



## SECURITY POLICY BRIEF

### **Armenia, Azerbaijan and the Nagorno-Karabakh conflict: why the 'black garden' will not blossom any time soon**

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**After the recent escalation of fighting between Azerbaijan and Armenia-backed separatist forces of the self-proclaimed Republic of Nagorno-Karabakh – the bloodiest and most wide-ranging for the last 22 years – the South Caucasus has re-emerged in the international spotlight. What are the prospects of the recently concluded ceasefire agreement mediated by Russia, asks Tobias Schumacher.**

So it finally happened. The conflict between Armenia and Azerbaijan over the separatist and internationally isolated mountainous region of Nagorno-Karabakh in the South Caucasus, which erupted in 1988 and escalated during 1991-1994 into a full-blown military conflict, flared up again. From 2 to 5 April 2016 Azerbaijani forces on the one side and separatist forces of the self-proclaimed Republic of Nagorno-Karabakh (NKAO) on the other side, supported by the Armenian military, found themselves in major military clashes which, in terms of scale and casualties, exceeded all previous skirmishes since the ceasefire of 12 May 1994. This time, the conflict parties agreed on a renewed ceasefire, mediated by Russia, after just four days. Yet, as the recent past demonstrated, this will not lead

to a complete termination of the fighting or contribute even to a resolution of the years-long conflict. At least three major factors can explain this sobering prospect.

#### **THE NAGORNO-KARABAKH CONFLICT AS A SOURCE OF IDENTITY AND LEGITIMACY**

First, neither the authoritarian regime of Azerbaijani President Ilham Alijev nor the Armenian Republican Party, dominating the state apparatus and led by President Serzh Sargsyan, have a real interest in resolving the conflict. To both sides, Nagorno-Karabakh is too important from an identity-generating perspective, and too strong weigh the legitimacy deficits that both regimes are faced with. What does this mean?

The 'black garden in the mountains', as the wild mountainous region is translated literally, is, according to Azerbaijani reading, the birthplace of Azerbaijani identity and the cradle of its national culture. Conversely, the internationally unrecognized republic, drawing from the military and financial support of Armenia, and boasting just some 150.000 inhabitants, stands in the Armenian collective

memory for the continuation and incessancy of the Armenian nation and identity, given its roots as a province in Greater Armenia at the turn of the second century BC. Any territorial concession by either side would not only result in a *de facto* and *de jure* loss of territory. More importantly, for a considerable part of the two populations it would correspond to a betrayal of the national self-conception. This is something that both regimes cannot afford to ignore, as much as the fact that the conflict is a viable instrument in their autocratic tool-kit that can be used and adjusted anytime depending on the domestic political and economic situation.

As far as Azerbaijan is concerned, Alijev's apparatus of power, and thus its power monopoly, has recently come under growing pressure as a result of its decreasing 'performance legitimacy'. The country, whose exports are comprised of 95% hydrocarbon goods, suffers considerably from the recent fall in the price of oil. Since the end of 2015 this has led to a decline of capital reserves by approx. 50% and to a depreciation of the national currency – the manat – by 48%, both of which, in turn, contributed to a complete melting of the once impressive balance of payments surplus. As the hitherto financially self-sufficient, oil-rent-based regime suddenly finds itself in discussions with international financial institutions such as the IMF, the World Bank and the European Bank for Reconstruction over emergency loans and assistance packages to the private sector, it has come under intense domestic pressure. During the last months, rising food prices, unemployment and inflation sparked numerous demonstrations across the country which even led to violent clashes between protesters and the security forces. In other words, the social pact that was concluded by the undemocratic and human rights violating regime of Alijev, whereby opportunities for

economic advancement and improvements of living conditions were only possible in exchange for non-interference in domestic political affairs, has increasingly come under threat. Consequently, in such a tense and even hostile climate it seems natural from the regime's angle to utilize the Nagorno-Karabakh conflict and elevate it to a higher escalation level, hoping that the decreased legitimacy qua performance can be compensated and ideally turned around by revitalizing, and rallying support for, the fight for what is framed as the 'national cause'.

In this regard, the parallels to Armenia are obvious. While the country until not long ago was euphemistically considered by some as a 'Caucasian tiger'<sup>1</sup>, which drew quite some international attention due to its success in attracting foreign direct investment and its temporary fight against poverty, this has been reversed into its opposite since 2008.<sup>2</sup> The global financial crisis, western sanctions against Russia – Armenia's most important trading partner – and Russian pressure to become a part of the still dysfunctional Eurasian Economic Union have forced the hand of the Republican Party and President Sargsyan and exposed the regime to popular discontent. Growing poverty – every third Armenian lives currently below the poverty line –, the decline of Armenian-Russian trade in 2015, the depreciation of the Armenian dram and of the Russian ruble, the decline in remittances of foreign Armenian workers, a record-high government debt, and the resulting increase of living costs and electricity prices have sparked widespread protests in the summer of 2015, though – unlike in Azerbaijan – these were mainly confined to the national capital Yerevan. Societal discontent is aggravated by the recent adoption of a new constitution. As a consequence of a successful referendum, which *de facto* was characterized by ballot-stuffing, vote buying, pressure, and even

violence, the new constitution foresees the transformation of the hitherto presidential system into a parliamentary one. Yet, as a matter of fact, it is destined to mainly serve the purpose of securing the power monopoly of President Sargsyan and the Republican Party, thus satisfying the elites whose support is vital for their political survival. Therefore, in light of the rampant discontent with the stagnating political and economic situation, any territorial concession in the framework of the conflict over Artsakh – the historic Armenian name of Nagorno-Karabakh – would, from the perspective of the ruling elite, be equivalent to political suicide. Moreover, taking into account that the conflict has been the most important foreign policy issue throughout the last almost three decades, offering a most useful source to increase regime legitimacy and foster the image of a national enemy, it becomes understandable why, in turn, occasionally violent skirmishes with Azerbaijan do play into the hands of the regime.

### **ARMENIA AND AZERBAIJAN AND EXCESSIVE MILITARY SPENDING**

This leads directly to the second reason why the prospects of a lasting ceasefire, or even of a peace agreement, are extremely poor. Both Azerbaijan and Armenia have in recent years increased their military spending considerably and made every effort to enlarge their military arsenal and to modernize it. Azerbaijan's military expenditure in relation to its total spending increased during the period from 1994 to 2012 by 95%, while the defence budget, for example in 2015, grew by 27% in comparison to 2014, amounting nowadays to US\$4,8 billion. This corresponds to a share of approx. 5% of Azerbaijan's GDP as well as approx. 18% of the state's total expenditure. In relative terms, these figures exceed even those of the United States, as well as Armenia, the total state budget of which amounts to just

US\$3,2 billion. Notwithstanding, also Armenia has been in relative terms one of the biggest military spenders in the recent years. In 2015, its military expenditure was approx. US\$500 million, which corresponded to more than 21% of its total expenditure and an increase of 8% compared to 2014. Back then, the military spending-GDP ratio was 4.3% and thus just slightly below Azerbaijan's ratio. Though these figures seem to speak for themselves and supposedly indicate Azerbaijan's military supremacy, they cannot disguise the true balance of power. So far at least, Armenia always found ways and means to establish and maintain a military balance. As a member of the Russia-led Collective Security Treaty Organisation (CSTO)<sup>3</sup>, and as a result of bilateral defence agreements with Russia, it has been benefiting from weapons' deliveries, providing it with arms and equipment below market value or even at no cost.

Another aspect is indivisibly linked with the military build-up in the South Caucasus in recent years that is major cause for concern. Instead of 'just' enlarging their defence capacities, a worrying trend can be discerned lately as both parties have been heavily investing in offensive weapons and – as the most recent clashes and the downing of an Armenian helicopter by Azerbaijani forces in November 2014 clearly demonstrated – lowered their inhibition threshold to use them. For example, already last year Russia promised Yerevan the delivery of Iskander-M missiles, which would theoretically enable Armenia to target Azerbaijan's oil and gas installations. In turn, Azerbaijan's military is nowadays using – as was demonstrated in the recent clashes – the ultra-modern Russian TOS-1 'Solntsepyok' system as well as weaponized Orbiter-2 drones, and it nowadays possesses – as could be seen during the Azerbaijan International Defence Exhibition and Conference in September 2014 – more than 900, locally manufactured, yet

highly competitive arms and material.

### **THE NAGORNO-KARABAKH CONFLICT AS A POWERFUL INSTRUMENT IN RUSSIA'S FOREIGN POLICY TOOL-KIT**

The third reason why the recent ceasefire will not be sustainable and thus not conducive to a potential resolution of the conflict is the role of Russia. Regarding politics as a zero-sum game and through the prism of power calculations, the Kremlin leadership, at least thus far, does not see any reason why it should engage itself in pushing the conflict parties towards a peace settlement. In particular in recent years, Putin benefited from the conflict in so far as it enabled him to leave the opposing sides in a constant state of insecurity, to fuel the conflict through weapons deliveries to either side depending on his liking and the evolving dynamics on the ground (or through the threat of refraining from such supplies), and to even profit financially from these deliveries. By means of Russia's troops' presence in the Armenian city of Gyumri and Armenia's military dependency on Russia, Putin has a mechanism at its disposal that allows him at any time to limit the Armenian regime's room for manoeuvre, to commit it to Moscow and to preclude it from drifting closer towards western structures – as was the case in September 2013 when Sargsyan was 'requested' to abandon the country's path towards partial integration into EU-European structures. Though Russia's leverage vis-à-vis Azerbaijan is less developed, also Baku, at least until the establishment of a more self-sufficient national weapons industry, has been dependent on solid relations with Moscow, most of all in order to expand its pre-emptive strike capacity and to benefit from corresponding technology transfers. Moreover, Russia continues to remain in a position to project its military power: on the one hand through its well-equipped North Caucasus contingent and the presence of its Caspian flotilla, which nowadays features also

some of the latest state-of-the-art Buyan-M missile corvettes. On the other hand through the illegal annexation of Georgian territory in South Ossetia and Abkhazia, which enables Russia to potentially interrupt Azerbaijani hydrocarbon exports to Europe, thereby berefting the regime of vital revenues.

In other words, the conflict in Nagorno-Karabakh joins the ranks of other unresolved conflicts in Russia's neighbourhood, notably in eastern Ukraine, in Crimea, South Ossetia, Abkhazia and Transnistria, as the Kremlin regards their preservation and occasional incitement as a viable tool to preserve its supposedly hegemonic influence in the post-Soviet space more generally and over domestic political developments in its neighbourhood countries in particular. Though this calculus is connected with enormous risks, which could generate, both domestically and geo-strategically, unpredictable political and material costs, no regional actor has hitherto managed to escape from Russia's power projections or to even delink itself from Moscow's neo-imperial efforts.

### **CONCLUSIONS: THE DARK FUTURE OF THE 'BLACK GARDEN'**

Whether this remains to be the case also in the mid-term in what regards the Nagorno-Karabakh conflict seems to be rather less predictable than it was one year ago, given the changing geopolitical developments in Russia's wider neighbourhood. In light of the massive deterioration of Russian-Turkish relations after the downing of a Russian fighter jet in November 2015 and the corresponding rhetoric muscle flexing of the rather uncompromising Mr. Putin and Mr. Erdogan, it is to be feared that the South Caucasus might even become the venue of a proxy war of sorts. In how far the recently uttered and rather explicit declarations of support on the

part of Erdogan and the existence of a strategic partnership and mutual assistance pact between Turkey and Azerbaijan motivated the pressured regime of Alijev to turn its aggressive war rhetoric as regards the separatist region of Nagorno-Karabakh and its patron Armenia into military action is subject of speculation. This applies also to the question of whether Armenia feels encouraged by the perspective of Russian weapons deliveries and the prospect of close economic relations with Iran, which is determined to re-enter the regional and international stage, to militarily confront Baku. However, three observations are incontestable.

Firstly, the observation of, and adherence to, the Basic Principles of the Minsk Process – which since 1994 and under the leadership of the OSCE Minsk Group is supposed to lead to a lasting solution of the conflict – that German chancellor Angela Merkel, in the presence of Armenian President Sargsyan, demanded on 6 April 2016 in Berlin are incompatible with one another.<sup>4</sup> Armenia's insistence on Nagorno-Karabakh's right to self-determination and Azerbaijan's insistence on the principle of territorial integrity continue to be diametrically opposed to one another also 22 years after the initiation of the Minsk Process. This is aggravated by the fact that Azerbaijan was never sympathetic to the Minsk format and that both sides throughout the years never demonstrated any determination to grab chances – as for example in Kazan in 2011 – to end the conflict.

Secondly, even in the event that the recent ceasefire will be observed, the outlined *mélange* of intervening variables render any short- to mid-term conflict resolution settlement impossible. As long as Russia considers to treat its neighbourhood as its exclusive sphere of influence, and remains determined to domesticate it by lawful and unlawful means, and as long as hard security-oriented world views, rooted in

democracy-averse thinking and practices, continue to dominate in Yerevan and Baku alike, an externally mediated or even imposed peace process is unthinkable. In fact, the friendly and in many cases even close relations of some western countries with both Armenia and Azerbaijan are often rather complicating than facilitating any process towards a lasting settlement. In this sense, US military aid to Armenia, Paris' Treaty on Concord and Cooperation with Yerevan, Armenia's and Azerbaijan's participation in NATO's Partnership for Peace initiative, or the intensification of EU energy relations with Azerbaijan, supposedly leading to the country's inclusion into the EU Energy Community, have provided the Armenian and the Azerbaijani regime respectively with valuable external legitimacy, thus indirectly feeding into their respective conflict-specific approaches and narratives.

Thirdly, the recent developments have demonstrated once more that it is misleading and in fact irresponsible to speak of Nagorno-Karabakh as a 'frozen conflict' as there have always been smaller or larger skirmishes along the line of contact and beyond throughout the last 22 years, regularly causing casualties on both sides. Furthermore, both conflict parties succeeded in using these skirmishes systematically to implant the alleged unsolvability of the conflict in the minds of large parts of their respective societies instead of sensitizing them gradually for a potential peace process. In light of the recent territorial gains by Azerbaijan there is every indication that the next military confrontation is just around the corner as Armenia is unlikely to tolerate them for long. Also, it is rather likely that the international community continues to be condemned to its role of a background actor that on the one hand has been demanding peace and stability for 22 years,

while on the other hand – Sargsyan’s state visit in Berlin on 6 April 2016 demonstrated this visibly – has regularly been held to ransom by the conflicting sides.

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## Endnotes

<sup>1</sup> See Saumya Mitra, Douglas Andrew, Gohar Gyulumyan, Paul Holden, Bart Kaminski, Yevgeny Kuznetsov, Ekaterine Vashakmadze, *The Caucasian Tiger. Sustaining Economic Growth in Armenia*, Washington, D.C.: World Bank Press, 2007.

<sup>2</sup> While foreign direct investment in Armenia reached an all time high of US\$425,89 million in the fourth quarter of 2008, it recorded a net outflow of US\$7,5 million in the last quarter of 2015.

<sup>3</sup> Azerbaijan has left the CSTO in 1999 after refusal to sign an extension to the treaty. The CSTO has no obligation to defend the NKAO as its members have never recognized it.

<sup>4</sup> The OSCE Minsk Group is composed of Russia, the United States of America and France, all of which since 1997 act as co-chairs, and of Belarus, Finland, Germany, Italy, Sweden, Armenia and Azerbaijan. On a rotating basis, also the OSCE Troika is a permanent member.



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