



Metis

Study

Peace in sight? Armenia, Azerbaijan and the Nagorno-Karabakh conflict

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Summary

The conflict between Azerbaijan and Armenia over the province of Nagorno-Karabakh has been one of the main destabilising factors in the post-Soviet region for more than three decades. In recent years, and especially since Russia's attack on Ukraine, Nagorno-Karabakh has become another

contributing factor in the conflict between Russia and the West. The EU could play a prominent role in the mediation and resolution of this conflict if it remains mindful of historical sensibilities, national needs and obligations, as well as geopolitical realities.

Origins of the current conflict

The conflict over the province of Nagorno-Karabakh,¹ which is traditionally inhabited mostly by Orthodox Christian Armenians but located in predominantly Muslim Azerbaijan, has been ongoing since the days of the Russian Empire. Like other "frozen" conflicts in today's post-Soviet area, however, this conflict mainly is a structural legacy of the policy on nationalities of the early USSR (Union of Soviet Socialist Republics).² Back then, the borders of emerging Soviet republics were deliberately drawn in defiance of local ethnic and language majorities in order to counter nationalist and separatist tendencies.

In the Soviet Union, Nagorno-Karabakh had the involuntary status of an autonomous oblast (Nagorno-Karabakh Autonomous Oblast, NKAO) within the Azerbaijani Soviet Socialist Republic (SSR). Encouraged by the spirit of liberalisation under Mikhail Gorbachev, the local administration of the NKAO had been pushing in Moscow for unification with the neighbouring Armenian SSR since 1988, which led to bloody pogroms on both the Armenian and the Azerbaijani sides during the final years of the Soviet Union. Shortly before the collapse of

the Soviet Union in the autumn of 1991, Armenian-led Nagorno-Karabakh declared its independence from Azerbaijan. After the withdrawal of the Soviet security forces in late 1991, this declaration of independence led to a full war between newly independent Azerbaijan and the internationally unrecognised Nagorno-Karabakh Republic. This war lasted until 1994, claimed almost 8,000 lives, and displaced tens of thousands of people.

Armenia was not an official party to the war, but it provided strong political and military support as well as solidarity to the enclave of Nagorno-Karabakh. Even at the time, however, Yerevan was aware of its own vulnerability both to Azerbaijan, whose military had already been better equipped during the Soviet era, and to Turkey, which sympathised with Baku and sanctioned Yerevan in 1993 by closing the entire Turkish-Armenian border in retaliation for Armenia's support of the Karabakh separatists. Yerevan thus allowed Moscow to keep some of the now Russian armed forces in Armenia, from which today's military base in Gyumri evolved. It also signed on to the Collective Security Treaty Organisation (CSTO) in 1993, a Moscow-led military alliance that had just been founded the year before.

This proved to be a smart move at the time, as Armenia, and thus by extension also Nagorno-Karabakh, now benefited from significantly lowered prices for Russian-made military equipment and received support for its own national interests. Accordingly, the Moscow-brokered ceasefire of 1994 – though it did not provide for a unification of Nagorno-Karabakh with

¹ Nagorno-Karabakh is the Armenian name of the region but it has officially been known by its historical name of Artsakh since 2016. The Azerbaijani name is Karabakh.

² See "Central Asia and the Caucasus", Metis Study No. 15 (November 2019).

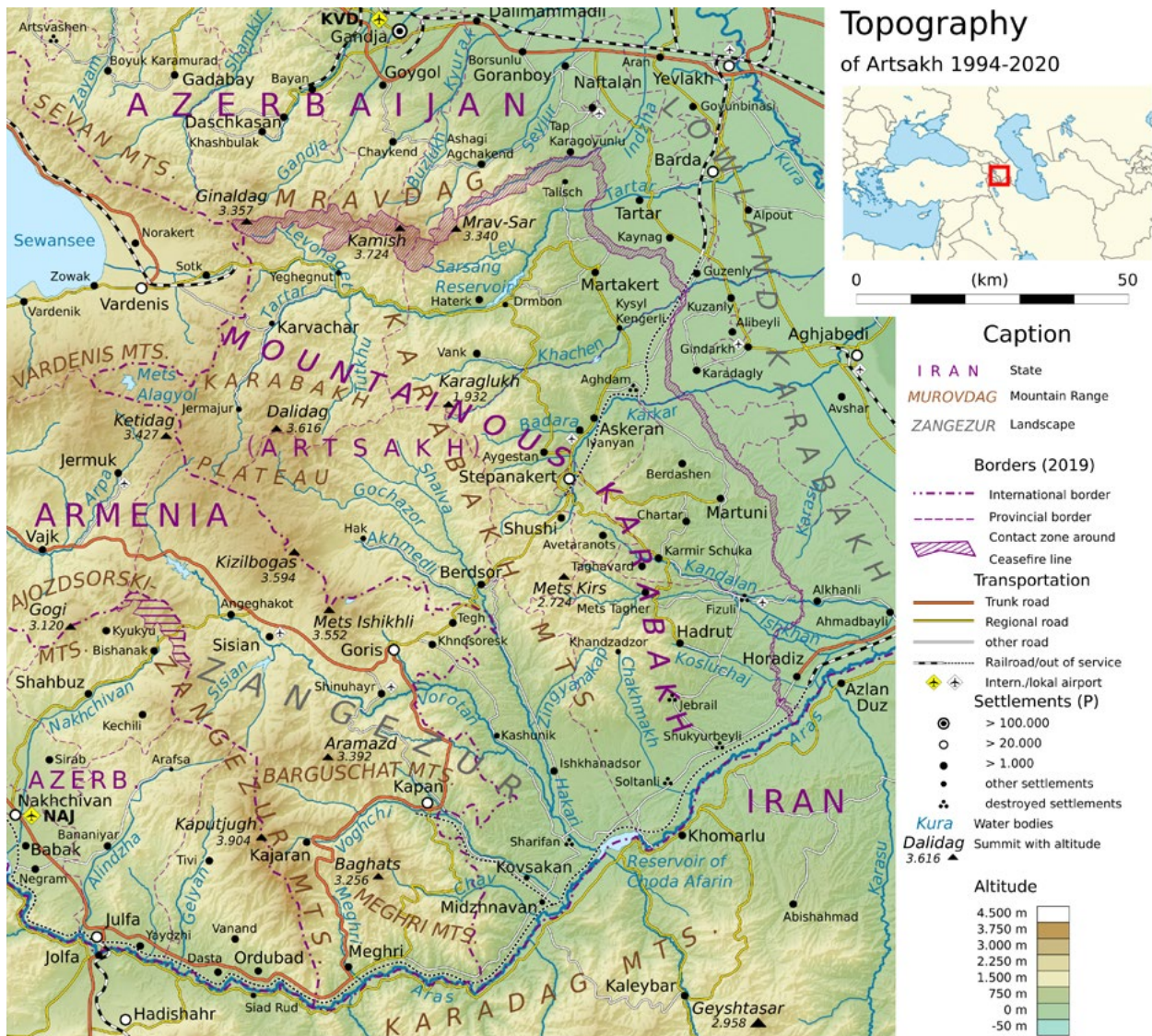


Fig. 1 Topographic map of Artsakh 1994 to 2020. All names in English, for simplicity and readability only the de jure name variants were chosen. Source: wikipedia.org; Authors: Don-kun, sources: NordNordWest, OpenStreetMap Contributors; (CC BY-SA 4.0).

Armenia – established the former oblast as a de-facto independent state with a self-appointed government in Stepanakert. It also allowed the Armenian armed forces to keep control over additional territory seized during the war (about 14 per cent of the entire area of Azerbaijan in addition to contested Karabakh, which represents about six per cent).³ At the time, Azerbaijan, which was rich in oil

and gas but weakened by severe domestic instability and post-Soviet socioeconomic decline, had no choice but to accept this defeat.

That changed two and a half decades later, however, when, under Ilham Aliyev, who had ruled the country as an authoritarian president since 2003, Azerbaijan gained relative political stability and economic wealth through energy exports. Today, Azerbaijan has the fourth-largest gross domestic product (GDP) among the Commonwealth of Independent States (CIS) and its exports of crude oil and natural gas are in great demand. Baku has invested a significant portion of the foreign currencies it earns from exports into its defence budget, which has been growing continuously since 2014 and, at 5.5 percent, is now the fifth-largest in the world relative to GDP. The

³ During the Armenian occupation, Azerbaijani towns and villages in the area were razed to the ground, as were cultural and religious sites, sometimes even graves. Azerbaijan took its revenge in the Azerbaijani Nakhchivan Autonomous Republic, which is located on Armenian territory. Armenian cultural heritage was systematically destroyed, including valuable monuments and tombs.



equipment of Azerbaijan's military is accordingly modern. This includes conventional basic equipment, which is still mostly Russian-made (for now), as well as unmanned air defence with unmanned aerial vehicles (UAV) and guided missiles mostly from Israel and Turkey. In 2010 President Aliyev entered the Agreement on Strategic Partnership and Mutual Support with Turkey, thus cementing and adding a military dimension to the traditionally very close relationship of the two countries, which are so culturally, religiously and ethnically similar that, according to their respective presidents, they are "one nation in two states".

Armenia, by contrast, has remained tied exclusively to Moscow in terms of both its economy and its military over the past three decades and therefore has significantly fallen behind Azerbaijan in both respects. Armenia's GDP is the fourth-smallest among the CIS; it does not have an export industry of any international significance; and it meets most of its energy needs with Russian gas imports. In addition, Azerbaijan and Turkey have been systematically excluding Yerevan from the lucrative EU- and US-sponsored energy, trade and transport corridors of the region since the 1990s, with 80 per cent of Armenia's borders closed to trade and transit.

The Armenian defence sector also remains relatively backward despite the (theoretically) close cooperation with Russia as part of the CSTO; procurement of modern Russian weapons systems has been arranged in recent years but is yet to be implemented. Yerevan therefore still relies mainly on Soviet and already outdated Russian equipment and infrastructure. Armenia reached a political turning point with the "velvet revolution" of 2018, which resulted in Nikol Pashinyan's assumption of power. Pashinyan is (relatively) liberal and interested in cooperating with the EU. However, this also attracted harsh criticism from Moscow and led to an immediate increase in the price for Russian gas, which set the course for the geopolitical situation as it is today.

The "44-Day War" (2020)

The Second Nagorno-Karabakh War in the autumn of 2020 clearly highlighted not only the discrepancy between the two post-Soviet republics of Azerbaijan and Armenia in terms of their military and thus their economic development but also the political conditionality of Russia's support in matters of security.

The delicate equilibrium maintained since the ceasefire of 1994 was finally disrupted on 27 September 2020 when Azerbaijan started a military offensive. By 10 November, this offensive had claimed the lives of thousands of soldiers and hundreds of civilians on both sides and had displaced tens of thousands of people, mainly of Armenian origin. The modern Turkish and Israeli UAVs, sensors and guided missiles used during this offensive received ground-based support from conventional heavy weapon systems and pro-Turkish mercenaries who had

already fought in Syria. Baku not only recaptured almost all Azerbaijani (non-Karabakh) territories it had lost in 1993 and 1994 but also a third of the contested region itself. This included Shusha (Armenian: Shushi), a city of historical and cultural importance for both Armenia and Azerbaijan – and therefore of symbolic (as well as strategic) value – located in the southern province of Hadrut, which directly borders Stepanakert.

After 44 days of war, Moscow brokered a ceasefire with the implied support of the US and France as part of the Minsk Group. The nine-point peace plan of 9 November 2020 was imposed by Moscow and provided for the non-Karabakh territories captured by Armenia in 1993–1994 to be officially returned to Azerbaijan, for the return of refugees and displaced persons, and for the opening of transit corridors into and out of the conflict zone. In contrast to the 1994 ceasefire, this one, however, was to be secured by almost 2,000 Russian peacekeeping forces. These forces were deployed mostly to the remaining Armenian-controlled territory of Nagorno-Karabakh, except for the now Azerbaijani Lachin corridor, which connects the separatist province of Nagorno-Karabakh and Armenia. Azerbaijan's ally Turkey also claimed a military peace mandate in the region. Ankara and Moscow accordingly arranged for a Russian-Turkish monitoring centre in the Aghdam region, which had been newly retaken by Azerbaijan. After more than 30 years, this war thus created new borders and new geopolitical realities, a clear winner and an equally clear loser, and not least it raised the question of how a close ally of the then-stable second-largest military power in the world could lose the war so disastrously.

Regional implications

Azerbaijan

The government under Ilham Aliyev emerged from the Second Nagorno-Karabakh War politically stronger and a clear winner. In March 2022, Baku presented its own five-point proposal for a resolution of the conflict. It provides for both states to accept one another's territorial integrity, to give up on claims to the other's territories, to resolve disputes in a non-violent manner, to review and potentially re-demarcate the borders negotiated in 2020, and to open previously closed transport routes in the region. As opposed to earlier drafts proposed by Russia or the Minsk Group, this one no longer included the option of granting the province autonomous status.

Baku consolidated its new position of strength not only by inviting Ankara to implement a peace mission in the region but also by intensifying its contact with the West – especially with the EU, which has long been interested in this geostrategically highly relevant region. For Baku, the conflict resolution in Karabakh therefore became part of a European total package that, according to European documents, also includes aspects that are



economically profitable (and therefore secure the country's geostrategic independence), such as an increase of energy imports, a general expansion of transport and trade infrastructure as well as investments of up to 60 million euros until 2024 and economic aid worth two billion euros until 2026.

Baku further used the momentum of its victory to push the limits of the ceasefire. Since December 2020, it has repeatedly tried to break the agreement with constant but "minor" military action. Particularly vivid displays of this new military confidence came in May 2021, when Azerbaijani military crossed the border into Armenian (non-Karabakh) territory for the first time, as well as in the autumn of 2022, when Azerbaijani armed forces first initiated fighting north of the Lachin corridor in August before taking action again along the regular Azerbaijani-Armenian border in September, capturing about ten square kilometres of Armenian territory and displacing

up to 2,500 civilians. Moscow remained "neutral" in both cases. The first incident did not lead to effective sanctions by Russian peace forces, and the second resulted only in the deployment of a Russian fact-finding mission to the region but not in military support as requested by Yerevan as part of the CSTO. In fact, the "powers of peace" in the region, Moscow and Ankara, to this day have not imposed any real consequences for the violations of the ceasefire nor for Azerbaijan's violation of the territorial integrity of Armenia, which encourages president Aliyev and his offensive policies at least implicitly.

Nonetheless, Azerbaijan's position has significantly improved because of the war and the newly involved actors, but the status of Nagorno-Karabakh remains unclear and the traditionally independence-minded country has to tolerate Russian military on its soil in the recaptured area of the Lachin corridor, something that Baku had managed to avoid since 1992. The conflict therefore remains



frozen, this time in Azerbaijan's favour – but it is a status quo that is secured by Moscow, not Baku.

Armenia

At the end of the war, Armenia was forced to accept resounding military and political defeat. In political debates at home and abroad, the ceasefire agreement was seen as a surrender. The de-facto government of Nagorno-Karabakh lost control of many of the historically and culturally important settlements inhabited by ethnic Armenians as well as of the Azerbaijani territories it had captured in the first war, which, in turn, had caused thousands of people on the Armenian side to be displaced. Since the ceasefire agreement, the remaining Armenian-dominated territory has been secured by Russian peace troops, whose actual peacemaking capabilities (i.e. keeping Baku's military forays in check) have repeatedly been called into question by Stepanakert and Yerevan. Armenia's regional (and therefore socioeconomic) isolation was also exacerbated by the defeat. As a result, the country's government was plunged into deep crisis.

Due to a lack of political alternatives, Prime Minister Pashinyan, initially branded a "traitor", still manages to stay in power, although (or precisely because) he has been taking a decidedly different approach to resolving the conflict compared to his predecessors. He has been willing to accept the peace plan suggested by Baku and therefore recognise Azerbaijan's sovereignty over Karabakh, which means giving up Nagorno-Karabakh as predominantly Armenian territory. In return, Pashinyan's government has so far only expressed the expectation that Baku will commit to effective protection for the rights and freedoms of the Armenian population in the region. Yerevan hopes that this arrangement will lift the diplomatic, geopolitical and economic isolation imposed by Azerbaijan and Turkey and that Armenia will be integrated into new and existing regional infrastructure projects. It also expects more development assistance, investments from the West (e.g. as part of the European Global Gateway project) and the East (China's Silk Road initiative), as well as alleviation of its dependence on now internationally ostracised Moscow, which, from the Armenian point of view, is no longer helpful locally anyway.

Against this backdrop, Pashinyan has been preparing Armenia for a post-Karabakh future by re-defining Armenia's role within the region and by trying to internationalise the conflict. For example, in early 2022 his government started talks with Turkey on normalising bilateral relations, and the shared border was already opened for third-country nationals and for air cargo that summer. Pashinyan also has been more open to Tehran and is now negotiating an intensification of bilateral relations regarding energy, infrastructure and trade. In November 2022, the two governments agreed to double the volume currently traded under the bilateral energy

exchange agreement (Iranian gas for Armenian electricity) in the years to come. They also agreed upon more Iranian investments in Armenian energy and transport infrastructure and for the first time discussed the possibility of Iranian mediation in the conflict.

Pashinyan had similar and especially intense talks with Brussels, which is where Yerevan's hopes lie. As in the EU's talks with Baku, peace is part of a larger, economically profitable package. Investments, reconstruction aid, connectivity, digitalisation as well as climate protection and democracy are key issues, and Armenia is to receive 2.6 billion euros from the EU by 2026 to address them. Based on this, the US also increased its diplomatic efforts with Yerevan in September 2022, expecting Armenia to enter a peace agreement with Azerbaijan by the end of 2022 and thus recognise the latter's sovereignty over Karabakh. In October 2022, Armenia, Azerbaijan and the EU mutually recognise each other's territorial integrity and agree on the immediate deployment of a 40-strong observer mission to the Armenian-Azerbaijani border region.

Despite the substantial financial incentives, Pashinyan's course of action has been highly controversial in Armenia and Nagorno-Karabakh. Almost 40,000 people took to the streets of Stepanakert as recently as late October 2022 to protest against the "Azerbaijani-European-American" agreement and thus the effective resolution of the conflict. Pashinyan is aware of his country's difficult situation after the lost war and of the high risk of peace negotiations. On the one hand, there is the historically drastic option of giving up Nagorno-Karabakh permanently, which would spell the beginning of the de-facto end of not only Armenian life there but also of Armenia's current national identity. On the other hand, there is the option of keeping the conflict frozen, which would mean postponing peace. The first option would substantially reduce Moscow's footprint in the conflict (a resolution of the conflict would eliminate the legal basis for the Russian "peace mission") and therefore put more strain on the already very tense relationship between Armenia and Russia, thus potentially jeopardising Armenian security. The second option entails bleak prospects for Armenia's political, ideological, economic and military emancipation from Russia, the failure to achieve regional integration, and possibly the loss of Western money. It also offers no guarantees for Armenian security or the continued existence of an Armenian-dominated Nagorno-Karabakh.

Nagorno-Karabakh and the Russian factor – recommendations for Germany and the EU

Until 2018, the conflict over Nagorno-Karabakh was beyond the axis of confrontation between Russia and the West. That changed with Nikol Pashinyan's accession to power and the – at least intended – liberal regime change in Yerevan, which instigated a number of chain reactions that led to today's geopolitical impasse. In fact, an



Armenian defeat of this magnitude would have been inconceivable under a loyal government that was mindful of Moscow's interests and drew on shared Soviet ideological and political heritage. Tolerating the Azerbaijani offensive and remaining neutral in its wake was therefore part of the "educational concept" Moscow has been implementing for all "renegade" post-Soviet republics in one military form or another (except for the Baltic NATO members). The Kremlin's thinly veiled hope was that the defeat in Karabakh (and a simultaneously raised gas price) would cost Pashinyan his office and that this would lead to a political reversion to the patrimonial-authoritarian, Moscow-friendly political structures previously established in the region. However, this is where the Russian regime

miscalculated: Its political "neutrality" since the autumn of 2020 drove the Pashinyan government, which unexpectedly remained in power, not towards Moscow but towards Ankara, Tehran, and especially Brussels and Washington, which opened up the region to alternative negotiation platforms (to the disadvantage of Moscow) and created the prospect of a peace that Russia did not want.

This is a dangerous situation, especially against the backdrop of the war in Ukraine, and it has been aggravating existing tensions in the region. If Nagorno-Karabakh becomes another pawn in the confrontation between Russia and the West, there will be a risk of a "Ukrainisation" of the conflict. Moscow's military has been weakened, but, as part of the CSTO and thanks to Gyumri military base



(and the “peace mission”), it still has the military resources to escalate the conflict in hopes that this will remind all involved not to forget Moscow’s interests in the region. In addition, the Armenian people, both in Armenia and especially in Nagorno-Karabakh, can be instrumentalised to suit Moscow’s needs. During protests as recently as late October 2022, Armenians in Nagorno-Karabakh called for Vladimir Putin to protect them from Azerbaijani violence. They may not be ethnic Russians, but they are still part of the Russian-speaking, Orthodox community. Therefore, they also fall under the new foreign policy doctrine established by Putin in September 2022, which prioritises their protection even beyond Russian borders (and which has effectively been applied in practice since the 1990s). A sustainable resolution of the conflict will thus be difficult in every aspect if it excludes Russia – and Moscow is well aware of that. Its post-Soviet neighbourhood is essential for Russia’s self-image as an international major power and a regional hegemon. Its response to a Westernisation of the Karabakh conflict could therefore be aggressive.

Its new role as a mediator therefore will include great political responsibility for the EU in particular, which will enter a long-term commitment in the region. This will include reining in Baku, which currently fancies itself as strong, untouchable and acting with impunity. It will also include putting a stop to any military and humanitarian provocation, especially towards the Armenian population in Nagorno-Karabakh but also in Armenia’s border regions, while at the same time acknowledging the fact that Armenia’s decades-long occupation at least of the non-Karabakh regions has generated resentment that will flare up now that the balance of power has shifted. It will also have to include refraining from singling out Baku for validation because of Europe’s current energy crisis – like when the President of the EU Commission visited in August of 2022 – as this further undermines Yerevan’s already weak negotiating position in this conflict and damages the EU’s credibility as a fair mediator.

Ankara’s role also needs to be clearly defined and put in writing as part of a potential blueprint for lasting peace to ensure the genuine integration of Armenia into regional structures and to prevent power plays among those involved. Not least, it is worth reconsidering whether the peace agreement really has to be signed by the end of 2022, as planned by US Secretary of State Blinken. If Yerevan is pressured to agree to a “fast peace” that neither the Armenian people nor their elected representatives want,

there will be a risk that this peace will already be carrying the seed of revisionist conflict further down the road – especially if Moscow keeps agitating and escalating. In this context, the issue of granting Nagorno-Karabakh autonomous status and the associated protection for Armenians who live there has remained relevant in terms of peace policy and negotiation tactics, as has the issue of establishing new borders.

The instruments that the EU has at its disposal to contribute to the solution of the Nagorno-Karabakh conflict are effective because they are popular in the region. They include economic incentives such as development cooperation, investments and participation in intraregional connectivity as well as preferred access to the European market. This also includes the EU’s decades-long expertise in the areas of regional integration, trade coordination, fostering rule of law and, not least, the implementation of trust-building measures. If Yerevan and Baku come to a mutually agreed solution mediated by Brussels and the US or even the Minsk Group, the EU can (and should) support adherence to that agreement as part of a more comprehensive observer mission. Much like the European Union Monitoring Mission (EUMM) in Georgia and the European Union Border Assistance Mission to Moldova and Ukraine (EUBAM), the Karabakh mission could support the protection of civilians in the province and the border regions as well as the safe return of displaced persons. It could ensure the effective integration of Armenia into regional infrastructure and supervise adherence to the ceasefire, which is already happening at a very small scale. Germany could play a leading role in this context, as it did in the establishment of the EUMM after the Paris-brokered ceasefire between Russia and Georgia. Unlike Paris, which traditionally has very close ties with Armenia, Berlin is genuinely equidistant to the involved parties and therefore enjoys credibility with both of them. It also has considerable economic and political influence that also extends to Ankara, Tehran and, to a lesser extent, even Moscow.

Despite the optimism, well-placed though it may be, about the value that Brussels, Paris and Washington can provide when it comes a solution to the conflict, and even though Russia as a regional and supra-regional hegemon is currently weakened, the power structure remains the same and a sustainable solution that is acceptable to all parties cannot be found in Baku and Yerevan alone but must include Moscow.

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Metis Institute
for Strategy and Foresight
Bundeswehr University Munich
Web: metis.unibw.de
Twitter: @metis_institut

Author

Dr. Luba von Hauff
metis@unibw.de

Creative Director

Christoph Ph. Nick, M.A.
c-studios.net

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