider a discussion on territorial issues. It is assumed that this would be preceded by Armenia divesting itself of the responsibility to discuss this (territorial) component of the conflict.⁵

It is clear there are great difficulties in creating concurrent/parallel processes of normalization of Armenian-Turkish relations and resolution of the Karabakh issue. In addition, there are growing complications for Turkey. So there might come a time when Turkey reluctantly refuses to support Azerbaijan's demands.

In such a case the scenario of reaching a broad consensus would become highly improbable.

Turkey's refusal would also have a decisive effect on the matter of excluding a military solution of the conflict from the political arsenal of Azerbaijan (until recently Azerbaijan's military rhetoric has relied on the country's close links with Turkey). The idea of a compromise solution would lose its meaning because the main argument about the need to divide territories in the conflict area would no longer be an issue.

b. The likelihood of separating the NK issue from Armenian-Turkish relations (preservation of the status quo or bringing the conflict issue into Russian-Azerbaijani relations).

The impact of the new Armenian-Turkish relations on NK's conflict and the relationship between Azerbaijan and

Turkey has not yet been discussed in depth by anyone. The change in Turkey's position – which has played an important role in Azerbaijan's position on NK and in deterring Armenia and Russia – could radically change the balance of power in the region.

The prospect of the US and Russia establishing a strategic cooperation directly affects Turkey's position. It will see this development as a threat to its own strategic role. For over 50 years it has been at the forefront of NATO and the main containing factor against the USSR (and later Russia) in the southerly direction. The idea of normalizing relations between Turkey and Armenia – a country which has been seen to be one of the main factors containing Turkey – becoming political currency changes the whole military-political balance in the region. US President Barack Obama's meetings with Turkish leaders on 6 and 7 April included discussions on military cooperation, prospects of Turkey-Armenia rapprochement, resolution of the Cyprus issue, the joint fight against the separatist Workers Party of Kurdistan (PKK) and Turkey's integration in the EU.

It is quite difficult for Turkey to refuse such prospects. Yet they clash with Turkey's traditional approaches to its role. What was missing from the talks was discussion on Turkey's interest and role in the east, including the NK issue.

Turkey faces a serious choice. The situation is further complicated by the sharp change in Russia's position. Russia does not hide the fact that it is helping the US to normalize relations between Armenia and Turkey, stressing at the same time that "talks between Armenia and Turkey are a bilateral matter for the two countries and Russia welcomes all steps which lead to the normalization of their relations". Such an approach by Russia has been thoroughly thought through, which is apparent in the very fact that Russia quickly abandoned its provisions declared in the Russian-Turkish declaration of 2009 about the 'separate' responsibilities of the two countries.

Russia's logic here is quite clear – it sees an opportunity to deepen its relations with Azerbaijan arising from the present processes. It is also clear why the NK issue has moved to centre stage and has become a key issue in the unfolding structure of relationships in the region and the world, instead of being relegated to the margins. A particular stance on the NK issue can establish a certain pattern of relations between South Caucasus countries and their neighbours. In the words of Turkish President Abdulla Gul: "although it is a relatively small territory, it can become either a wall or a gateway between the East

5 On 3 June 2009 the parliamentary Heritage party demanded that the Armenian leadership should refuse to discuss the problem of the territories at the negotiations. In the statement by the party's council it notes that "the problem of territorial division between Nagorno-Karabakh and Azerbaijan is the exclusive right of the duly elected leadership of the NKR whereas Armenia can only contribute to the resolution of this problem between the NKR and Azerbaijan". It is suggested that the Armenian leadership should "bring the format and contents of the negotiations in line with the real rights and responsibilities, springing from its undertaking to serve as a guarantor of the NKR's security. First and foremost it is suggested that it recognize the exclusive rights and responsibilities of the NKR leadership regarding the issue of discussing the territorial component of the negotiations and to stick solely to the problems of status and security of the NKR during its own negotiations with Azerbaijan." The full text of this statement is available at: <http://heritage.am/pr/030609arm.htm>

and the West". Everyone understands that taking the Karabakh issue outside the framework of Armenian-Turkish relations is not just a whim of the major powers. Such a decision could only be the result of serious geopolitical considerations.

Neither Turkey nor Azerbaijan wish to put up with this state of affairs. This is not simply because the conditions of Azerbaijani-Russian rapprochement are not in the interests of these countries. What worries Azerbaijan is the specific political formula unfolding in the region. Azerbaijan has been quick to realize that if Turkey accepts the geopolitical interests of the US and Russia and their new plans, the conflict area between Azerbaijan and NK could become not just a geopolitical 'wall' but a military and political fiefdom of Russia.

The widespread idea that there exists a permanent state of antagonism between the US and NATO on the one hand, and Russia on the other, on the subject of deploying troops in the region no longer holds water. On 22 April the Russian Foreign Minister Sergey Lavrov spoke in London about "Russia no longer perceiving NATO as an *a priori* threat to itself. For us NATO is one of the objective key factors which determine the state of security in the Euro-Atlantic region, including close to our borders". Lavrov simply noted that all NATO's movements close to Russia's borders would be taken into account in Russia's foreign policy and military planning in order to guarantee national security. And not much else.

There is no doubt that progress in Armenian-Turkish relations benefits Russia because it presents an opportunity to tie Azerbaijan closer to itself and thus radically change plans for future energy projects in the region. Russia would also obtain direct access to Iran – a geopolitical advantage which cannot be overestimated.

With such a development it is conceivable that Russia may get the West's 'green light' to deploy troops in the conflict area of NK.

Therefore a conflict transformation scenario whereby Russian troops might be deployed in the territories bordering the NKR (mainly along the border with Iran) also becomes a reality. Such a scenario would be possible if the blockade of the Armenian-Turkish border were to be lifted, irrespective of the outcome of the NK resolution process. The status quo transformation would then follow from a Russian-Azerbaijani agreement. It is quite possible that units in Russia's military base in Armenia could be then redeployed in the conflict area.

This scenario should be seen as an example of the status quo transformation, not an example of conflict resolution. Azerbaijan would have to choose, too. It is no accident that as soon as the word got out about the normalization of Armenian-Turkish relations bypassing the NK issue, Azerbaijan's President Ilham Aliyev visited Moscow on 16-17 April. According to information sources one of the

topics discussed was Russia's arms supplies to Azerbaijan. Apparently, the threat of not being able to rely on Turkey's military might is already forcing Azerbaijan to think about alternative means of increasing its own military potential.

Russia showed its desire to deepen its links with Azerbaijan back in July 2008 when the two presidents signed a declaration on strategic cooperation. Whether Azerbaijan wants to deepen its relationship with Russia or not, it feels that it might have to say goodbye to the customary and desirable ideas of cooperation.

Moreover, if Azerbaijan thinks that it may lose a lot, Russia can only gain. If events begin to unfold according to the aforementioned scenario, Armenian-Turkish relations could become a new basis for future strategic alignments. The re-activated railway link between Turkey and Armenia is more likely to reach Russia via Georgia and Abkhazia, than via Azerbaijan. The Caucasus could then become a double corridor connecting North and South (Turkey-Armenia-Georgia-Russia and Iran-Azerbaijan-Russia). The two corridors could only meet in Russia or Iran. If we also take into account the fact that Russia might get a chance to deploy its forces in the conflict area it could not have envisaged a better system of strategic control for itself.

c. Likelihood of introducing the conflict issue into Armenian-Turkish relations (the strategy of unilateral recognition of the NKR)

Russian-Azerbaijani cooperation, in conditions where Turkey could refuse to include the NK issue in the process of normalizing its relations with Armenia, is not necessarily going to bring about transformation of the status quo. Nuances in the emerging Armenian-Turkish relations could affect the situation around NK in a much greater way.

Despite the prevailing pessimism regarding the possibility of strategic relations forming between Armenia and Turkey, the process of rapprochement between the two could go quite far. The prerequisites for this are the objective spheres of strategic interests between these two countries and Turkey's special place in the contemporary global arena.

Turkey is pondering the situation much more seriously than any other country in the region. In the end it is the international dimension of this country which is at the heart of major powers' interests. Having been 'abandoned' after the disintegration of the Soviet Union, this regional vanguard of NATO has been attracting increasing attention from the West.

The West is split on the issue of letting this country into the European theatre of action. The French and German positions are a case in point. And Turkey's ambition to play an important role in the east is not particularly welcomed either. The new strategy of bringing Iran into Russia-US plans for addressing global problems would totally isolate Turkey from this eastern dimension.

One could also suppose that by keeping it within a specific political and spatial framework Turkey is given a chance to bring itself in line with European standards, not so much domestically but in terms of its foreign policy. In other words, Turkey is offered a chance to become an ordinary European country with a moderate foreign policy. This would involve Turkey recognizing the Armenian genocide, and changing its attitudes towards Armenia, the idea of the 'Turkic brotherhood' and the Kurds. However, such suggestions are deemed too tough and too demanding by Turkey.

Turkey understands the West's wishes but appears to have decided to review both the suggestions made and the processes under way. This is determining the nature of the emerging regional situation, and Turkey's resistance threatens to delay many new initiatives on the world stage. The nature of further processes therefore depends on where mutual understanding is reached between global powers. If Turkey finally understands that it needs to change the basis of its policies, Armenia too would have something to offer Turkey.

Objectively, it is in Turkey's interests to enter into a strategic union with Armenia if the latter decides to support its policy⁶ on the Kurdish issue and its position on Northern Cyprus. This is extremely important for the understanding of the seriousness of potential cooperation between Armenia and Turkey. The issue is not so much Armenia itself but the new strategic security vector. If one remembers that Turkey's abandoning Azerbaijan to the mercy of Russia may be seen by the latter as a friendly act, the Armenian-Turkish union could very quickly embrace Russia as well.

These objective opportunities could be turned into a concrete allied policy. Compared with such a prospect the NK problem for Turkey is not a mere trifle, but a valuable resource for strengthening the new strategy for cooperation.

If events unfold in the way outlined here, a completely new configuration could emerge around NK. It is quite possible that the principle of unilateral recognition could be acted upon. One should bear in mind that the Northern Cyprus issue⁷ is strategically important for Turkey. Combined with all the listed problems Turkey could consider the issue of recognizing NK and Northern Cyprus together with Armenia. If both countries agree this with the US and if they make it an aspect of the new Armenian-Turkish

relationship, the US might consider joining them on that. Such a move could act as a deterrent for Russia-Azerbaijan plans to resolve the NK issue unilaterally. Moreover, such a scenario would put an end to the possibility of a military solution to the conflict. Russia, itself having abandoned the idea of recognizing the NKR's independence, is unlikely to oppose such a move by other countries. It would allow it to deepen its relations with Azerbaijan. The NKR as a semi-recognized entity serves Russia's interests if one bears in mind the situation around the former Georgian provinces, South Ossetia and Abkhazia.

Conclusion

To conclude, we can see three plausible scenarios of future regional developments which can affect the situation in NK in different ways. The present situation is such that the meaning of the new US strategy has not yet been fully appreciated by many countries which are undergoing a process of adjustment to the new political realities. New factors could soon emerge in the Middle East. In particular, it is already clear that there are new problems arising in Israeli-Iranian relations. Any transformation in Iran's position could send new shock waves which would affect NK's conflict. With the current speed and quality of political developments the period until 2014 appears too long to contemplate such a forecast. In five years' time the political appearance of this region could be beyond recognition.

6 The fact that the problem of the Kurds remains particularly relevant and causes Turkey a lot of concern is clear from recent debates between the leadership of the military wing of the PKK and the Turkish leadership. On 29 May Turkey's ambassador in Azerbaijan Khulusi Kylydzhi stated that "no country would enter into political bargaining with terrorists. Turkey is a great state. Not only Turkey but any country would refuse to negotiate with terrorists". This statement was made in connection with the fact that earlier the leader of the military wing of the PKK Murat Karajyan said that he was ready for talks with Ankara. He urged Turkey not to miss this opportunity: "If it is missed it would not present itself again."

7 The fact that Turkey itself seems to link the NK problem and the Cyprus problem was clear from the Turkish Prime Minister Recep Tayyip Erdogan's statement on 16 May 2009 in Sochi that "Russia and Turkey carry responsibility for what happens in our region ... We are condemned to take decisions in the interests of preserving security in the region. The conflict between Armenia and Azerbaijan over Nagorno-Karabakh, the problem of the Middle East and the Cyprus problem are among these priority issues".

Karabakh 2014: A forecast on power-sharing and power transformation

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focus of this paper is Azerbaijan's institutional capacity to take that process forward, looking at its domestic power structures and their ability to accommodate the substantial resulting changes. I will explore possible scenarios, assuming a peace treaty is signed later this year or possibly in 2010.

This paper assumes that non-governmental peace groups are powerless to influence the signing of a peace agreement. The decision to sign a peace deal is solely down to the Armenian and Azerbaijani governments, and the mediation efforts of the international community. This means that civil societies lack the motivation to bring about significant change in the current process. However, they may resist a settlement they disagree with and any unacceptable move could spur a wave of discontent and disobedience.

After signing an accord, governments will need to address a broad range of issues including confidence-building, social transformation (including transformation of power relations), building infrastructure and the resettlement of refugees and internally displaced people (IDPs).

I will begin by identifying possible 'peace-makers' in Azerbaijan who can help address the problems that will arise after Armenia and Azerbaijan have signed the peace deal. I will also look at the possibilities of a broader coalition of pro-peace forces and organizations to see if there is some kind of peace and reconciliation movement emerging within Azerbaijani society. So far, this has not been the case, although smaller civil society initiatives have taken place across the border.

Secondly, I will identify potential 'trouble makers' who may oppose the peace agenda and declare 'justice' and not 'peace' as the primary goal.

Finally, I will consider these stakeholders within a possible scenario of post-conflict development. I will try to look at this from the perspective of the liberal theory of democratic peace. This theory suggests that democracies do not fight each other because the political elite and citizens on both sides have the ability to manage conflicts, establish contractual relationships and make compromises.

Introduction

Recent developments around the Nagorny Karabakh (NK) conflict have opened up new opportunities for all sides to engage in a genuine peace-building initiative. This is largely as a result of the new US administration's decision to improve damaged relations with Russia, Turkey and Iran. As the situation in the South Caucasus improves, major powers are deciding to invest more in resolving the region's conflicts.

Matthew Bryza, US co-chair of the Organization for Security and Co-operation in Europe (OSCE) Minsk Group stated that the meeting of Azerbaijani and Armenian presidents in Prague on 7 May brought new positive developments in the peace process, something qualitatively new during his tenure as co-chairman.¹

The previous month, Azerbaijan's President Ilham Aliyev talked about the necessity of providing security for the population of NK, in an interview with the Russian ITAR-TASS news agency and *Rossiya TV* channel. He said: "We understand Armenia's wish to have a land connection with NK. We see no problem in that. An effective solution of the Lachin corridor issue is possible and this should not worry people who currently reside there and Azerbaijanis, who will settle there in the future."²

Signing a peace accord is an important step but it is just the start of a complex process of conflict resolution. The

1 Exclusive interview with Matthew Bryza (in Azeri). *Radio Liberty* (8 May 2009): <http://www.azadliq.org/content/article/1623751.html>
2 Ilham Aliyev on Lachin Corridor (in Azeri). *Radio Liberty* (19 April 2009): <http://www.azadliq.org/content/article/1611659.html>

Stakeholder analysis

There are a wide variety of stakeholders that can influence the post-war reconciliation process in Azerbaijan. They cover the political spectrum, and cross social and generational divides. The following stakeholders can be identified:

Civil society groups and NGOs

Since the 1990s, non-governmental organizations (NGOs) have been involved in cross-border initiatives between Armenia, Azerbaijan and Georgia. Almost all conflict resolution and confidence-building projects in the region have been supported by international sponsors mainly from Western Europe and the USA. The Armenian and Azerbaijani governments discouraged cross-border initiatives, so projects initially took place within a South Caucasus framework that incorporated Georgia and its conflicts. These NGOs became important because they realized they could attract funding if they worked using a peace-building agenda and international cooperation. This is what I would call the 'commercialization of peace'. These groups did not all have a genuine interest in peace and NGO work became a form of business activity aimed at channelling funding into the solution of goals set by regional partners. However, some genuine peace supporters do exist and in a more favourable environment they could become catalysts for positive post-conflict development.

Any kind of classification can be open to misrepresentation, but it is possible to identify two particular civil society groups which are important peace actors:

- The older generation, raised and educated during Soviet times when the ideology of 'friendship among nations' dominated. This was an ideology resembling modern Western ideas of tolerance and social cohesion. This generation includes the Russian-speaking intelligentsia, including scholars and artists.
- Youth groups, student movements and youth NGOs involved in cross-border cooperation, supported by international organizations. Although the majority of young people are still sceptical about the possibility of peace, and many feel aggressive towards the 'enemy', over the last few years a special youth agenda with local and international support has been implemented among active civil society youth groups. These groups are probably the most dynamic part of Azerbaijani and Armenian societies and they use every opportunity to travel and engage in international projects and attend international events where they can meet each other, although not necessarily to discuss peace *per se*.

If the peace process continues and the governments make a commitment to people and processes that may take years to come to fruition, civil society organizations will emerge as organizations equipped with the tools of multi-track diplomacy. As mentioned above, two groups are really important: the older intelligentsia and young pro-Western groups. Civil society organizations (CSOs) will be engaged in cross-border cooperation and the transformation of their respective societies. Importantly, civil society initiatives are able to include representatives from two groups which have had no role in the formal peace process – the internally displaced population in Azerbaijan and the Karabakh Armenians.

Of course, this will only happen if governments are committed to peace and agree on basic principles. One positive development is that they have begun to recognize that second-track diplomacy is a useful tool. This happened for the first time in June 2007 when a delegation of senior academics from Baku, headed by Azerbaijan's ambassador to Russia, Polad Bulbuloglu, visited NK and Armenia to meet senior officials. The visit confirmed that the Azerbaijani authorities can organize different types of peace initiative. In July 2009 this initiative was repeated by Bulbuloglu and the Armenian ambassador to Russia, Armen Smbatyan.

The Helsinki Citizens Assembly South Caucasus Network has organized another new initiative, the Civil Minsk Process, which brings together civil society representatives from Armenia, Azerbaijan and both communities in NK (Armenians and Azerbaijanis). Armenia and Azerbaijan are watching the process carefully.

Overall, the Azerbaijani authorities now appear to be more tolerant towards second-track initiatives, and are less likely to label civil society activists contacting Armenians or visiting Armenia and NK as 'traitors'. This change in attitude will give the government greater legitimacy in the conflict resolution process.³ However, it is likely that Azerbaijani authorities will involve pro-government or governmental people (such as Ambassador Bulbuloglu) in the process.

The ruling party and opposition in Azerbaijan

The situation with political parties is more complex because they claim the support and legitimacy of bigger audiences. Currently, the ruling elite and opposition parties hold more or less the same position on Karabakh. The recent issue over the possible opening of the Turkish-Armenian border caused dissatisfaction on both sides. In general, the ruling elite and political opposition compete over the Karabakh issue, but this competition involves discussions on the failure of the authorities to 'restore territorial integrity', rather than talks about mistakes in the peace negotiations.

3 Personal communication with Erkin Gadirli, participant in the Civil Minsk Process.

Both sides use the rhetoric of historical justice. The only difference is in their priorities. The ruling elite is more concerned with security and the sustainability of the political establishment, so it tends to give higher priority to the issue of Karabakh. As the question of Karabakh is a hot topic in internal politics, the government has used it extensively to gather support during election campaigns. In the 2005 parliamentary elections the opposition's discourse on the necessity of extending political and economic freedoms and achieving greater democracy and human rights in the country was confronted with the ruling elite's heavy emphasis on Karabakh.

The government tends to be extremely cautious in its dealings with the peace process, because any mistake might be very damaging for it. The issue is a sensitive one that can quickly unite the majority of Azerbaijanis. Similarly the opposition does not want to lose out to the ruling party.

The fundamental question is: what will happen if the ruling elite takes up the challenge of agreeing on the Basic Principles and even signs a peace accord? Opposition parties may accuse the government of selling out on national interests. On 14 May opposition forces organized a Karabakh Forum in Baku, which was attended by most opposition political parties. They expressed great concern about the government's secretive negotiations on Karabakh, and some of the participants said the issue is about whether Azerbaijan is compromising too much *vis-à-vis* Armenia.⁴

Although a peace agreement is negotiated by lawyers and signed by leaders, it has a real impact on people's lives. Therefore its success or failure depends on the ability of negotiators to win over their constituencies and deliver on any concessions and reforms. The Azerbaijani government may find this difficult, and it may consider starting a dialogue with the opposition, something it has not done for a long time. Generally, the government's strategy is to deny the opposition any legitimacy by saying there are no major problems in Azerbaijan and therefore the opposition does not have any real support or 'social base'.

Media and public opinion

The media has always been vital in maintaining public awareness of the NK conflict. Some TV channels, like *ANS TV*, emphasize patriotic sentiments. Azerbaijani websites are slightly more balanced.

There are contradictory views as to what public opinion really believes about the Karabakh conflict. Many people have strong nationalistic feelings about it, NK is a burning issue in Azerbaijani politics, and politicians and the media address it more or less on a daily basis. Memories of the war and related enmity and rivalry surface during periods when both Armenia and Azerbaijan try to re-establish

damaged self-esteem and national pride. This happened during the 2009 Eurovision song contest when an Armenian presenter showed images of a monument in NK. Azerbaijani Public TV responded by deleting Armenia's voting number, making it impossible for Azerbaijanis to vote for Armenia.

However, this does not necessarily mean it is a high priority on the daily agenda in everyday life. Individuals are more preoccupied with their social and economic problems, although opinion polls always suggest otherwise. (This may be because people feel they are being more patriotic if they prioritize NK in this way.) There seems to be a paradox here, but the situation may be understood better using the democratic peace theory. This assumes that the majority of people carry a heavy burden in any conflict and its consequences and therefore want to avoid renewed bloodshed. However, it is worth repeating that ethnicity and national pride evoke strong emotions which are unpredictable and easily inflamed during conflict.

Scenario I: Azerbaijan as 'wealthy peacemaker'

Let us now consider one way in which things may change in Azerbaijan if it agrees to the Basic Principles in 2009.

The government will need peace-building initiatives, so it will start promoting and seeking help from groups and organizations with the ability to carry out multi-track diplomacy. Civil society organizations, youth groups, NGOs, academics and intelligentsia will carry out second-track diplomacy to build confidence and help improve relations between Armenia and Azerbaijan, as well as between NK and the Azerbaijani authorities.

As Azerbaijan's claims for territorial integrity are satisfied, the issue of NK's autonomy will become a topic for discussion. Azerbaijan will feel obliged to engage in power-sharing if NK is 'returned'. The key concept here is the status of Karabakh, which has always been the most intractable issue. The most widely discussed suggestion initially was to grant Karabakh autonomy with the option of holding a referendum some time later. But the parties to the conflict did not support this approach and it was decided to defer discussion on NK's status.

Two questions are key for us to understand this process. What does the term 'autonomy' mean (or 'highest autonomy')? And which tools would the government use to negotiate with NK, as well as Azerbaijan's opposition, civil society and media? The Basic Principles seem to propose that NK will have a form of 'interim international status' (basically *de facto* what it now possesses) while the territorial integrity of Azerbaijan is not disputed, and NK's final status will be decided by referendum at a later date.

4 *Yeni Müsavat*, 15 May 2009.

The issue of a referendum is key. If Azerbaijan agrees to one, it will try to convince the people of NK that Azerbaijan is a better place to live than Armenia. This will pressure the Azerbaijani political establishment to create more economic and political freedoms.

Yash Ghai, a scholar of constitutional law, suggests that "autonomy is a device to allow an ethnic group or other groups claiming a distinct identity to exercise direct control over important affairs of concern to them while allowing the larger entity to exercise those powers, which are the common interest of both sections".⁵ The important issue here is what "common interests" are shared between the Azerbaijani and NK authorities and populations.

A high level of autonomy for Karabakh would create two issues. The first concerns Azerbaijan's constitution and the way it relates to power-sharing. Autonomy arrangements divide power and contribute to constitutionalism as they emphasize the rule of law and the role of independent institutions. Since Azerbaijan held a referendum which ended limits to presidential terms, the authorities feel more confident about promoting a peace deal to the public. But it will still require a great deal of internal discussion and negotiation.

The second issue is to do with the relationship between the Azerbaijani authorities and NK. The Azerbaijani government will have to make itself more attractive to NK, which is likely to be an unwilling negotiating partner. Azerbaijan will have to show that it has something to offer NK and be able to persuade NK to accept its offers.

This is the point where the two issues connect. To build a solid negotiating position the Azerbaijani government will be forced to draw support from different layers of society. One way to do this is to provide economic incentives which address the "common interest" of both NK and the Azerbaijani people and authorities. By involving NK in various regional economic projects Azerbaijan will act as a 'wealthy peacemaker'. This will be another opportunity for the government to open up economic opportunities to both sides of the conflict and improve regional trade and economic growth.

Karabakh's autonomy would require more respect, discussion and compromise on the part of the Azerbaijani government. This is not the first time that Azerbaijan will have an autonomous region within its border. The Nakhichevan Autonomous Republic has been an autonomous entity for a long time, but especially during the independence period. However, this is a completely different case in which ethnic differences play no role.

The Azerbaijani ruling elite does not have a culture of political power-sharing. Since 1993 the Yeni Azerbaijan Party has repeatedly enjoyed majorities in the Milli Majlis, the parliament of Azerbaijan, as well as total control over the executive. Several opposition representatives were allowed into the parliament in 1995, but their numbers fell in subsequent elections. Currently only five or six members of parliament are considered genuine members of the opposition and their activities in parliament are challenged. In October 2008, when Aliyev was elected president, major opposition parties boycotted the elections. Later, in March 2009, the ruling party decided to amend the constitution and end limits to presidential terms, allegedly to prevent an intra-elite struggle for power and guarantee Aliyev's presidency beyond 2013. The reasoning behind this was the shared understanding that Aliyev is a candidate who satisfies all the different power groups within the elite.⁶

Power is not equally shared between the different branches of government either – the executive branch has much greater control than the legislative and judicial branches. So Karabakh's 'return' would be a major challenge for Azerbaijan's ruling party, since it would have to 'digest' such a big political and legal entity into the system.

The government shows no signs that it is prepared to face these issues. This may polarize the positions held by the government and the opposition which would demand fewer rights for NK and Armenians in any new constitution. The opposition would be in a better position to mobilize around this cause. The biggest question of course is how the government is going to technically arrange autonomy and share power with NK.

The best-case scenario is for Aliyev to begin a dialogue with his political rivals. This would mitigate domestic tension and build consensus at a time when the government needs the support of a broad spectrum of political forces, civil society and media. It would be a difficult step for Aliyev, who has not held talks with the opposition since he came to power in 2003. (His father, former President Heydar Aliyev, used to engage the opposition in parliamentary discussions on Karabakh during sensitive times and share the burden of difficult decisions.) However, it would also be a relatively safe step for the government to take because the opposition is very weak and is highly likely to accept the offer of talks.

5 Sick, Timothy D. 'Power-sharing after Civil Wars: Matching Problems to Solutions', in John Darby and Roger MacGinty (eds) *Contemporary Peacemaking* (Palgrave MacMillian Ltd, 2003)

6 However, a prominent lawyer and the co-founder of Republican Alternative Public Union, Erkin Gadirli, pointed to a detail that, in fact, this new amendment cannot be applied to Ilham Aliyev but to the next elected president as the constitution was amended after Ilham Aliyev's election in October 2008 (in Azeri): <http://erkin13.blogspot.com/2009/04/post-referendum-bzi-qeydlr.html>

It is important to mention here that the opposition and international organizations like the OSCE have already suggested the idea of a dialogue several times. Each time the ruling elite was unwilling to take part, so these initiatives only took place at a junior level. So it is quite possible that if Aliyev offers the opposition a deal, it will be very willing to hold talks on the future of Karabakh.

The government would still have to deal with public opinion but, as mentioned above, the majority of Azerbaijanis would support a peaceful resolution of the conflict. Although it would be challenging to redesign the government's information policy, multi-track diplomacy will be a useful tool to promote new agendas and policy. Prominent public figures, artists and intellectuals can also help to promote a peace agenda. Trips across the border can reinforce confidence among societies. Also the government might build a new concept of patriotism by stressing the importance of the return of territory and peace, and ending the 15-year plight of displaced people living in unbearable conditions.

Scenario II: Autonomy fails; a 'cold peace'

A second scenario might develop if power-sharing arrangements fail between the Azerbaijani government and the NK authorities, or insurmountable tensions develop within Azerbaijani society and the political opposition.

Power-sharing guarantees are not very durable. Timothy D. Sick argues that "a key figure of power-sharing – the mutual veto, whereby decisions are taken with the widest possible consent and only with a near consensus – often leads to the use of political blackmail. Unable to get consensus governance stagnates and policy-making drifts; the result is a 'cold peace', in which the parties do not continue to employ violence, but neither have they embarked on a serious process of reconciliation".

This situation is possible if Azerbaijan does not develop a workable model of constitutional arrangements, or if NK decides to put more pressure on the Azerbaijani government in the negotiations over the content of its autonomy. This leads to a situation where both sides reject compromise and the peace process stalls.

Another cause of stalemate could be Azerbaijan's failure to deliver economic or financial support it might promise to NK. The international financial crisis and possible cuts in Azerbaijan's oil production after 2010 may affect its ability to contribute to NK's economic sustainability. Azerbaijan's government is forecasting nearly a 10-fold decline in the country's GDP growth. Its oil production will peak in 2009-10 at 65 million tonnes a year, and begin to decline

in 2011. The next peak in its oil and gas sector is expected after 2012 when it launches Phase 2 of the Shah Deniz Gas Project.⁷

If the government mismanages this decline, it might turn into social discontent that could be used by opposition to gain more legitimacy. The authorities could be blamed for spending oil revenues on NK while Azerbaijanis suffer from the financial crisis. The displaced population in Baku could be central to this kind of social frustration.⁸ Also, if opposition parties are dissatisfied with the peace deal and their participation in decisions regarding NK's status and related issues, they can use these arguments to mobilize the electorate against the government.

Oil may also trigger an escalation in the conflict. Azerbaijan has recently gained both self-confidence and revenue from the implementation of large multinational projects. This may be used by hawks in Baku to push for a military solution of the conflict.

Whether it is the result of an increase or decrease in oil production, the ruling elite could be divided over the means and ways of resolving the NK conflict. The difference between hawks and doves is not so obvious now, but it may become more visible if a crisis occurs in the relationship between Azerbaijan and an autonomous NK. Hawkish attitudes could cut across political divides and be mutually reinforced by the government and part of the hawkish opposition, thereby creating hostile attitudes in society towards a re-demonized enemy. The media could fuel this tendency very easily.

However, regardless of the motivations of different actors, it is highly improbable they will result in war, because this would be disastrous for the economic interests of the Azerbaijani elite. Also, they do not want to hurt the country's image by antagonizing international efforts to mediate peace. The international community wants to achieve a settlement sooner rather than later, since oil revenues increase and are then predicted to fall again relatively soon.⁹

A failure in power-sharing could backfire on the relationship between the Azerbaijani authorities and the opposition. An unsuccessful experiment in the 'culture of contracting' might force the authorities to discontinue attempts at dialogue with the opposition in order to gain more legitimacy *vis-à-vis* NK autonomy. If the Azerbaijani authorities do not see any need to gain domestic support they will be more inclined to disregard the opposition and reverse the democratization process.

7 Azerbaijan has seen quite pessimistic medium-term forecasts with GDP growth reducing, hypothetically, to 3.5%: http://abc.az/cgi-bin/wnews_one.cgi?nid=18713&lang=eng

8 Cohen, Michael. 'The effect of oil revenues on transition economics: the case of Azerbaijan'. *Geopolitics of Energy*, Vol. 28, No. 6 (June 2006) : [http://www.eia.doe.gov/cabs/Azerbaijan/images/GoE_Jun06%20\(last%20article%20only\).pdf](http://www.eia.doe.gov/cabs/Azerbaijan/images/GoE_Jun06%20(last%20article%20only).pdf)

9 Cohen. 'The effect of oil revenues'

Conclusion

Power-sharing suggests a contractual relationship according to fixed and predictable rules. The Azerbaijani state's institutional capacity to provide a suitable environment for such a relationship is currently limited, and a transformation in the way power is exercised is needed for power-sharing proposals to become more plausible. While second-track efforts have an important role to play in the overall process, governance standards and institutional capacity to deliver on rights remain central to the feasibility of plans for autonomy in NK.

The resolution of the Karabakh conflict has the potential to radically transform the way power is exercised in Azerbaijan. This is because the models of autonomy and power-sharing suggested for Karabakh imply a wide series of relationships, not only between Karabakh and Baku but also between the Azerbaijani government and wider domestic actors, such as political parties and civil society groups. Indeed, a transformation in the exercise of power is necessary if Azerbaijan is to evolve into a state capable of accommodating a genuinely autonomous unit.

Azerbaijan's status as a major oil producer will affect its ability to change. Periods of 'boom' in the oil industry will provide fewer incentives for Azerbaijani elites to engage seriously with the peace process; periods of economic crisis and recession will motivate greater engagement. In either case, Karabakh Armenians' view of the economic benefits of joining the Azerbaijani state will depend on whether they think Azerbaijan can deliver on any promises it makes. That implies transparent and accountable standards of governance. It also underlines the fact that since it is Azerbaijan that is offering autonomy, it is Azerbaijan's responsibility to make that offer credible.

At the same time Karabakh Armenians will have to shoulder much of the responsibility to compromise, since they are by definition a reluctant partner. If they want peace, they will have to overcome that attitude.

Mikayel Zolyan

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Introduction: Some theoretical considerations

There is an approach to resolution of the Nagorno-Karabakh (NK) conflict, which I would call the "geopolitical paradigm". This pattern of thinking suggests that perspectives for the resolution of the conflict are dependent not so much on the actors in the region, i.e. Armenia, Azerbaijan and NK, but rather on global and regional powers. According to this view, it is the relations between major powers, rather than within the societies of Armenia, Azerbaijan and NK, that will dictate the resolution of the conflict. According to this line of thinking, international consensus among global and regional powers about how the conflict should be handled is possible, and this consensus can be imposed upon the conflict parties. Ironically, it is representatives of local elites who often put forward this view, which diminishes the importance of local actors; they put their hopes in the pressure exerted by the international community (or USA, Russia, the EU, Turkey, etc.) on adversaries in order to force concessions.

I do not question the reality that geopolitical considerations and the positions of global and regional powers are important for developments in the region. However, the idea that the key to resolving the NK conflict lies with external powers seems problematic. Even if we put aside the problematic moral implications of this approach, it is not helpful from a purely pragmatic point of view. Though this kind of thinking usually comes draped in the rhetoric of Cold War-era *Realpolitik*, its underlying assumptions are far from reality. It is difficult to imagine that the main players in

the South Caucasus, i.e. the USA, Russia, Turkey, the EU and Iran, will arrive at a long-lasting consensus regarding a resolution of the NK conflict in the foreseeable future. Each of these actors has their interests in the region, often irreconcilable with the interests of the others. These actors also have enough resources to destabilize the region and sabotage any solution against their interests. Even if there is a consensus between major powers at a certain point in time it is unlikely that it will last long, and as soon as this consensus is shaken, the new situation can be used by the side unsatisfied by the results of the consensus.

Therefore, any solution imposed on the conflict parties by the major powers, is not only unsustainable but represents a potential time-bomb. Crucially, the "geopolitical paradigm" ignores developments within the local societies. A sustainable resolution of the conflict can be reached only when local societies are transformed, and the nature of the relationship between Armenians and Azerbaijanis changed. As numerous cases of reconciliation between former "eternal enemies" in different parts of Europe suggest, Armenian-Azeri reconciliation is not an idealistic dream. However, until such changes within societies start happening, any model of resolution of the Armenian-Azerbaijani conflict can become a dangerous illusion.

The "geopolitical paradigm" leads to what can be termed the "top-down" approach, i.e. the idea that resolution can be worked out by representatives of the governing elites and then imposed on societies. Of course, it takes political will and courage from the leaders to be able to work out a compromise solution. However, compromise can be successful only if there is demand for it amongst the wider public. It is possible to imagine a situation in which supporters of compromise are widely represented at least among influential groups – political leaders, bureaucrats, businessmen, the expert community, NGOs, etc. Unfortunately, the current situation in Armenia and Azerbaijan is not even close to these conditions. On the contrary, voices for compromise are marginalized and stigmatized as "traitors" both by pro-government propaganda and public opinion.

Of course, it might be argued that since neither Armenia nor Azerbaijan are fully functioning democracies¹, public opinion is not as important as the position of the elites. This logic implies, however, that governments can be engaged in the deception of their own peoples, up to and including the violent crushing of dissent. In other words, this would

1 The Freedom House survey "Freedom in the World" for 2008 Azerbaijan in the category of "non-free" countries; Armenia is in the category of "partly free" countries, though it has experienced a decline in its rating for last year (A. Puddington. "The 2008 Freedom House Survey" in *Journal of Democracy*, April 2009, Volume 20, Number 2).

mean sacrificing democracy and human rights in the name of conflict resolution.

Even if we put aside the moral implications of such actions, the problem with this approach is that it will simply not be effective. In Armenia, the government has already found itself in an extremely unstable position after the disputed elections of 2008. Although so far the opposition has declared its support for a compromise on NK, there is a trend of radicalization within the opposition and in the society in general. The logic of the political process in Armenia suggests that the opposition will either have to counter possible concessions by the government or face the danger of losing a large part of its support base to more radical forces. Given the background of financial and economic crisis, the Armenian government will not be able to impose an agreement on society perceived as concessionary to Azerbaijan. On the contrary, such attempts might have dramatic consequences for the government itself (as in 1998). As for Azerbaijan, the current government's position seems to be much more stable and unchallenged. However, as Thomas de Waal points out, the belligerent rhetoric of the Azerbaijani authorities means it would be extremely difficult for them "to sell" compromise to society.²

There is another factor making the defence of compromise by Armenian and Azerbaijani governments unlikely. For years, the unsolved conflict has been a source of legitimacy for ruling political elites. The "no war – no peace" situation has served to legitimize the lack of democratic freedoms and necessity for authoritarian methods of government. The image of the other side as "the mortal enemy," reinforced by government propaganda, has been used to rally the population behind the ruling elite. Critics and adversaries of the government have been demonized as "traitors" and their actions portrayed as a threat to "unity". In the absence of a clear political ideology, this discourse has become the main tool for the legitimization of political elites both in Armenia and Azerbaijan. "Selling" compromise to their societies would require from the elites a rejection (or at least transformation) of the ideological basis of their own power, something they are very unlikely to allow.

The same methodological error that manifests itself in the "top-down" approach has led to the exclusion from the peace process of the representatives of NK itself. It is not our goal here to discuss whether inclusion of the representatives of Stepanakert in the peace process would be fair from a moral or legal point of view. What is important in my view is the reality that, although unrecognized, the Nagorno-Karabakh Republic (NKR) is an autonomous political unit effectively controlling the territory of NK and enjoying legitimacy in the eyes of the population currently living there. Therefore, leaving aside the moral

and legal aspects of the issue, from a purely pragmatic point of view the participation of NK's leadership in the peace process is crucial: any agreement which excludes the representatives of NK would be virtually impossible to implement. NK is currently an autonomous actor, with its own interests and its own tools of influencing the political process. While the Armenian government certainly has strong influence on decision-making in NK, there are certain limits to that influence, since, for reasons of internal politics, no Armenian government can afford an open confrontation with the leadership of NK. As the course of events in the late 1990s showed, lack of support from NK can be costly for the ruling elite in Armenia, especially against a background of political crisis and low legitimacy.

Another issue often raised in connection with the format of the peace process, is the issue of participation of the representatives of refugees. Engaging in a discussion about the format of representation of refugees and internally displaced persons (IDPs) in the framework of the peace process would lead us too far from the objectives of this paper. However, it would be desirable to envisage a certain mechanism, which would allow refugees from all sides to make their voice heard in the peace process. It is my strong conviction that the peace process will not be complete, unless it creates an opportunity for all refugees of all ethnicities to determine their future freely. However, when it comes to negotiations and decision making, it is important to distinguish between actors, that, whether internationally recognized or not, possess capabilities of a political unit (as in the case of the NKR), and those that do not have such capabilities.

Fifteen years of ceasefire

The NK conflict is similar in many ways to many other military conflicts. However it is exceptional in one sense: a ceasefire agreement, which has not been followed by any political settlement, has been kept for 15 years in spite of the absence of foreign peacekeepers and international security guarantees. This fact is often underestimated.

The NK case provides arguments to both supporters and critics of the usefulness of "freezing" of conflicts. The unresolved conflict hinders the development of Armenia and Azerbaijan in virtually all fields from the economy to human rights and democracy and turns the countries of South Caucasus into pawns in the geopolitical games of major powers. There is immense human suffering on both sides of the divide, whether among the refugees, who have been stripped of their homes and properties, or among the population of borderland areas, who live in constant fear of new bloodshed. The ceasefire violations cost the lives of dozens of Armenian and Azerbaijani young men every year. The "no war – no peace" situation breeds hate, fear, intolerance and aggression.

2 Thomas de Waal, *The Karabakh Trap: Dangers and Dilemmas of the Nagorny Karabakh Conflict*. Conciliation Resources, 2009; p.7. Available at <http://www.c-r.org/our-work/caucasus/documents/Nagorno-Karabakh-report-AW.pdf>

Though the parties are paying a high price for the current status quo, the costs of a new war would be much higher. Fortunately, the political elites of the region realize this, preventing the breakdown of the ceasefire. Though its stability has been tested by border incidents and there is ongoing propaganda warfare, the parties have managed to avoid a full-scale military confrontation, at a time when the Eurasian continent has been shaken by instability from the Balkans to the North Caucasus and Middle East. Against this background of volatility, the balance of power in and around NK established in the mid-1990s, has proved more stable than many could have imagined. Thus, on the one hand, the status quo is costly for all sides of the conflict. On the other hand, hasty and uncalculated steps in the conflict resolution process can break the delicate balance and lead to unforeseen developments for all parties involved.

Recent developments around Kosovo, Abkhazia and South Ossetia might potentially lead to certain changes in the situation. An important regional development is the attempt at normalizing Armenian-Turkish relations. Attitudes towards Armenia and Armenians within Turkish society have begun to change, and at the same time the position of Armenian elites vis-à-vis Turkey has become more pragmatic. Finally, the new trends in US policies towards Russia and Iran, if successful, can be crucial for stability in the South Caucasus and have a benign effect on the NK peace process. Furthermore, reassessment of US foreign policy might serve as a positive example for Armenian and Azerbaijani political elites, which have so far relied on "hard power" and emphasized military might, diplomatic pressure, and economic sanctions, rather than negotiations and dialogue.

Scenarios

An optimistic scenario

This is a highly optimistic scenario, in which all actors make responsible choices and the international and internal situation in the countries involved is favourable for a peaceful resolution. This might seem an almost "utopian" scenario, since the odds of all factors being positive at the same time are not very high. However, it is still useful to have a blueprint of how things could happen in a "perfect world".

I will not discuss here the details of the actual agreement, which is to be signed between the parties to the conflict, since this is not the task of this paper. Besides, the "Madrid principles" currently being discussed are not yet publicly available, so any further discussion will be based on speculation. Furthermore, despite remaining confidential the Madrid principles have already gained a bad reputation among many Armenians and Azerbaijanis because of

media leaks and speculation. In any case, there seems to be a consensus among many experts regarding what a realistic model of compromise could look like.³ Armenia and the NKR would never accept any model of solution, which subordinates NK to Azerbaijani authority, even if this rejection involves the risk of continuing stalemate or new escalation. Similarly, for Armenia and the NKR the issue of a land connection between the two states is vital. In its turn, Azerbaijan will do everything in its power to regain the territories surrounding NK. Whatever the compromise, it will have to take into account these realities. What is important is that the leadership of the NKR approve the agreement in addition to the Armenian and Azerbaijani leaders.

Of course, as it has been often said, "the devil is in the details". Currently, in the eyes of elites in Armenia, NK and Azerbaijan the potential costs of conflict resolution are significantly higher than the potential benefits. It is true that they are not interested in a military escalation either: here too potential risks are quite high. Obviously, the "no war – no peace" situation and continuing negotiations without tangible results offers the best combination in terms of costs and benefits. In order to make progress possible, it is important to alter the cost-benefit calculations for the local elites. This can be achieved both through internal and external mechanisms of influencing the elites. Internally, it will become possible if there is a change of public opinion and a widespread demand for peace and compromise. That will put pressure on local elites, or at least create a situation in which internal risks associated with compromise are relatively low. In terms of external mechanisms, this implies active involvement of the international community through "carrot and stick" diplomacy. In practice this means restraining the local elites through unequivocal condemnation of belligerent rhetoric, propaganda warfare and restrictions on civil society contacts. It also means encouragement of the elites through economic incentives, aid programs, investments and participation in regional integration. It is important that the internal and external processes go hand-in-hand, or we might find ourselves in the trap of the "top-down" approach.

A shift in the negotiations would create a self-enforcing positive dynamic. Progress in the peace process ensures progress in economic and civil contacts, which in turn influence the peace process. Communications are opened, trade between Armenia and Azerbaijan, for years executed through third countries, is restored directly and develops further. The territory of Azerbaijan serves as a transit corridor for Armenia's communication with Russia, while Armenian territory provides transit for Azerbaijan to Nakhichevan and on to Turkey. Existing railroads start functioning, connecting Armenia, Azerbaijan, Turkey and Iran, giving an impetus to the further development of economic cooperation. The position of governments

3 As Wayne Merry writes in a recent paper: "The outlines of a settlement have been clear for fifteen years... Armenia will get Karabakh and a land corridor to Armenia, while Azerbaijan gets back the lowland surrounding territories. This is not about justice, nor right and wrong, but is the inescapable and necessary formula for peace." W. Merry. "Karabakh: Is War Inevitable?" 22 May 2009, <http://www.opendemocracy.net/russia/article/is-war-inevitable>.

regarding contacts between civil society groups changes; all parties encourage contacts and civic dialogue, leading to important shifts in the attitudes in the societies.

These developments take place against the background of a supportive international climate. The so-called "reset" policy in Russian-American relations proves to be successful, allowing cooperation between Russia and the West in the South Caucasus. The US also succeeds in establishing a productive dialogue with Iran, where moderates come to dominate the political scene. The South Caucasus, as a borderland between Europe and Iran, becomes an intermediary in the dialogue between Iran and the West.

An agreement around NK reduces the sharpness of competition between Russia and the West in the South Caucasus. Russia accepts Armenia's and Azerbaijan's full participation in the Eastern Partnership and further integration with EU, in exchange for guarantees that neither of these countries will join NATO in the near future. The European Union, enthusiastic about developments in the region, makes substantial investments in the economy, infrastructure, and civil society. Russia, which already has a strong economic stake in Armenia, uses the new situation in order to advance its economic interests both in Azerbaijan and Eastern Turkey. Competition between the West and Russia in the region becomes economic rather than political and military. This positive climate has a benign influence on the situation in Georgian-Russian relations. The South Caucasus enters 2014 as a region that is more stable and secure, with a vibrant economy, with balanced relations with all the major powers and an important global role as a bridge between the West, Russia and Iran.

A pessimistic scenario

Contrary to the previous scenario, this one is based on the principle that "everything that can go wrong does go wrong". We know that pessimistic projections of the future sometimes tend to become self-fulfilling prophecies. However, ignoring the prospects of possible deterioration is even more dangerous.

"Unfreezing" of the conflicts might lead either to a peaceful resolution, or, as the Georgian case showed, it could lead to a new escalation.⁴ Clearly, the situation in NK is very different from the situation in Abkhazia and South Ossetia. Still, the tragic reality of the Russian-Georgian war is an important reminder of the reality that "unfreezing" a conflict might lead to a military escalation.

In the pessimistic scenario, a certain model of conflict resolution, possibly related to the Madrid Principles,

is forced upon the parties by the regional powers and international community. An agreement is signed by Armenia and Azerbaijan under pressure from Russia and USA, backed by EU and Turkey. The agreement contains dangerously vague points that can be interpreted differently by the sides, in particular "postponed self-determination", i.e. the suggestion that the status of NK will be decided in the future by a popular vote.⁵ Representatives of NK are excluded from the peace process, severely damaging its legitimacy in NK and in Armenia. The NK leadership refuses to accept the agreement. Eventually, faced with pressure from Yerevan it agrees to accept its main points, but as a result of the controversy between Yerevan and Stepanakert the internal standing of the Armenian government is seriously harmed. The Yerevan government, widely perceived as "treacherous" and "defeatist", loses support not only among the wider public, but also among influential circles in the military and security establishment. The opposition is split on whether to support or oppose the compromise. Eventually, the radical part of the opposition forms an unexpected coalition with previously marginal nationalist groups and the influential military establishment. The government collapses under pressure of radicals, who form a new government, which rejects the policy of "complementarity"⁶, distancing itself from the EU and the USA. The normalization of Armenian-Turkish relations stops indefinitely.

In Azerbaijan, the opposition, as well as some elements within the ruling regime, try to use the negative reactions of the public to the compromise agreement to challenge the government, but the authorities are able to crush dissent. The authoritarian regime is further strengthened, the remnants of democratic opposition are marginalized, and the media and civil society face new tough sanctions. The government's deteriorating human rights record leads to troubles in the relations with European institutions, and forces the elites to seek rapprochement with Russia, which is less demanding in terms of democratic liberties.

In the meantime, the implementation of agreements faces serious obstacles. Several provocations occur on the Line of Contact, during the deployment of peacekeeping forces from European countries. Armenians and Azerbaijanis blame each other for the incidents, while NATO blames Iranian special services. Refugee return creates tensions caused by old scores and disputes over property. Tensions escalate into violence, which the international peacekeeping forces are unable to put down. After a regiment of European peacekeepers is caught in an ambush, and several peacekeepers are killed in mysterious circumstances, European countries start pulling out their peacekeeping forces from the conflict zone. Armies of

4 M. Saldadze. "Razmorazhivanie konflikta v Tskhinvali - prodolzhenie ili proval revolyutsii Roz?" [Defrosting the conflict in Tskhinvali - continuation or failure of the Rose Revolution?], *Tsentral'naya Aziya i Kavkaz*, 5 (35), 2004.

5 Yerevan and Stepanakert interpret the voting as a referendum of independence to be carried out in NK, while Baku insists on its interpretation as a plebiscite on determining the level of autonomy of NK within Azerbaijan.

6 The essence of the policy of "complementarity" is keeping developing relations with the West, while maintaining military and political alliances with Russia.

the conflict parties fill the resulting vacuum. The conflict escalates into a full-scale war.

In another version of the pessimistic scenario the escalation may be the outcome of the vague definition of the "popular vote for determining the future of Karabakh". Authorities in NK hold a referendum on independence, which Azerbaijan refuses to recognize, based on its own interpretation of "the popular vote". Amid a new surge of radicalism on all sides provoked by this controversy, the conflict escalates, following a similar pattern.

The failure of western peacekeepers leaves Russia as the only actor in the region capable of influencing developments in the conflict. Russia mediates a ceasefire, which is to be kept by a Russian-dominated peacekeeping force. Armenia finds itself isolated and completely dependent on Russian military and political support. Azerbaijan, in turn, is forced to agree to a Russian military presence on its territory and drops out of new energy projects bypassing Russia. Armenia, Azerbaijan and NK enter 2014 devastated by war, with closed borders, with deepening authoritarian tendencies, and with a diminished degree of state sovereignty.

A 'status quo' scenario

Another scenario would be the failure of negotiations and a return to the situation of "frozen conflict". This has happened before in the course of the NK peace process, e.g. after the Key West meeting of 2001, and it can happen again. This can be an outcome of two main factors: changes in the wider geopolitical context and the reality that the societies of Armenia, Azerbaijan and NK are unprepared for genuine compromise and reconciliation.

Many political analysts agree that the involvement of major global and regional powers in resolving the NK conflict has made the success of the process dependent on relations between these major powers. It is also well known that these major powers often have conflicting interests both on the global scale and within the region. Although today there seems to be a certain consensus on the NK peace process between Russia, the West and Turkey, it cannot be considered sustainable. First of all, it excludes Iran, an important global and regional player, which has enough tools to block developments close to its border, if it perceives them as harmful to its interests. It is also easy to imagine how the Western-Russian consensus can evaporate when it comes to concrete details, such as the composition, quantity and mandate of the peace-keeping force. Besides, relations between Russia and the West remain strained in many other areas (e.g. the question of Georgia's and Ukraine's accession to NATO), and a new crisis in their relations could have an adverse effect on NK. It is highly questionable whether security guarantees issued jointly by competing powers can be a basis for a sustainable peace process.

However, even if an "ideal" model of agreement is worked out by the mediators and presented to the parties that

still might not be enough. There is another prerequisite for a successful peace process, which is absent today: the readiness of the societies to accept compromise. The absence of a functioning democracy and low level of public legitimacy of the governments in Armenia and Azerbaijan also undermine the potential for reconciliation between the societies.

The parties are unable to reach a compromise regarding general principles of resolution. Constant leaks in the press, which each side uses to present itself as the "winner" at the negotiating table, eventually undermine the trust between the negotiators. In the mean time, a new crisis in Georgia and a new "gas war" in Ukraine lead to deterioration of the relations between Russia and the West, damaging the potential for cooperation within the Minsk Group. The mediators, however, succeed in convincing the parties to sign a vague document resembling the Moscow Declaration: the document declares the willingness of the sides to continue the peace process within the framework of the OSCE. Although this document is void of concrete content and is perceived by many as simply a face-saving measure, it helps to salvage the format of the Minsk Group and prevent a new escalation around NK.

At this point the "status quo" scenario might evolve in two directions. If the "re-freezing" of the NK resolution process also produces a halt in the normalization of Armenian-Turkish relations it might lead to a scenario partly converging with the previously discussed "nightmare" scenario. The failure of negotiations creates a strong nationalist backlash. The dominance of nationalist rhetoric and negative stereotypes remains unchallenged in both societies, while moderate voices are further marginalized and stigmatized. Azerbaijani elites return to aggressive rhetoric calling for a military solution, prompting a similar response from Armenia and NK. The number of incidents in the border area sharply increases, making fears of a new war more tangible. The closed border with Turkey and the aggressive rhetoric of Azerbaijan leaves Armenia with no other choice than to rely solely on Russia. Azerbaijani elites, disappointed by the West's inability to solve the conflict, try to reach their aims through negotiating a bargain with Russia. Hoping to achieve Russian support for concessions in NK in exchange for a pro-Russian stance on energy projects they drop out from the Nabucco project. Russia continues to play a skilful game of balancing between Armenia and Azerbaijan, in order to maximize its influence in both countries. Since Armenians and Azerbaijanis rely on military strength and military alliances as the only way of achieving security, therefore, the danger of war remains high. The South Caucasus enters 2014 as an even more dangerous place than it used to be in 2009.

In a second, more optimistic version of the "status quo" scenario, the failure to achieve a breakthrough on NK does not halt Armenian-Turkish normalization. In this case, developments partly converge with the optimistic scenario discussed earlier. In this scenario the Armenian and Turkish sides continue to normalize relations, while Azerbaijan does

not attempt to block them. Although Azerbaijani public opinion remains hostile to this process, Azerbaijani elites are convinced by the international mediators that in the long-term Armenian-Turkish reconciliation can be helpful for the NK peace process. Armenian public opinion begins to reassess its attitudes to Azerbaijan: Armenian-Turkish normalization helps Armenian society to get rid of the siege mentality, which had become common during the years of Turkish-Azerbaijani blockade. A similar process takes place in Azerbaijan, where the society begins to reassess some of its attitudes: many Azerbaijanis become more open to the idea of dialogue and compromise with Armenians as Armenian-Turkish reconciliation leads to questioning of negative attitudes towards Armenians.

The success of Armenian-Turkish dialogue creates an atmosphere in which contacts between Armenian and Azerbaijani societies continue. These lead to the breaking of taboos and stereotypes and encourage new ways of thinking about each other. The idea of compromise gains wider support within both societies, at least among the business sector, civil society and intellectual elites. Positive changes in the psychological climate around NK breathe new life into the Minsk process. The mediators present a new package, which mostly replicates elements that have been present in the preceding suggestions (Key West, Madrid, etc.). However unlike in previous years, the suggestions of the mediators are presented in a situation, where there is a growing demand for genuine compromise. By 2014 Armenian and Azerbaijani societies are engaged in a new phase of the peace process, which seems to be heading towards firm and sustainable peace.

Concluding remarks

Although the aim of this paper is not to offer concrete recommendations on what should be done in order to reach peaceful resolution, it may be useful to summarize certain considerations that have arisen in the course of this paper.

A realistic and sustainable solution has to be based on a pragmatic assessment of the realities on the ground, rather than on abstract concepts and idealistic visions of the future. Hasty and unconsidered steps that endanger the fragile balance in the region might lead to disastrous consequences.

It is important to deal with the unwillingness of the local political elites to engage in a productive peace process leading to a genuine compromise. Civil societies from the inside, and the international community from the outside, should work with the elites in order to change their perceptions of the costs and benefits associated with peaceful resolution of the conflict.

The conflict parties, the international community and the mediators should reject the "top-down" approach. Even if the elites are pressured or persuaded into signing a compromise agreement, it will be sustainable only provided

there is a demand for it within their societies. An attempt to impose on the societies a certain model of resolution, which they are not ready to accept, could result in serious destabilization of the region and escalation of the conflict.

The efforts of the international community should not be limited to attempts at finding an "ideal" model of solution to the conflict. The psychological atmosphere, the dominant stereotypes and attitudes need to change. Such changes can be facilitated through contacts on all levels, particularly civil dialogue, and other measures that would challenge the dominant xenophobic and aggressive discourse. This may require international pressure on the parties of conflict, urging them to refrain from belligerent rhetoric, and to encourage (or at least allow) civil contacts.

It is important to acknowledge that the NKR, albeit unrecognized by the international community, is an important political actor, which cannot be adequately represented by third parties. Failure to engage the leadership of NK can severely damage the effectiveness and sustainability of the peace process and jeopardize the implementation of agreements reached without its participation.

Armenian-Turkish normalization should not be made dependent on NK conflict resolution. On the contrary, the normalization of Armenian-Turkish relations can be viewed as one of the prerequisites necessary for establishing a sustainable peace process in NK.

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