

**OIL, DEMOCRACY AND THE GLOBALIZATION OF THE
NAGORNO KARABAKH CONFLICT**

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Abstract

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This paper analyzes the main factors that contributed to the outbreak of the Karabakh war and those that continue to perpetuate it. The stalemate over Karabakh is assessed on the domestic, regional and international levels to come to a deeper understanding of what is preventing peace in the region. The patterns of globalization that have transformed the South Caucasus since the collapse of the Soviet Union provide the context for this study.

I conclude that there are three main obstacles preventing a settlement: The inherent weakness of the Azerbaijani and Armenian states which is exacerbated by the Western push for democratization; the interference of outside actors who indirectly or directly perpetuate the conflict through their engagement in the region; and the overall militarization of the Caucasus in order to secure petroleum interests.

This paper ultimately aims to provide insight into the nature of the conflict and the reasons for the continual instability in the region. While not providing policy recommendations, per se, it is hoped that a deeper analysis of these factors will be of use when considering approaches to the conflict and policy making in the South Caucasus.

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Chapter 1

INTRODUCTION

1.1 Background of the Conflict and its Implications

The collapse of the Ottoman Empire at the end of World War I led to large scale atrocities between the Armenians and Turkish peoples. The newly emerging idea of national self-determination among the Armenian people played a large role in creating the Ottoman suspicion and hostility that became the basis for the massacres of the Armenian people in eastern Anatolia.

Nationalism was also at the heart of the outbreak of violence between Armenians and their Turkish neighbor, Azerbaijan, which began during the break up of the Soviet Union. The war over Nagorno Karabakh¹ is now the longest running and bloodiest of the post-Soviet conflicts. The Armenians and the Azerbaijanis engaged in violence and ethnic cleansing in their attempt to gain control over the disputed territory. Russian support for the Armenian people intensified the war and increased interference by multiple outside powers that intervened to offset Russian power in the region.

The Karabakh war began when long-standing tension between Armenia and Azerbaijan over Karabakh erupted into violence in February of 1988, after a national referendum was

¹ The terms used to describe this territory are also in dispute and many different names and spellings exist. The word 'Nagorno' comes from the Russian word 'Nagorny' meaning 'Mountainous' and Russian/Soviet sources often call the territory Nagorny Karabakh or the 'NKAO' which is the Soviet acronym which translates as 'Autonomous Territory of Mountainous Karabakh'. In Azerbaijan, the territory is referred to as *Daghlig*, meaning 'Upper or Mountainous Karabakh'. The Armenians in turn, call it *Artsakh*, which is an historical Armenian name for the area. Finally, the newly formed government in the territory calls itself the 'Nagorno Karabakh Republic' or the NKR.

In this paper, I will use the term most commonly used in the west for the disputed territory, 'Nagorno Karabakh', when referring to the de facto government of Karabakh, I will use the acronym, 'NKR'.

held in the region declaring its independence from Azerbaijan.[1] The effects have been catastrophic: some 20,000 to 30,000 lost their lives and up to 800,000 Azerbaijanis who were living in Karabakh are estimated to be displaced from their homes.[2]

Actual military combat lasted for nearly four years, but the conflict is still considered active. A recent report from Eurasia Insight stated that exchanges of gunfire are still a daily occurrence on the border between Karabakh and Azerbaijan.[3] The dispute over Karabakh exemplifies many of the darker aspects of the 21st century: extreme nationalism, the drawbacks of globalization, and ethnic violence. Rapid social change combined with the globalization process of the last two decades of the twentieth century has resulted in massive instability and intensification of the conflict.

The “frozen conflict” continues to stifle development in the Caucasus while involving global actors, new and old, in its politics. For both countries, the economic costs are as high as the human ones, although Armenia has arguably suffered more due to a severe energy shortage because of a blockade imposed by Turkey and Azerbaijan. Although Azerbaijan’s economic fortunes have improved due to its oil resources, it too faces economic strain from the estimated 500,000 to 800,000 Azerbaijanis displaced from the war.[4] Today, twenty percent of Azerbaijan remains occupied by Armenian forces.[5] Armenian captured not only the territory of Nagorno Karabakh, but key surrounding areas such as the Lachin corridor, to provide a continuous land link with Armenia. Control of these surrounding territories is necessary to ensure that Karabakh is not dependent on Azerbaijan for all links to the outside world.

In 1994, a ceasefire was brokered by Russia. Known as the “Bishkek Protocol,” the agreement was signed by Azerbaijan, Armenia, and the internationally unrecognized Nagorno Karabakh Republic (NKR). The NKR was left under de facto Armenian control and Armenia remained in control of the surrounding districts captured from Azerbaijani forces during the war. Since then the conflict has remained ‘frozen’, although both states are technically at war with one another.

The Minsk Group of the Organization for Security and Cooperation in Europe (OSCE) has led negotiations on Karabakh since 1994. In 1997, talks were given new life with the creation of three co-chairs to mediate the talks: the U.S., Russia and France. [6] It is necessary to note that the parties to the negotiations only include the states of Armenia and Azerbaijan. Azerbaijan has consistently refused to recognize or engage in direct talks with the representatives of the self-styled Nagorno Karabakh Republic.

The international community recognizes that it is highly undesirable to allow Nagorno Karabakh to remain an unrecognized ‘state’ in the Caucasus. The territory has become an ungoverned ‘grey area’ in a critically important area of the world and provides a means for foreign nations to manipulate the politics of the South Caucasus. Furthermore, the current status of Karabakh sets an undesirable precedent for other breakaway republics hoping to gain independence through violence.

Although the OSCE negotiators desire peace in the region, the three co-chairs are involved in the negotiations because their own interests are at stake. All three countries have invested in the oil and gas industry and hope to profit from Caspian oil. They recognize that the newly opened Baku-Tbilisi-Ceyhan pipeline that brings oil from the Caspian to the European market would be a vulnerable target should hostilities resume. Stability in the region is thus a priority. Yet, time and again, the efforts by the international community to broker an agreement have failed.

Why, despite twelve years of negotiations and international pressure, are the two parties unable to reach a settlement? Azerbaijan and Armenia have at times, been close. In 1999, President Heydar Aliyev of Azerbaijan and Robert Kocharian of Armenia met in Washington at a summit marking the 50th anniversary of NATO. Both men met privately and there were strong signs and hopes that both men agreed on a settlement based on the “Goble Plan”. This plan was based on an idea developed by former U.S. State Department specialist on the Caucasus, Paul Goble, and involved a territory exchange by both sides.[1] As the talks progressed however, peace was derailed when a former journalist named Nairi Hunanian opened fire in the Armenian parliament; killing Defense Minister Vazgeb Sarkisian and speaker of the parliament Karen Demirchian along with eight others who supported the plan. Following on from this, President Ter-Petrossian of Armenia was deposed in a coup, and an opportunity for peace was lost when a nationalist leader from the territory of Karabakh, Robert Kocharian, came to power.

Again in 2001, at the OSCE sponsored Key West talks in Florida, optimism was high that a settlement was close. President Haidar Aliyev, however, was seen by many in the Azerbaijani elite as offering too much to Armenia. Aliyev suggested allowing Nagorno Karabakh to become part of Armenia in exchange for the right of return of refugees and a concession of a road link to the independent state of Nakhichevan across Azerbaijan to Armenia. Copies of the peace plan were leaked to the press and the response in both countries was hostile; particularly in Azerbaijan. Aliyev proved unable to gain support for the plan within the Azerbaijani government and a window of opportunity closed that has as of yet, not been re-opened. In fact, the current President of Azerbaijan, Ilham Aliyev has more often spoken of going to war again to take back lost Azerbaijani lands. Azerbaijan's position thus seems to have hardened. Baku has a newfound confidence because of increased revenue from oil production, the opening of the Baku-Tbilisi-Ceyhan pipeline and stronger relations with the West, particularly the U.S.

As it now stands, the conflict is likely to continue to simmer on for many more years. More ominously, it seems that Azerbaijan is preparing to take the region back by force.

1.2 Scope of the Paper

Most scholars to date have viewed the Karabakh conflict from a historical or a conflict management perspective; with the end goal of providing policy recommendations. This paper however, will focus on the main factors that are contributing to the perpetuation of the conflict. The stalemate over Karabakh will be analyzed on the domestic, regional and international levels to come to a deeper understanding of what is preventing peace in the

region. The patterns of globalization that have accelerated in the South Caucasus since the collapse of the Soviet Union provide the context for this assessment.

In doing so, I conclude that there are three main obstacles preventing a settlement: The inherent weakness of the Azerbaijani and Armenian states which is exacerbated by the Western push for democratization; the interference of outside actors who indirectly or directly perpetuate the conflict through their engagement in the region; and the overall militarization of the Caucasus in order to secure petroleum interests.

The aim of the paper is to come to a fuller understanding of the conflict and the reasons for the continual instability in the region. While not providing policy recommendations, per se, it is hoped that a deeper analysis of these factors will be of use when considering approaches to the conflict and policy making in the South Caucasus.

1.3 The Globalization Context and Obstacles to Peace

The war over Nagorno Karabakh must be understood in the context of the acceleration of the processes of globalization which have occurred in the last two decades of the twentieth century. The collapse of the Soviet Union destroyed the meta-narrative of the societies who lived under its rule; the end of this ideology left a void which was quickly filled by local, clan- based politics. Rising national consciousness, in turn, was a factor that instigated the Soviet collapse. As Manuel Castells concludes in *End of Millennium* : “the inability of Soviet statism to adapt to the technological and economic conditions of an information society was the most powerful underlying cause of the crisis of the Soviet

system, it was the resurgence of national identity, either historically rooted or politically reinvented, that first challenged and ultimately destroyed the Soviet state”.[7]

Furthermore, the states of the South Caucasus entered the global international system with no real tradition of statehood and national identification. A lack of trained diplomatic corps and experience in conducting international affairs as sovereign states made it was impossible to reach a settlement on Karabakh early on in the conflict when it had the best chance of success. The result has been a “frozen” state since the 1994 ceasefire. Globalization thus both instigated and perpetuates the conflict.

While the process of social change began to accelerate rapidly in the early 1990’s; the authority of the new nation-states was being superseded by supra-national global institutions that moved in to rebuild and restructure institutions. The growth of these global institutions is both a symptom of and a catalyst for globalization. The U.N bodies, the OSCE and the multitude of international NGOs that began operating in the South Caucasus after the Soviet Union’s collapse added to the ever growing number of autonomous players involved in the Caucasus. These organizations added to the turbulence in the region by introducing more external actors with their own agendas into the already complex political situation in the South Caucasus.

These young nations naturally also experienced the dramatic effects of the globalized economy. All three states in the Caucasus experienced economic crises after the fall of the Soviet Union. These crises had been building since the late 1980’s and reached a peak

in the early 1990's due to the breakup of traditional economic structures and the transition to liberal reforms encouraged by the West. These circumstances aggravated existing inter-ethnic tensions leading to conflicts across the former Soviet space.

The organizations behind these reforms: the World Bank, the International Monetary Fund (IMF) and, more recently, multilateral trade institutions such as the World Trade Organization (WTO) accelerated the speed of economic processes while rendering the nation-state less capable of dealing with change.

Globalization processes in the Caucasus affected the Karabakh conflict in the three important ways: it increased the importance of local, ethnic affiliations; it accelerated the involvement of outside powers in economic and political matters; and increased the militarization of the region. The overall result has been a lack of strong, national institutions and a marked regional instability.

The inherent internal instability of the Azerbaijani and Armenian states is the main obstacle to peace. Azerbaijan and Armenia are newly independent, semi-autocratic states that are lacking necessary institutions to transition to democracy. To maintain stability and societal cohesiveness in this time of transition and uncertainty, leaders in both of these countries are using the Karabakh issue as a means to unite society and solidify power.

A revealing statement by was made by French President Jacques Chirac speaking recently in Yerevan. He repeated a statement that is often heard regarding the Karabakh

conflict. He stated that the Armenian and Azerbaijani leaders must have the “courage to move against the security of the current status quo.” [8] This statement touches upon the idea that internal political factors in both countries are making it difficult for Baku and Yerevan to come to a compromise on the Karabakh. It also gets to the heart of the issue: peace will not be solved by outside powers. It can only be achieved when Azerbaijan and Armenia have the courage to move away from autocratic rule, stop using Karabakh as a political tool, and finally make the compromises necessary for agreement.

In the Caucasus, the Karabakh issue has become a fixture in the political scene and is crucial in the political mythology of both Azerbaijan and Armenia. In Armenia, pressure from the diaspora has kept the Karabakh issue at the top of the political agenda.

Nationalist hard line positions on Karabakh have become further entrenched with the passage of time and many nationalist politicians use this rhetoric to solidify their own power. As it stands now, there seems to be no major incentive to solve this conflict; keeping the status quo is preferable for both sides.

The second obstacle to peace in Karabakh is the continual interference of outside powers. The South Caucasus has historically been a venue for the rivalries and intrigues of great powers and there are many outside actors vying for regional influence today. However, the impact of globalization has increased the numbers of actors involved in the South Caucasus as well as the extent of their influence. The interests of peripheral players, the two regional powers of Turkey and Iran, are crucial to an understanding of the conflict.

The main powers vying for dominance in the Caucasus, Russia and the United States are analyzed in more detail.

The United States' role in particular, is important to examine. It is a relative new comer to the region, but its policies and interests are having a major impact. The U.S. government is exerting influence through its democratization programs, which I argue, are not having the desired effect on the region. Democratization is being pushed before the necessary institutions, and politicians in both Armenia and Azerbaijan are using nationalist politics to avert the disorder that often occurs when states open up their political system to democratic participation.

Finally, the United States and Russia are competing in the region for control of Caspian oil wealth. Russia in particular has become more assertive in the region due to its recent energy based economic recovery. Both countries are building military alliances in the region and local states are manipulating this rivalry to their advantage. Increasing arms sales and military training and support is encouraging hostility and is causing Azerbaijan in particular to become more comfortable with the use of violence to achieve its goals.

The most serious consequence of the continual failure to come to a solution on Karabakh is the prevention of the growth of independent, modern political and economic institutions and democracy in both Armenia and Azerbaijan. For over 19 years, the war over Karabakh has kept these two countries from developing the necessary institutions to function as viable democracies to the extreme detriment of its citizens. Authoritarian

regimes that derive their power from the Karabakh issue are entrenched in both Armenia and Azerbaijan, paralyzing democratic development.

Chapter 2

HISTORY OF THE NAGORNO KARABAKH CONFLICT

2.1 Roots of the Conflict

At that outset it must be stated that the conflict over Nagorno Karabakh is not a religious struggle. The international media has been guilty of making statements about the conflict being between ‘Christian Armenia and Muslim Azerbaijan’. This is a false characterization; the roots of the conflict are far more complex. The dispute over Karabakh has its origin in long simmering tensions between the Armenians and Azerbaijanis that exploded under a particular set of circumstances surrounding the collapse of the Soviet Union. Differences in economic development and perceived unequal treatment between the Azeris and Armenian people under the governing policies of the Soviet elite also contributed to friction.

The explosion of the Karabakh issue is also the result of the nationalist ideology and external pressures that began to gain ground in the early 20th century and emerged as movements for self-determination by ethnic minorities living in large empires. Thus the 1915 massacres of the Armenian population at the hands of the Young Turks set the historical background for the Karabakh war. The tragedy formed a worldview for many Armenians who came to view the Turkish people as perpetual aggressors; ever ready to destroy the Armenian race and take control of their land. The events of 1915 forever

removed the Armenian population from Anatolia and created a fear of persecution that exists to this day.

Although the conflict began in the early 20th century, both Azerbaijan and Armenia support many historians who look to ancient history to validate their claim to Karabakh. Scholars on both sides make arguments using historical evidence to advance that their people inhabited Karabakh first. Although it is an argument unrecognized by international law, the idea is that, whoever was there first, deserves to govern Karabakh today.

2.2 Historical Claims to Karabakh: The Caucasus as Ethnic Mosaic

The Azerbaijanis claim that Karabakh was first inhabited by a race of people known as the ‘Albans’ or Albanians. The ‘Albans’ are not related to the inhabitants of the country of Albania, but are one of the Caucasian races who made their way into the Caucasus in the first century B.C. The Caucasian Albanians are said to be the progenitors of the peoples of Azerbaijan. The name “Albania” was also supposedly used to describe the territory of Karabakh.[1] A number of Azeri scholars have gone to great lengths to prove that the current inhabitants of the NKR are not Armenians, but are ‘Albanians’ and thus, are actually Azeris who are being manipulated somehow by Yerevan into seeking independence from their true homeland. [9] In addition, almost all of the ancient Armenia churches and monasteries remaining in Azerbaijan have been recast as remnants of the ‘Albanians’.

Armenians, not surprisingly, discredit this theory and have their own army of historians and scholars who argue that Karabakh was historically inhabited by ethnic Armenians. The Armenian version of history is based on a lineage of Armenian ancestors who lived in the first millennium A.D. in the territory of the ancient kingdom of Artsakh, now known as Karabakh. Historians point to the many Armenian churches dating from this time period as the main evidence for this assertion.

Despite these claims and counterclaims, the reality is that the Caucasus is an extremely ethnically intermingled territory; it is one of the great crossroads of civilization; home to the famed Silk Road. The idea of nationalism and of belonging to a nation-state is thus a relatively new concept in the South Caucasus. Allegiance was traditionally granted to a tribe or a clan, not a nation-state. The numerous overlords who ruled the various tribes of the region were able to consolidate rule over these vast tribes, but many remained autonomous; surviving under the protection of various overlords. No one race or ethnic group can legitimately claim an unbroken presence in any territory in that area of the world. Indeed, this rich heritage is reflected in the name Nagorno-Karabakh itself: a combination of Turkish (*kara*) and (*bagh*) meaning 'black garden'. Nagorno or Nagornyy is a Russian word meaning mountainous and was added later to the territory's name. [10]

The South Caucasus was invaded and influenced by such diverse peoples as the Persian king Cyrus the Great, Alexander of Macedonia, and Pompey's Roman legions. The first known state formation in what is now the territory of Azerbaijan and Armenia occurred with unification of various Caucasian Albanian tribes. This occurred roughly in the first

half of the first millennium and survived until the ninth century A.D when Caucasian Albania became a vassal of the Persian Sassanid state. The Caucasus even at this time was multi-ethnic: Armenians, Kurds, Lezgins and various other nomadic tribes lived alongside the Albanians.

Arab invaders arrived in the region in the seventh century, converting some of the Caucasian Albanians to Islam, while those that embraced Christianity separated and migrated into modern Armenia. [11]

By the eleventh century, Turkic tribes from Central Asia moved into the region, further blending the ethnic groups in the region. The Seljuk Turks conquered Azerbaijan including the province of Karabakh in the mid-eleventh century and in the 1330s the region was conquered by the Mongols.

By the sixteenth century, Azerbaijan had become the center of the Safavid dynasty that later ruled Persia. This was the time of the struggle between the Turkish Ottoman Empire and the Safavid Persian Empire. The Safavid Persians converted to Shi'ah Islam to distinguish themselves from the Sunni Ottoman Turks. Karabakh became a region of constant warfare between Persia and Turkey. The Armenians by this time had consolidated an independent leadership which had considerable autonomy from their Persian overlords. This leadership survived roughly until the emergence of Russia as a regional power in the eighteenth century. Russia partitioned both Armenia and Azerbaijan into separate Khanates. The Treaty of Gulistan, signed in 1813, ceded

Karabakh from Persia to Russia. To counter Muslim influence in the region, which the Russians mistrusted, the Tsar actively encouraged the migration of Armenians into Karabakh to increase the “Christian element” in the conquered region. The Armenians were seen as loyal to the Tsar and as natural allies for Russia in the region. [12] This influx of Christian Armenians into Turkic territory happened so suddenly that it naturally led to tensions between the new settlers and the older residents.

Approximately 57,000 Armenians are believed have to have migrated to Karabakh and Yerevan after 1828. The Russo-Turkish wars of 1855-56 and 1877-78, combined with increased persecution by Ottoman authorities, led to further Armenian migrations out of Turkish territory. The biggest Armenian migration occurred, however, after 1828 when Persia ceded Yerevan province to Russia in the Treaty of Turkmenchai. By this treaty, Persia also divided the territory of what is now Azerbaijan with Russia at the end of the Russo-Persian War. By the end of the century, continued Armenian migrations resulted in an overwhelming Armenian presence in Yerevan province and in Karabakh.

The Baku oil boom in the latter part of the nineteenth century led to a large concentration of Armenians in Baku who occupied managerial positions in the oil industry. An elite of Armenian professionals in the Azerbaijani oil industry coupled with outright Armenian favoritism by Russia led to heightened tensions. These frictions quietly simmered under the surface until the outbreak of the first Russian revolution of 1905. The towns of Shusha, Baku, Ganja and Karabakh erupted with ethnic violence and riots. To add to the

internal strife, by the start of WWI, much of the Caucasus was being disputed by Ottoman, British and local forces.

Chaos reigned in the Caucasus until 1917 when the Transcaucasia Federation of Georgia, Azerbaijan and Armenia was born. A federal government was formed in 1918 and the South Caucasus enjoyed a short respite from Russian rule. However, the federation was untenable as the three governments were unable to work out the various territorial and political grievances between them. The three existed in a tumultuous state for two years until the Soviets reconsolidated their hold on the region.

The first state to be Sovietized was Azerbaijan in 1920. This is likely due to the priority placed on securing Baku's oil fields and the support the Bolsheviks enjoyed in Baku. The next to fall to the Red Army was Yerevan, with the last to succumb to Soviet rule being Georgia in 1921.[12]

2.3 The Impact of Soviet Policies and Build Up to the War

In the 1920's the borders of 'Transcaucasia' (Georgia, Armenia and Azerbaijan) were drawn for incorporation into the Soviet Empire. The biggest contention in the Trans Caucasus immediately became where to draw the border between Armenia and Azerbaijan and the status of the disputed regions of Nagorno Karabakh and Nakhichevan, which were claimed by both countries. The population of Nagorno Karabakh was 94% Armenian in 1921.[1] The territory of Nakhichevan, in contrast, was almost exclusively Azeri. [10]

Karabakh was initially given to Armenia. The Azerbaijani communist leader, Nariman Narimanov decided to cede the territory to Armenia as a gesture of ‘socialist solidarity’ with the newly Bolshevized Armenian government. Intense debate ensued within Azerbaijan over the transfer of the territory. Faced with an extremely negative public reaction over the decision, Narimanov bowed to pressure and recanted his decision, eventually demanding that Karabakh remain part of Azerbaijan. [10]

As a compromise, the Soviets attached Karabakh to Soviet Azerbaijan while giving it a large degree of autonomy. In July 1923, the Soviets created the Nagorno Karabakh Autonomous Oblast (NKAO) and the formal borders were drawn one month later. [1] Nakchivan was given much broader rights as an ‘autonomous republic’ as opposed to an ‘oblast’, which was the equivalent of a province. Nakchivan was given its own parliament, constitution and other privileges.

Scholars have put forth many different explanations as to why Nagorno Karabakh, a region with an overwhelmingly Armenian population with a strong legacy of Armenian rule, was decided to be included in Azerbaijan. The most common explanation is that Stalin included Karabakh into Azerbaijan as a policy of ‘Divide and Rule’ which was practiced by the Soviets not just in the Caucasus but all across Central Asia. [1] The actual reasons behind the decision, however, are more complex. The Bolsheviks needed to secure the support of Azerbaijan for two reasons: firstly, because of their rich natural resources and secondly, because as a Muslim Soviet nation, it was hoped that Azerbaijan

would inspire other Muslim nations to join the communist revolution. Giving control of Nagorno Karabakh to Azerbaijan then was partly to ensure allegiance and a feeling of indebtedness to the Soviet state.

However, the timing of the decision to leave the enclave of Nagorno Karabakh within Azerbaijan also coincided with a period of friendship and cooperation between Kemal Ataturk's Turkey and the Soviet Union. In 1921, the two nations signed the Friendship Treaty of Moscow that normalized relations between Ankara and Moscow. Some Armenian scholars have concluded that the granting of Karabakh to Azerbaijan and Kars to Turkey was an attempt to solidify Soviet-Turkish relations.

Thomas De Waal offers a further, compelling reason for this decision in his book *Black Garden: Armenia and Azerbaijan through Peace and War* which he terms, "Combine and Rule". He asserts that longer-term economic considerations were important. Lenin and Stalin created many independent territories designed to be economically viable and replace the old tsarist system of *gubernii*. Ethnic groups from the lowlands were combined in a territory with mountainous people to spur the inhabitants of the plains into teaching nomadic and mountain tribal groups the ways of socialist workers in the new Soviet economy. In the case of Nagorno Karabakh, Azerbaijani nomadic groups were mixed into a territory with a predominately sedentary Armenian population.

Since the Soviets believed that Muslim Azerbaijan did not have a proletariat worker class; the Armenian industrial class was to be a surrogate proletariat for the Muslim Azeris; easing the transition from a religious based community to a socialist society. The

borders drawn by the Soviets when incorporating Transcaucasia into the Soviet Union strongly suggest that the intent was to amplify disputes rather than contain them. Soviet authorities created a situation that would ensure that ethnic groups in the Caucasus would never be able to unite effectively to challenge centralized rule. It also allowed Moscow to manipulate the internal politics of the Caucasian states and justified centralized administration. Religious borders in the South Caucasus were manipulated to coincide with ethnic ones and intensify interethnic hostilities.

Josef Stalin was all too aware of the fierce ethnic rivalries in the Caucasus as he himself was Georgian. The pattern of territorial distribution across the region confirms that Stalin did indeed employ a 'Divide and Rule' strategy in the South Caucasus. It was not only Karabakh that was strategically incorporated into an alien territory. Many pockets of contentious regions were created surrounding the Armenian and Azerbaijani borders; creating irredentist communities and encouraging regional hostility.

The disputed territories of Zangezur and Nakhichevan were also strategically located. Zangezur lies to the south-west of Nagorno Karabakh and Nakhichevan along the Iranian-Turkish border. Nariman Narimanov initially favored giving both of these territories, along with Karabakh to Armenia. Armenia was eventually given Zangezur while Azerbaijan received Nakhichevan, an area almost exclusively Azerbaijani, although lying within Armenian territory. To this day, Nakhichevan remains part of Azerbaijan although it is divided from the rest of the country by Armenia. Interestingly, Stalin also designated the creation of an autonomous region in what is now the Lachin

corridor which connects Karabakh with Armenia. In 1930, however, 'Red Kurdistan' was abolished, the corridor closed and the Kurds were deported to Central Asia. The result of this was that Karabakh became an enclave within Azerbaijan and sharpened the border divisions between the Armenians and the Azerbaijanis.

These actions make it clear that the Soviet Union aimed to control the Caucasus through the use of a contentious border system. The geographic chessboard pattern created by the Soviets was aimed to control the Muslim population of Azerbaijan which they never fully trusted. By interspersing Armenian enclaves in the Azerbaijani state, Moscow aimed to keep 'untrustworthy' Azeri Muslims in check. Stalin thus had two goals in mind when creating the new states of the Caucasus: repression of national aspirations and the creation of new nation states out of "backward tribes" that would be able to integrate into the Soviet infrastructure.

But Soviet policies ultimately resulted in a paradox: cultural uniqueness and national solidarity was encouraged while national aspirations were actively crushed by the imposition of the Soviet political order. This contradiction directly contributed to the modern Karabakh problem, but many of the other ethnic conflicts that erupted in the North and South Caucasus following the collapse of Soviet rule.

Through strong centralized administration, the Soviets were able to suppress most of the disagreement over Karabakh from the 1920's to the late 1980's. Ethnic nationalism was kept dormant through a vigorous process of 'Sovietization' in which every ethnic group

was essentially stripped of their culture and subject to a strict program of (communist) ‘Sovietization.’ This program was carried out across Soviet Central Asia and thus affected Armenians, Azerbaijanis and Karabakh Armenians alike. [13]

In the 1960’s, tensions began to spill out into the open when Armenians in Karabakh petitioned Moscow for transfer of the region to Armenia. There are several reasons the Karabakh Armenians fought for independence. Karabakh Armenians believed they had been discriminated against by the Azerbaijanis throughout the 65 years of the NKAO’s existence. They claimed that Azerbaijan aggressively pursued a policy of depriving them of their cultural rights. [14] Armenian students were not allowed to study in their own language and were isolated from Armenians living in Armenia proper. It has been said that Armenians living in Karabakh were so hostile to the perceived injustices committed by the Azerbaijanis that they preferred learning Russian to Azerbaijani in a ratio of eight to one. [15] Karabakh Armenians also feared that they would eventually be pushed out of the territory by the Azerbaijanis. This fear was based on precedent. The enclave of Nachkichevan, an area also claimed by Armenians but part of Azerbaijan, had a large Armenian majority in the 1920s; but by the 1980s, the Armenia population had been forced out, and is now an almost exclusively Azerbaijani enclave.

A final factor that contributed to discontent was that in economic terms, the NKAO lagged far beyond Armenia. As a result, well educated Karabakh Armenians migrated to Moscow, Yerevan, and Baku.[1] The Azerbaijani’s, however, claim that this is false and

the NKAO received more funding than the more populous and larger Azeri populated enclave of Nakhichevan. [16]

With the beginning of glasnost or “openness” policies in the Soviet Union under Gorbachev, Armenian agitation to separate from Azerbaijan became more severe. Armenians became emboldened that a new status for Karabakh was imminent when an advisor to Mikhail Gorbachev suggested that the NKAO should be separated from the Azerbaijan SSR and attached to the Armenian SSR. [13] Almost immediately after this became public, demonstrations began in Stepanakert and Yerevan led by the ‘Karabakh Committee’. [13]

2.4 Violence Begins

The watershed moment occurred when, in an unprecedented move for a Soviet territory, on the 20th of February 1988, Nagorno Karabakh passed an independent resolution formally asking the Politburo in Moscow for unification with Armenia. Azerbaijan was outraged. Within hours, violence began. Armenians began attacking Azerbaijanis and many Azerbaijanis and Kurds living in Armenia were forced to leave their homes. Many Azerbaijanis were resettled in the industrial city of Sumgait, about 15 miles north of Baku. Later that month, Azeri refugees took revenge on the Armenian community of Sumgait ultimately killing 26 Armenians. Six Azerbaijanis were also killed in the riots according to official sources.[17] Armenians in Sumgait continued to suffer attacks for three days while local police and Moscow stood by. Soviet inaction contributed to a further cycle of violence by making it seem there would be no punishment for attacks on

ethnic minorities. [14] The Armenian community in Nagorno Karabakh became more militant after the Sumgait incident and prepared for an armed struggle. The attacks increased fears throughout the Armenian community; many believed that another massacre similar to Ottoman killings of 1915 would soon occur.

In January 1990, after a series of demonstrations and protests to get the government of Azerbaijan to do something about the growing problems in Karabakh, citizens in Baku took matters into their own hands. The protesters went on a rampage against the Armenian and Russian community in Baku. In a week's time most of the 300,000 Armenians who had been living in Baku had either been killed or fled. Soviet tanks rolled into Baku on January 19th, to stop the violence and ended up killing up to 200 Azeris in a day that is known in Azerbaijan as "Black January". [1]

All out war was by now, inevitable. By 1991, it was clear the Soviet empire was coming apart and in turn, the Karabakh movement became more emboldened. The collapse of the Soviet Union stimulated the start of the conflict.

Protests by Karabakh Armenians for independence increased until the Nagorno Karabakh assembly formally declared independence in December of 1991. Few, if any Azerbaijanis living in Karabakh participated in the vote. Azerbaijan retaliated by revoking Karabakh's independent status and launched an offensive against the separatist government from 1991-1992.

A major turning point in war occurred in February of 1992, when the Armenians took Shusha and Lachin, thus opening a crucial passageway between Armenia and the mountains of Karabakh. In doing so, the Armenians committed one of the most serious human rights violations in the war. Armenian troops massacred over 485 Azeri civilians in the town of Khojaly; a mass murder of innocent men, women, and children, that was initially ignored by the outside world but has since received international condemnation.

From 1993 and 1994 military conflict grew increasingly bloody through the use of weapons either stolen from left over Soviet warehouses or sold by Russian soldiers stationed in the Caucasus. [10] Under President Abulfaz Elchibey, Azerbaijan suffered severe losses and began losing more and more territory to the Armenians.

By the time the 1994 ceasefire was brokered by Russia, Armenia clearly had the upper hand; occupying twenty percent of Azerbaijani territory and in full control of Karabakh. Since 1994, there has been a tenuously held peace but violations of the ceasefire occur regularly and at times, both sides have threatened to resume fighting.

2.5 Since the Ceasefire

Azerbaijan has become more bellicose in recent public statements. Large oil revenues and the expectation of more money have led to increased military posturing.

In 1994, the former President of Azerbaijan, Heydar Aliyev signed what came to be called the “Contract of the Century”; an \$8 billion contract that included oil companies from Norway, the United States, Russia, Saudi Arabia, Japan, Turkey, and the United Kingdom. The contract allowed for the exploitation of the Guneshli, Azeri, and Chirag oil

fields off of Baku with future profits estimated at \$100 billion or more for the Azeri government. Significantly for the Karabakh conflict, increased oil production and the opening of the Baku-Tbilisi-Ceyhon pipeline in July 2006 have given Baku funds to significantly build up their military. According to the International Crisis Group's 2005 report, "Nagorno Karabakh: A Plan for Peace", Azerbaijan increased military spending by 122 percent between 2004 and 2005. [18]

To this day, the conflict remains frozen with no state, not even Armenia, recognizing the statehood of the Nagorno Karabakh Republic. In a significant shift, in June of 2006, the negotiators, for the first time, went public with the principles to be agreed upon by both parties in the Karabakh conflict. Although this was meant to prepare the public for a resolution, citizens of both countries have not been responsive. The "NKR", frustrated by exclusion from the OSCE negotiations, publicly rejected two of the principals.[19] Armenians and Azerbaijanis both remain highly sensitive to the Karabakh issue and are often critical of the OSCE negotiation process. Although the leaders of the two states continue to meet under the auspices of the OSCE, talks have not progressed significantly.

Chapter 3

PARTIES TO THE CONFLICT: INTERNAL FACTORS

3.1 *Azerbaijan*

3.1.1 *Social Inequality and Weak Institutions*

Azerbaijan, since independence, has weathered many internal challenges including: political coups; collapsed social and economic institutions; and a long war with Armenia.

Despite these challenges, there is much to be optimistic about. It has a large population of pro-western, tolerant, well-educated citizens. The government has made some reforms by setting up a State Oil Fund, based on the Norwegian model, to manage its oil wealth more equitably. And finally, the country's rapid privatization and pro-business economic reforms have earned praise from the IMF.

Azerbaijan, however, still has many internal social and political problems. The country suffers from weak institutions, worsening socio-economic conditions and slow progress towards democratization. According to Transparency International, it is one of the most corrupt countries in the world.[20] It has been argued that this type of index is a western construct that cannot adequately portray the social situation in a country like Azerbaijan. Many post- Soviet societies operate through family or clan connections. This is perceived as helping one's relatives, not corruption. This argument has some merit. However, it does result in almost all of the country's oil revenues remaining in the hands of those at the top with almost no trickle down to lower levels of society

Indeed, Azerbaijan suffers many of the problems of a weak or failing state by failing to provide for some of the most basic needs of its society, including: adequate healthcare, a comprehensive education system, and sufficient economic opportunities for its population. Institutions left over from the Soviet era are rapidly falling into decay. One prominent example of this is the education system, which in Soviet times, was of high quality and provided the necessary training for nearly everyone to find employment in his or her field; although the system was not completely free from corruption. With the

collapse of the Soviet Union, however, the old education system is gone and corruption is rampant. The quality of education has fallen substantially in many schools because teachers are not paid even subsistence levels. Quality of teaching in many universities and schools is low and teachers often solicit bribes to make ends meet. Many students in Azerbaijan pay for their grades on exams, and are asked for bribe money from teachers if they want extra help outside of the classroom. In some universities, such as the State Oil Academy, students report that they almost never attend classes because they can just buy the grades for their exams.[21] A new system obviously needs to be put in place and the education system should to be restructured to meet the challenges of today. However, little or no progress has occurred to date.

3.1.2 *Karabakh as a Political Issue*

Azerbaijan thus has a long way to go towards becoming responsive to its citizens. However, the opportunity to become a responsive state with strong institutions is being undermined by the administration's politicization of the Karabakh issue. A lack of an internal political and social structure since independence has allowed extremely ethno-centric nationalist politicians to gain and hold power (i.e. Elchibey and Heydar and Ilham Aliyev). These politicians fill the void of structural instability with nationalism, and the war over Nagorno Karabakh is the main rallying point. Under the current presidency of Ilham Aliyev, Karabakh is such a strong base for power that if it were no longer an issue, it is quite likely that he would lose all legitimacy.

The Karabakh conflict is also being used as a political tool to avoid seriously restructuring the country. Under the current Aliyev presidency, Nagorno Karabakh continues to dominate the public agenda to the detriment of many other serious political and social problems. The most potentially explosive and destabilizing problem is a high rate of social inequality that threatens to grow worse with an influx of oil revenue and accompanying inflation. The divide is most vividly apparent in the contrast between the wealthy oil elite in Baku and the agriculturally based population in the underdeveloped regions outside of the capital city. A select few, living in Baku, have access to the luxuries of a capitalist economy, while many in the outskirts are living in poverty. According to the World Bank, almost half of the population lives below the poverty line. [23] And despite increasing government revenues, the government seems unwilling or unable to provide minimal levels of social protection and public services. A 2005 Azerbaijani government Household Survey, for example, found that in the regions outside of Baku, some 80% of households depend on remittances from abroad to pay for daily living expenses. [24] Indeed, it has become increasingly difficult even for ordinary citizens living in Baku to afford daily necessities. To take one example, food expenses in the capital have sharply risen to above seventy percent of a family income on average, compared with below thirty percent before 1991.[22]

Across the entire country, the public education sector has broken down, health services have deteriorated and the rather egalitarian social system that existed under the Soviets has been destroyed. Instead of funding desperately needed social institutions, the Azerbaijani government is putting its money into the military. In a recent interview,

Major-General Ramiz Najafov spoke of the ongoing buildup of the Azerbaijani armed forces. Next year, he said, “the country's military budget alone will be larger than the total budget of the Armenian government, which controls a population less than 40 per cent as large as Azerbaijan's. We have shown patience in our resolve for a resolution, but our patience is not endless.”[25]

Many citizens in Azerbaijan, unfortunately, would likely agree that such military expansion is necessary because of the war with Armenia. As long as this perception continues among the general population, the government is easily able to avoid rebuilding social infrastructure. Unfortunately, bellicose statements at the expense of addressing more pressing domestic issues seem to be on the rise in the Ilham Aliyev administration.

3.1.3 *Oil*

As a state rich in hydrocarbon resources, Baku is in a particularly difficult position with regard to a transition to a peaceful, accountable government. Azerbaijan is struggling to repair damage left by the Soviet legacy, along with the political impact of being an oil producing or allocation state.

An allocation state is one in which the main source of income, in this case oil, is exported abroad. The income of the state is thus linked to the exportation of oil and the state is freed from taxing its domestic economic base. [26] This is clearly the case in Azerbaijan, where 90% of its exports come from the oil sector. Reliance on external revenue rather

than on taxes from domestic constituents insulates a regime from accountability to its citizens. In turn, this makes it even more difficult to build political parties based on interests rather than nationalist causes. As President Aliyev has no democratic mandate, it is easier and more effective to use the Karabakh war to gain popular support.

Even more distressing is that a majority of the Azeri population seem to think that future oil revenue will only help them in their struggle for Karabakh. Through military buildup and increased wealth they believe they will be able to take back Karabakh by force. This is unlikely. Karabakh is a natural fortress well defended by Armenian forces occupying the surrounding areas. In addition, the Azeri military still has a long way to go to match the capability of the Armenian forces. The Azeri belief that they prevail in another war, though false, is delaying any settlement on Nagorno Karabakh. Many Azeris remain convinced that with the coming oil windfall they will be able to finally recover their lost lands.[27]

3.1.4 *A Semi-authoritarian State*

In terms of its progress on the democratic front, Azerbaijan falls into the category of what democracy expert Thomas Carothers has termed a “semi-authoritarian state”. This type of regime maintains a careful balance between governing in a democratic manner and maintaining authoritarian control.

Leaders of a semi-authoritarian state allow enough political freedoms to gain themselves some credit and legitimacy, and enough to minimize outside pressure for reform. This

type of state will hold regular elections (even if they are not completely free and fair) and permit the creation of a few opposition parties, some independent civic groups, and a small number of independent newspapers. But these regimes also maintain a strong enough hold on the levers of power to ensure that a serious threat to their rule never emerges. [28]

As a semi-authoritarian state, Azerbaijan is too weak to allow any criticism of the government's position in relation to Armenia and Karabakh. Indeed, losing Karabakh was a humiliation for Azerbaijan and this is one reason why the issue remains so politically volatile. Baku is loath to admit that they have permanently lost the war or to be seen as willing to make compromises with Armenia.

A prominent example of the authoritarian tendency inherent in the Aliyev regime is evidenced by the censorship of the press and the general state of the media in the country. Azerbaijan consistently faces condemnation from international organizations due the quality and freedom of the media. The state puts pressure on journalists who are critical of the government and cracks down heavily on opposition newspapers. Under current Azerbaijani defamation law, journalists routinely face criminal charges, suffer physical intimidation, and are often thrown in prison on inflated or false charges.

Despite pressure from the West on the Aliyev government, censorship of critical press is growing. For example, the government recently ordered all Azerbaijani media outlets to stop broadcasting foreign produced news. BBC, Radio Free Europe and other prominent

foreign media sources are no longer to be broadcast in Azerbaijan.[29] This leaves the state run media with a free reign; it is a basically a mouthpiece for the current government and is extremely jingoistic on Karabakh. There is thus a marked lack of pluralism which allows for virtually no dialogue or independent views on solving the conflict. Moreover, no major political party in Azerbaijan is willing to publicly go against the official nationalist policy on Karabakh.

It can thus be seen that the current government is keeping tight control on the media to control dissent. On the Karabakh issue this leaves little hope that anything new will be added to the civic dialogue.

3.1.5 Conclusion: Keeping the Status Quo

For the current administration there is no incentive to come to an agreement with Armenia over Karabakh. Azerbaijan now enjoys excellent relation with the West, most importantly the United States, and the new Baku-Ceyhan pipeline is up and running, which connects Azerbaijan to Turkey and the Caspian and Mediterranean Seas. And recently, Azerbaijan concluded negotiations with Russia and Kazakhstan to its favor, over where to draw territorial lines in the Caspian Sea, which is rich in oil reserves. These three developments, as well as the influx of US\$60 billion to develop oil fields, bode well for Azerbaijan's economic future.

Keeping the status quo on Karabakh is thus beneficial to Azerbaijan for three reasons. First, Baku is fearful of officially and publicly admitting that they lost the war and have

indefinitely lost the territory of Karabakh. As a weak state; non recognition of the NKR and avoiding any peace settlement that would be seen as compromising its territorial integrity keeps the country together in a time of economic and social transition.

Second, leaders in Azerbaijan have failed to prepare their citizens for peace. For example, when the OSCE negotiators publicly released the draft peace agreement on Nagorno-Karabakh in 2006, immediately a surge in pro-war statements appeared in the Azerbaijani press. Rather than opening dialogue and taking an opportunity to make progress on the negotiations, Aliyev continued to fan the flames by granting an interview with the Turkish newspaper, *Jumhuriyet*, in which he stated, "...the reality is that Azerbaijan's territorial integrity is not a topic for discussions and Nagorno-Karabakh will never get independence...War must not be ruled out. There are no countries separating us, no peacekeeping troops. Thus, an 'unpleasant incident' can appear at any time." [30]

In response, independent political analyst in Baku, Ilgar Mammadov, noted that he believes Azerbaijan and Armenian were not really interested in a settlement and have mainly cooperated because of Western incentives and pressure. His statement may be overly pessimistic, but does contain some truth. Mammadov stated: "In November 2005, Mr. Kocharian had to survive a critical constitutional referendum, and Mr. Aliyev had to do the same with his first parliamentary elections. They both needed Western support at the polls, and, therefore, since January 2005 they pretended that progress was being made at the negotiations." [30]

Third, keeping the status quo on Karabakh allows Baku to buy time. If a military option is indeed being considered to take back the lost territories, Baku will need time to build up its defense capability through growing energy revenues. The longer fruitless negotiations go on, the more Azerbaijan's position is strengthened.

3.2 Armenia

3.2.1 *Political Situation*

The Karabakh independence movement that started in the late 1980s was a democratic people's movement although it was ethnic based. In 1988, encouraged by the openness of Gorbachev's glasnost policy, demonstrators in Yerevan peacefully took to the streets to demand the reunification of the territory of Nagorno Karabakh with Armenia. The leadership of the independence movement, The Karabakh Committee, was made of nationalist intellectuals who tried to steer the movement in a peaceful and disciplined manner. Their platform called for "democratization, social justice, economic reform, and national sovereignty".[15] It can rightly be said that the Karabakh movement began the process of democratization and independence in Armenia. Since the ceasefire, however, the Karabakh war has been politicized to the detriment of democratic reform.

A continual state of war has prevented necessary political institutions from developing and is manipulated by politicians as a means to hold power. The government currently in power in Armenia is uncomfortable with democracy and often exploits Armenian's historic fear of a Turkish attack. Economic and social growth has stalled and democracy stifled. Armenia must let go of its political self identification as a victim of Turkish

aggression and see itself an independent nation-state. It will then be possible to build the necessary institutions for economic and social growth and to restore good relations with both Turkey and Azerbaijan.

3.2.2 Missed Opportunities for Democracy

Armenia, like Azerbaijan, exhibits many of the problems associated with post-Soviet states since independence: lack of transparency, human rights problems, corruption, and lack of democracy. It can also be characterized as semi-authoritarian. The current president, Robert Kocharian runs a highly centralized state with strong executive powers and maintains a tight grip on dissent. Half of the population lives below the poverty line, and many are becoming increasingly disillusioned with the current political and economic situation.[31]

Armenia's goal to build a Western style democracy has fallen short; international observers for the 2003 presidential elections found many faults with the democratic process. Both the Organization for Security and Cooperation in Europe (OSCE) and the U.S. government stated that Robert Kocharian's 2003 election was not up to international standards. [32] A more recent study in May 2006, commissioned by USAID, the International Republican Institute and Gallup, found that discontent with the political process in Armenia is high. 70% of respondents answered that they did not believe the next elections would be free and fair and 58% stated that there is a serious lack of democracy in the country.[33]

The current government does not tolerate civic expressions of political dissent. In 2004, for example, opposition demonstrations claiming the results of the 2003 presidential election were fraudulent were violently crushed by the state police on Kocharian's orders. [31] Armenian and Karabakh politicians often argue that Azerbaijan is an authoritarian state in contrast to "democratic" Armenia and the NKR. [34] Political violence and repression, however, is unfortunately, also very much a part of Armenian society.

Robert Kocharian himself belongs to the "Karabakh clan" that currently rules Armenia. During the war with Azerbaijan, he was head of the Nagorno Karabakh State Defense Committee. He is known as a war hero in Armenia for successfully driving the Azeri army out of Karabakh in 1992.[1]

Kocharian made his power grab after the first President of independent Armenia, Lev Ter Petrossian was forced to step down. Petrossian advocated reopening relations with Turkey and supported compromise with Azerbaijan on Karabakh. Significantly, Petrossian also asserted the need for Armenia's independence from external protectors and wanted greater democratic participation in Armenia. Petrossian's push may have come too soon; he experienced a strong backlash from extreme nationalist forces such as the Dashnak party, which he had banned. Democratic reforms were seen as threatening to many elites within the government and Karabakh and the Armenian genocide vigorously reemerged as central issues. Petrossian's hard line prime minister, Robert Kocharian, then took power on the platform that he would never compromise with Azerbaijan on Karabakh. The door to the democratic movement that began with Karabakh Committee

closed, and Armenia, like Azerbaijan remains a state existing in the intermediate between democracy and authoritarianism.

3.2.3 *Historical Fear*

The lack of democratic progress can, in part, be explained by history. Armenia has only been an independent country for fifteen years is still in the process of transforming its former Soviet system into a democratic one. In addition, the Armenian nation has a collective psyche that impacts its relations with the outside world and in particular, with its immediate neighbors, Turkey and Azerbaijan.

Armenians view themselves as a people who have survived in the face of extreme suffering and oppression. The 1915 genocide at the time of the Ottoman Empire and its subsequent denial by Turkey contributes to a collective siege mentality of being surrounded by hostile 'Turks'. The ever present threat of a Pan-Turkish attack has kept Armenia in a mental state of war and has continued with the Karabakh conflict. Nagorno Karabakh has, in effect, become a symbol of the transgressions suffered by the Armenian people at the hands of the Turks.

To survive this threat Armenia concluded that it could only survive if it was under the protection of a powerful state. Armenia considers itself an outpost of Western civilization surrounded by backwardness' and as a natural defender of Russia's interests in the Caucasus. [35] It is also a small country, with few natural resources. Armenia is thus forced to be dependent on external sources for its economic and security needs.

This dependence has been to the detriment of democratic reform and an independent Armenia. As Gerard Libaridian argues in his book, *Armenia at the Crossroads*:

This fear both justified and imagined –of the Turk, the Muslim, Pan-Turkism, pogroms, massacres, and a new genocide has been exploited and manipulated to rationalize, even welcome, the lack of independence and absence of democracy in Armenia.[35]

Armenia's geopolitical position, caught between the great powers of Iran, Turkey and Russia, has made its people subject to foreign rule and the manipulations of great powers for most of its history. The current state of perpetual war over Nagorno Karabakh with Turkish Azerbaijan is tied to Armenia's past and Karabakh is conflated with the genocide. Indeed, international recognition of the genocide and the independence of Nagorno-Karabakh are the two pillars of Armenian foreign policy. [36]

Armenia is dependent on Russia for political and military assistance and looks to the diaspora for economic support. Russia also controls Armenia's energy supply: Russia supplies all of Armenia's gas, giving it valuable diplomatic leverage. Due to this economic isolation, Armenia has suffered the most over the failure to reach an agreement on Karabakh. It has a severe energy problem; it is also a landlocked country with high transportation costs. To compound the situation, it has been left out of the oil and gas projects that run through Azerbaijan, Georgia and Turkey and Azerbaijan and Turkey have maintained border closures with Armenia since the ceasefire.

In Armenia, like in Azerbaijan, the Karabakh issue is still the determining domestic issue for any president in office. In a recent interview given by Armenian opposition leader, Aram Karapetyan of the New Times Party, Karapetyan explains how Karabakh will likely be the spoiler for President Kocharian in the upcoming presidential election:

“It is the Karabakh issue that may disturb the previously determined timescale for the elections. There is very strong pressure and encouragement for Yerevan to conclude a peace agreement with Baku. And President Kocharyan may as a result make concessions and withdraw from the regions around Karabakh, which are under Armenia's control. And this will be seen as a capitulation and the people will go take to the street. So pre-term elections, including presidential elections, are no longer hypothetical. The Karabakh factor may give rise to a revolution. Moreover, not only in Armenia but also in Azerbaijan: after all not everyone there either is happy with the peace plan proposed by the OSCE Minsk group, which envisages mutual concessions”[37]

3.2.4 *Lack of Public Dialogue*

Armenia, like Azerbaijan has done next to nothing to prepare its citizens for a viable peace agreement on Karabakh. There are no economic, cultural or social contacts between the two countries and the media is guilty of publishing inflammatory pieces that increase negative public opinion towards the other side rather than promoting tolerance. There are almost no NGOs working on conflict resolution in the NKR, Armenia, or Azerbaijan. [18] In fact, most indigenous civil society groups actively avoid the issue.

In Armenia, domestic debate over Karabakh is so limited that even the opposition parties do not advocate peace with Azerbaijan. The opposition runs on a platform that expresses dissatisfaction with Kocharian, but has nothing of substance to offer in its place.[31] The Karabakh issue is handled by small elite in Yerevan who share similar views with little participation by the Armenian people.

3.2.5 Conclusion

If Armenia is to truly move towards becoming an independent state with a government responsive to its citizens, the politicization of the Karabakh conflict must end. Armenia must have the courage to move past history and refrain from basing its national agenda on fear of Pan-Turkism. Furthermore, Armenia needs to be politically and economically integrated with neighboring countries as continued isolation will likely lead to more resentment and aggression in the region. To this end, it is critical that relations with its Turkish neighbors improve.

3.3 The ‘Nagorno Karabakh Republic: Separate State?’

3.3.1 Overview

Although not a direct party to the OSCE negotiations, the unrecognized state of the ‘Nagorno Karabakh Republic’ (NKR)² plays a role in Armenian domestic politics that is crucial to examine. In terms of the conflict, there is a definite advantage for the NKR in

² Who should be allowed to negotiate is also contentious. Azerbaijan refuses to negotiate with the NKR as it considers that it is first and foremost in conflict with Armenia, which occupies its territory. Armenia insists that the conflict is between Azerbaijan and Nagorno-Karabakh, and no agreement, including a ceasefire, is sustainable without the signature of Nagorno-Karabakh's de facto leadership. In this study, I consider the main parties to the conflict to be the states of Armenia and Azerbaijan but include a discussion of the NKR as a peripheral player.

keeping the status quo. While international attention has focused on the OSCE negotiations, Stepanakert has quietly been building up its institutions in order to become a viable state. It has set up a court system, held two popular presidential elections, opened official representative offices in both France and the United States and recently adopted its own constitution.

For their part, the Armenia government has settled their citizens into the seven districts surrounding Karabakh, furthering cementing it as Armenian territory. Azerbaijan, in turn, continues to declare these territories as its own, and demands that its internally displaced peoples (IDPs) must be allowed to return. The more 'Armenianized' these territories become, the harder it will be for Azerbaijan to ever recover these territories through peaceful means. In particular, the longer the de facto state of Nagorno Karabakh is allowed to exist and build its state apparatus, the more likely it will become accepted by the international community as a de jure state. The presence of an NKR lobby and a diplomatic attaché in both France and the United States suggests that the Nagorno Karabakh Republic may indeed realize its goal of international recognition.

3.3.2 Relationship with Armenia

There is a debate over the nature of the relationship between Armenia and the NKR. Many question whether it is the NKR that actually controls Armenian politics. The evidence for NKR control being that Robert Kocharian, former leader in the NKR and part of the Karabakh clan, is the elected President of Armenia. Others believe that the NKR is merely a puppet government of Armenia. Many in Azerbaijan subscribe to this

view, as does Thomas De Waal who writes in *Black Garden*, “its (NKR’s) independence is basically a smoke screen...Karabakh has become a part of Armenia.”[1] A more nuanced and intriguing view is provided by Gerard Libaridian, who states that the relationship between Stepanakert and Yerevan is based in sub-national solidarity or clan networks.[38] He states there is a “NKR” presence in Yerevan that constitutes a political network much like the “Nakhichevan” presence in Baku.³ Indeed, Libaridian argues that NKR leaders opposed President Robert Kocharian’s election as president because the consolidation of interests would ultimately harm the NKR’s push for independence. Kocharian essentially became a Yerevan politician through circumstance; he recognized the necessity of Yerevan’s support for securing the interests of Karabakh. Kocharian, then, inevitably wound up a political player in Yerevan. In this analysis, Armenian and NKR interests are blurred by their connections, but the NKR is actually more independent of Yerevan than it appears on the surface.

The relationship between Stepanakert and Yerevan is thus not easily simplified. The NKR has its own independent agenda but obviously cannot be truly independent as it is supported economically and militarily by Armenia. Karabakh Armenians carry Armenian passports and use the Armenian dram as currency. Most importantly, the Armenian military is highly integrated with the ground forces of the NKR, the Nagorno Karabakh Defence Army. This highly trained and equipped army owes its entire existence to Armenia. There are some 8,500 Karabakh Armenians in the army, 10,000 coming from Armenia.

³ Many of Azerbaijan’s ruling elite, from former President Abulfaz Elchibey to the Aliyev’s come from the Azerbaijani enclave of Nakhichevan.

Nagorno Karabakh has become highly militarized with Armenian support. 65 persons per 1,000 inhabitants in the military exceed almost all other countries for proportion of population in the military. According to a study done by the International Crisis Group, it is one of the most militarized societies in the world.[39] This is in addition to the military troops from Armenia proper that are deployed to the seven districts surrounding the NKR. This heavy military presence in the territories heightens regional tensions, and tempts local leaders into using military means above all else to solve their conflicts.

The complex relationship between the NKR and Armenia serves the interests of both parties. The “NKR” receives protection and economic support from Armenia and the Armenian diaspora while Armenia quietly backs the NKR while denying responsibility for their actions to the outside world.

In conclusion, the support the territory is receiving from Armenia and the diaspora community and the merging of interest this has created is only further prolonging the conflict. Furthermore, the NKR’s claims to statehood based on historical rights rather than international law is an undesirable precedent for the international community. Using force to claim rights to a territory should never be condoned, it will only lead others to follow this example.

3.4 *The Politics of the Armenian Diaspora*

The influential Armenian diaspora's role in Armenian domestic politics is important to analyze when discussing why the Karabakh conflict persists. The diaspora worldwide is said to account for around 5.5 million individuals; the majority live in the United States, Russia, and France. In contrast, just 3 million citizens live in Armenia. In a country with just beginning to assert its independence; a well organized, well funded diaspora can be particularly effective in influencing internal government policy. The globalization of communications technology in the last two decades has made it easier for diaspora groups abroad to affect events in the Caucasus. Instant communication has melded the local and global communities and allows for instant political mobilization on political issues.

The Armenian diaspora is both highly skilled and well off economically. According to the World Bank, the aggregate family incomes of the Armenians who live in California alone may be 15 times higher than the entire Armenian economy.[40] Along with their activism on the recognition of the genocide, the diaspora community is an extremely powerful force in Armenian politics and is passionate about the Karabakh issue.

Diasporan Armenians finance the majority of Armenian's Foreign Direct Investment, (about 5% of GDP from 2000-2004)[41]. Current investment is estimated to be between \$200 million and \$300 million. The Armenian economy also depends on foreign aid and remittances provided by this overseas community.

Along with the Armenian government, the diaspora is the main source of monetary support for the “NKR”. The diaspora community provides considerable support for the independence cause, as many view support for the separatist movement as a way to keep ties to the homeland. Most of the infrastructure in Karabakh has been built by this funding. The main route linking the territory of Karabakh to Armenia proper through the Lachin corridor was rebuilt with diaspora funds. In 2000 work started on the construction of a strategic road linking the southern areas and the capital to the north of Nagorno-Karabakh. The diaspora also provides considerable humanitarian and social assistance to the ‘Republic of Nagorno Karabakh’.

The Karabakh issue is arguably more important for the diaspora than for the residents of Armenia because it is a source of cohesion and identity. Karabakh is an abstract political issue that connects Armenians living abroad to the homeland. The 1915 Armenian genocide, the cornerstone of diaspora identity, is now symbolically tied to the Karabakh independence movement. As Armenian scholar Richard G. Hovannisian has said: “Turkish moves to support Azerbaijan in the Karabakh conflict were seen by the diaspora as the logical continuation of a long-term policy to keep Armenia helpless and vulnerable...[that] at a convenient moment it can, perhaps, seize upon an excuse to eliminate the little that was left of the historic Armenian territories.”[42]

Diaspora activists have become increasingly involved in Armenian politics since the 1994 ceasefire. The first Armenian president after independence, Lev Ter-Petrossian, tried to find a balance between the interests and resources of the diaspora and the citizens

of Armenia; however, in doing so he put in place a number of policies that the diaspora community found unacceptable. First, Petrossian refused to recognize the independent state of Nagorno Karabakh. The rationale for this policy was to deny Azerbaijan its strongest argument: that Armenia was trying to annex Azerbaijani land to build a 'greater Armenia'. In addition, this would support an argument on the Armenian side that Baku was denying its own constituents the right to self-determination. [2] The leaders of the "NKR" followed Yerevan's lead but began to build the institutions of a separate state with the help of the diaspora. The NKR, however, continued to insist that they be a party to the OSCE negotiations although no one in the international community took this seriously and no state recognized Nagorno Karabakh's independence. Regarding the Karabakh peace process, Petrossian declared support for a step-by-step settlement which called for direct talks between Baku and Stepanakert.

Petrossian's main split with diaspora community and the nationalist Dashnak party came when he tried to restore normal diplomatic relations with Turkey. This policy was realist, and was based in the foreign relations environment of post-Soviet Armenia. Petrossian rightly recognized that establishment of normal relations with their neighbor would bring economic benefit to Armenia and greater national security. A rapprochement with Turkey would bring obvious benefit to Armenia, but held little interest for the diaspora. Many saw it as an affront to their national identity and a denial of the genocide. The transnational, nationalist Dashnak party stated that they opposed any relations with Turkey until they issued a formal apology for the genocide.

The Dashnaks subsequently funded a well organized publicity campaign labeling Petrossian a traitor for his stance on reconciliation with Turkey and his perceived compromises over Karabakh. Forced to resign in 1998, Petrossian was replaced by his nationalist Prime Minister Robert Kocharian, who made his career as a war hero in the Karabakh conflict. [2] Kocharian took a decidedly more anti-Turk stance and a stronger position on the status of Karabakh. While he pledged to continue negotiations with Baku, he pledged that absolutely no concessions would be made to Azerbaijan. [43] Most importantly for the diaspora, he was very aware of the need for their support and actively sought their participation in Armenian affairs. Indeed, in his inaugural address on 8 April 1998, he reiterated his vision for a greater role of the Diaspora in the Armenian government while stating that the genocide was the cause of the entire nation of Armenia, not just the diaspora.[42] Bringing anti-Turk nationalism back to the center of Armenian politics had the effect of isolating Armenia both diplomatically and economically and set the Karabakh peace process back substantially.

There are several reasons why the Armenian diaspora might be inclined to back such policies even if they ultimately harm Armenia. First, they are concerned about maintaining their identity: that of victims at the hands of Turks in the 1915 genocide.

Second, the Armenian community abroad, particularly in the United States took a very active role in maintaining Armenian nationalism and identity during Soviet times. It has been difficult to give up this prominent role in the homeland's affairs. The Armenian community may also be reluctant to give up the political representation and mission that

advocating for their cause gives them in their adopted countries abroad. The strong Armenian political lobby in both France and the United States, for one, would see their position of power diminished within the respective countries if an agreement on Karabakh was reached or a more conciliatory stance towards the Turkish people adopted by Armenia.

Finally, as they are removed from the realities of living in an Armenia that is still struggling with the economic and social effects of the Karabakh war, the diaspora has less incentive to compromise on Karabakh and can afford to be far more militant. This is not to say that there are not Armenians in the Diaspora community who want peace and good relations with Turkey and Azerbaijan. One such group, the Armenian Assembly, in the United States, is supportive of conflict resolution and of some compromise with Azerbaijan.

In addition, many in the diaspora community are now using their influence to press Armenia on the need for reform. For example, Armenia and the diaspora recently unveiled a plan boost economic development in the poorest border villages in Armenia with overseas funding. The aid money is conditioned on the government's commitment to democratic principles. Many in the overseas community have realized that in order for Armenia to progress, it must make certain changes. As one French Armenian stated during a public meeting regarding the development aid, "Diaspora Armenians need a new inspiration and this inspiration can be provided by Armenia only. But not by this

Armenia, we need a democratic, fair country, free of corruption. If you [local Armenians] fail to create such an Armenia, we [the Diaspora Armenians] cannot do it either."[44]

Despite these hopeful signs, a group of politically motivated, well -organized Armenians from the diaspora partnering with like minded groups within Armenia were able to push a nationalist anti-Turk into agenda onto the current government to the great detriment of Armenia's citizens and the resolution of Karabakh.

The diaspora's role in the politics of Armenia is thus one factor out of many that explains the failure of both countries to reach a compromise. The current effort to tie continued economic assistance to democratic reform could be positive for Armenia's development if reforms are implemented gradually and strategically.

Hopefully, the diaspora will realize nationalist politics is harmful to the homeland and constructive efforts to aid transitioning democracy will continue. They have the power and influence to play a positive role in moving Armenia away from the politics of fear towards becoming a more open society that is willing to open dialogue with its neighbors.

3.5 Conclusions: Azerbaijan and Armenia: Consequences of Democratic Change

It is evident that Armenia and Azerbaijan are in a state of transition. Both are partially democratic states and the West, in particular, the United States, is heavily promoting democratization to aid their transition. The current worldwide U.S. democracy strategy is focused on promoting free and transparent elections, strengthening the judiciary, support for civil society groups, and various programs to train media in responsible journalism.

Overall, however, this democracy agenda is not having the desired effect. Reforms are being implemented without much thought being given to timing or sequence. The political institutions necessary for citizens to participate in a meaningful way in the political process are still largely absent. In some areas, such as media freedom, Azerbaijan and Armenia seem to be moving in reverse.

The United States is correct in promoting democracy in these countries as a long term goal but in the short and medium term, it is causing more disorder. As Jack Snyder argues in *Electing to Fight*, countries that lack the institutions necessary to make democracy work (an effective state, rule of law, professional news media and organized parties that compete in fair elections) have a much greater chance of going to war[45]. Building these institutions take reforms that are well timed and sequenced and are country specific. As evidenced by the current situation in Iraq, when democracy is forced upon a country too soon, chaos can ensue.

Furthermore, the social and education institutions put in place during the Soviet Union are rapidly eroding and are not being replaced by anything new. In Azerbaijan, centralized rule is particularly entrenched because of the ‘oil curse’, the governance problems generated by its rich energy resources. As an allocation or *rentier* state, the government is in a position to buy loyalty and as such is less accountable to its citizens. Multi-billion dollar foreign investment in the state-run oil companies has considerably strengthened the governing elite while increasing corruption and social inequality.

As strongly authoritarian regimes collapse (such as the Soviet Union) politicians who come to power often fill the void with nationalist rhetoric and ethnic politics. When control of territory and popular loyalties are uncertain, political manipulation through nationalist causes is used to gain support from disparate groups within a state. Newly democratizing weak states are vulnerable to this use of ethnic politics which can lead to conflict- as seen in the cases of Yugoslavia, Rwanda, and Iraq.

This same undemocratic, nationalist based political maneuvering is clearly present in the South Caucasus. Nationalist causes such as Karabakh are particularly effective in mobilizing populations which are clan based, as are Armenian and Azerbaijan, because more democratic, pluralist leaders have difficulty forging unity across diverse sectors of society with multiple interests. The current era of globalization, characterized by the dual aspects of a globalized economy, communication and technology with a parallel affirmation of identity as a source of meaning have reinforced the effectiveness of Karabakh as a unifying force in these societies. [7]

Chapter 4

EXTERNAL POWERS IN THE CAUCASUS

4.1 *Introduction: Peripheral Regional Powers*

The first factor that is obstructing peace between Azerbaijan and Armenia, discussed above, is the politicization of Karabakh used to consolidate rule in an early phase of democratic transition. Domestic politics also plays a role; weak internal political

conditions and the political situation in the countries at war are not conducive to regional peace.

The second critical issue to discuss is the increased involvement of outside countries in the politics of the Caucasus and in the conflict itself. Of all of the post-Soviet conflicts (Abkhazia and South Ossetia in Georgia and Transdneister in Moldova), the war over Nagorno Karabakh has received the most attention from the international community. While many regional and Western powers have been involved in mediating Karabakh at some point, this section will focus on the main external actors: Russia, Iran, Turkey and the United States. An understanding of the interests and motivations of these foreign powers is crucial in assessing how the war over Karabakh is being perpetuated.

The OSCE Minsk negotiations have often been criticized because the co-chairs: France, Russia and the United States are not neutral parties to the conflict. Each country is biased in favor of either Armenia or Azerbaijan. For instance, France and the United States have large Armenian constituencies that make them less than objective and Russia is viewed by Azerbaijan as a direct ally of Armenia. The OSCE mediation group is flawed and their respective roles in the mediation process have often proven to be an obstacle to a negotiated settlement. The OSCE negotiators, however, have been analyzed in other academic works and thus will not be discussed in detail in this paper. I will focus on who I believe are the important external actors who have an impact on the conflict, leaving aside whether or not they are actually involved in the negotiations.

The southern Caucasus attracts outside interest for many reasons. Armenia and in particular, Azerbaijan are in a critical geographic position; poised between Europe and Asia. Azerbaijan, in addition, holds large energy reserves that are driving Turkey, Iran, Russia, and the United States all to compete for influence over these resources. The United States, in particular, is determined to negotiate a peace settlement because it needs a stable environment in order to profit from its Caspian oil interests. To this end, it is pursuing a policy of rapid democratization and militarization in the region. Finding an expedited settlement to the Karabakh conflict while pushing for democratization before the countries are fully prepared, however, is a policy that is likely to fail.

In addition, powers such as Iran and Turkey have an ethnic or religious connection to the countries at war, while Russia has a colonial one. Finally, the role of the large Armenian diaspora and growing Azerbaijani presence abroad, are ensuring that Karabakh receives the attention and involvement of high level international players.

4.2 Iran

4.2.1 Iran's involvement in the Karabakh dispute

Iran has a long history in the South Caucasus. Records from the first century B.C. describe the area as the seat of rivalry between ancient Persia and the Roman Empire.[46] Iran remains a powerful player in the area, although its presence today is more muted. Tehran keeps a low profile mainly to avoid alienating Russia. Iran is dependent upon Russia for military hardware, trade, and technology and thus cannot afford to upset Moscow.[2]

Many analysts predicted that with the collapse of the Soviet Union, Iran and Turkey would rush into to fill the void in the South Caucasus and compete with each other for influence.[47] But, Russia remains such a strong presence in the region that it has been successful in keeping both and Iran and Turkey from becoming too powerful.

Iran, however, has continued to quietly expand its influence into Central Asia and the Caucasus. To this end, Iran has asked to become an observer in the Shanghai Cooperation Organization (a primarily Central Asian organization, based in Beijing and headed by China) and has made an effort to build economic and political ties with the states of the South Caucasus. Notably, Iran has significantly strengthened relations with Armenia. Through these alliances, the Islamic Republic aims to curb the influence of the other major powers in the region: Russia, the United States, and Turkey.

A long history of rivalry for influence between the Persian and the Anatolian plateau is currently being recast in the South Caucasus. For several reasons, Iran fears Turkish involvement in the Muslim states of the former Soviet. First, as impacts Azerbaijan, the Islamic Republic is vying for influence with regard to the type of governmental model that should be adopted by Muslim states in the Soviet Union.

Second, as Turkey is seen as a pro-western state, Iran suspects that Turkish involvement on its borders in the Caucasus is really a proxy for the interests of the West. Finally, Iran wants to have the advantage over Turkey in economic and commercial alliances in the

Caucasus. In particular, Iran feels slighted by being left out of the recent energy deals between Turkey, Azerbaijan and the West.

In terms of its involvement in the Karabakh war, The Islamic Republic was actually one of the first countries to offer to mediate the dispute. Iran had become increasingly concerned about the disorder the violence was causing in the region and was particularly alarmed by refugees streaming over the border from Azerbaijan into its territory.[2]

In an effort to resolve the crisis, in February of 1992, the Iranian Foreign Minister brought together Armenia, Nagorno Karabakh and Azerbaijan to negotiate a settlement. The need for a settlement was getting desperate as the previous ceasefire agreement had been violated and Azerbaijan began taking heavy casualties. A major turning point occurred when the Armenian army captured the town of Shusha while the negotiations were ongoing. Tehran decided that the parties were not ready to come to an agreement and mediation was not worth its effort. Azerbaijan, humiliated by its losses in the war, blamed Iran for failure to stop the Armenian victories and rejected Iran as a suitable mediator. Iran has not played an official role since. [48]

Iran has complex relations with both Armenia and Azerbaijan and this is reflected in their foreign policy and stance on the Karabakh issue. And while there is no evidence that Tehran is actively aiding the conflict, they have mainly stood by and reaped its benefits: Karabakh keeps Azerbaijan weak and curbs U.S. influence in the South Caucasus.

4.2.2 *Iran's relations with Azerbaijan and Armenia*

Azerbaijan and Iran share cultural and religious ties: both are Shi'ah Muslim countries and Iran has a large Azeri population living in their country; estimated to be around 24%.^[49]

Despite these similarities, Iran and Azerbaijan do not have strong diplomatic ties and Iran has seen it to its advantage to keep Azerbaijan weak. A strong Muslim country on its border would rival its dominance in the region and may stir up nationalist feelings by its own Azeri population. ^[50] In particular, Teheran views calls for a union between the “two Azerbaijan” with extreme concern.⁴ Were its large Azeri population to gain independence, it could open the door for Iran's other minority populations to follow suit.

Iran is also suspicious of Azerbaijan's increasingly strong ties to the west, particularly the United States. Finally, Azerbaijan's increasing international prestige and economic growth due to its increasing oil revenue threatens the Iranian regime. Iran, therefore, has concluded that it will not overtly back Azerbaijan in the Karabakh dispute and does not participate in the current OSCE Minsk negotiations. Iran, however, does support Azerbaijan's position in the dispute. It supports the Azeri appeal to territorial integrity under international law for fear that its own minorities may also agitate to secede from the Islamic Republic.

⁴ The country of Azerbaijan was once part of Iran. Iran lost its territory of Northern Azerbaijan, which became the country of Azerbaijan, to Russia in the treaty of Turkmanchay in 1828 after defeat in the Russo-Persian war. The treaty split the territory of Azerbaijan with the Russians gaining the North and Southern Azerbaijan ceding to Iranian control.

Beginning in the mid-1990's, an important geopolitical shift occurred in the Caucasus' power dynamics. Iran and Armenia began developing stronger relations. This is mainly the result of necessity. Both regimes are isolated by the West, and Armenia and Iran share an ethnic Indo-European heritage and a cultural myth as an oppressed minority nation. Iran feels oppressed as a minority Shi'ah nation and Armenia feels similarly as a Christian state surrounded by Sunni Turks. There is also a considerable Armenian community in Iran that carries some influence within the country.[13] This diaspora, however, unlike the Azeri population, is not united enough to threaten Iranian unity. Iran and Armenia are thus allies because of this familiar culture, ethnic kinship, shared desire to stop the spread of Turkish influence in the Caucasus, and calculated geopolitical necessity.

Iranian and Armenian interests most converge in the economic sphere. To this end, in the mid-1990's, leaders in Yerevan made a concerted effort to reach out to neighboring Iran. Armenia is landlocked and under blockade; and its neighbor, Iran offers valuable trade opportunities and energy resources as well as a way to lessen its energy dependence on Moscow. Iran, being blacklisted from doing business with the U.S. and left out of some of the recent, large energy deals, was eager to gain a market for its goods and energy in Armenia.

Armenian—Iranian cooperation in the energy sector, in particular, has expanded recently. In September of 2006, the two governments announced their intentions to build a gas pipeline from Iran to Armenia. They also recently began construction of a hydroelectric

power plant on the Araxes river, which serves as the two nations' border.[51] Meeting in July 2006, Iranian President Mahmoud Ahmadinejad reaffirmed the Islamic Republic's commitment to maintaining close ties with Armenia. "The Islamic Republic of Iran welcomes and supports the development of ties with Armenia in various areas, particularly in energy as well as transportation, sports, and tourism." Iranian media quoted Ahmadinejad as saying after talks with Kocharian. "I hope the Armenian president's trip to Iran would serve as an important step toward the development of all-out ties between the two countries." [52]

Iran's outreach to Armenia is clearly aimed at advancing its own interests in the Caucasus. This is shifting the balance of power and may have the effect of isolating Armenia even further. By forging economic and diplomatic alliances with Armenia, Iran is subtly undermining the presence of the United States while keeping neighboring Azerbaijan in check. Although Iran is not actively inciting the conflict, the continuation of the Karabakh war indirectly helps Iran to subdue two of its biggest regional threats by keeping them weak and distracted. Maintenance of the status quo is in Tehran's interests.

4.3 Turkey

Turkey is the geopolitical counterweight to Iran in the southern Caucasus. Both are mid-size regional powers that aim to project influence into the region. After the collapse of the Soviet Union, Turkey saw an opportunity to gain regional power by developing relations with its Turkic brothers in Central Asia and Azerbaijan. In the 1990's Ankara pursued a 'pan-Turkic' policy that envisioned itself as a leader for all of the Muslim republics of the

former Soviet Union. The reasons for this involvement were mainly economic. Turkey hoped to tap into the region's oil and gas market and desired the new Central Asian market for its goods.

Of all of the former Soviet republics, Turkey is closest in language and ethnicity to Azerbaijan. Azerbaijan is also an important ally for Turkey because of its oil reserves and Turkey's involvement in the BTC pipeline project. Turkey thus actively supports Azerbaijan's right to territorial integrity in the Karabakh conflict and maintains an economic blockade on Armenia in solidarity. This blockade is becoming somewhat of a dilemma for Turkey, however. Turkey is torn between supporting its close ally Azerbaijan and growing pressure from domestic and external forces to open the border with Armenia. Plans to open the border cause tension with Baku. Turkey faces pressure, however, from the EU in the opposite direction: to repair diplomatic relations with Armenia. Furthermore, many people in Turkey itself, particularly in border towns, such as Kars, are also in favor of opening the border for economic reasons.

Turkey's role in the Karabakh dispute has also diminished because, despite its intentions, its plan to become the leader of a great pan-Turkic union in Central Asia and the Caucasus never became a reality. This can be explained by for several reasons. First, Turkey's ambitions in the region were actively checked by Iran and Russia, who were hostile to the idea of a Turkish influence in its backyard.

Second, Turkey began focusing on domestic reform and internal politics in its bid to join the EU. Foreign policy and involvement in regional issues has taken a backseat to more important domestic issues.

Third, Turkey concluded that getting too involved in the war over Karabakh would hurt any future reconciliation with Armenia and would jeopardize its own security interests. Already battling a Kurdish insurgency in the southeast, Turkey feared that any fighting between Armenia and Azerbaijan would spillover into its borders or that it would become involved in a war that it had no desire to be a party to. [2]

For the reasons outlined above, Turkey is only involved in a marginal way in the peace process. Turkey participated in the first emergency conference held on Karabakh in Minsk, Belarus, as a member of the CSCE (now OSCE).[53] Once the negotiating body was restructured as the Minsk Group, however, Ankara was not involved at a high level. This decision was made due to its unacceptability as a mediator by the Armenians and the Karabakh Armenians.

Armenians view Turkey as too biased in favor Azerbaijan and as hostile to Armenia because of the 1915 genocide.[48] Turkey does, however, play a key role regionally, and thus its actions impact the Karabakh peace process. Ankara's involvement in the Baku-Tbilisi-Ceyhan pipeline is deepening regional tensions because of the isolation of Armenia; the relationship between Turkey and Armenia is a key factor obstructing the peace process.

Poor relations with Armenia over the 1915 massacres along with Turkey's support for Azerbaijan, inhibits any improvement of ties between Azerbaijan and Armenia.

Moreover, human rights abuses at the hands of the Turks in 1915 are symbolically linked with the Karabakh war in the minds of many Armenians. Until the Armenia-Turkey relationship sees some improvement, it is unlikely that tensions over Karabakh will diminish.

4.4 Russia and the United States: Great Game II?

4.4.1 *Russia's Interest in the 'Near Abroad'*

Since the dissolution of the Soviet Union, Russia has sought to keep a dominant role in the Caucasus and is the most interventionist power in the conflicts that have spread across the region. Russia traditionally thinks of it as its near –abroad. The Caucasus is Russia's buffer and its defense is vital to its national security. [50] In addition, it has been difficult for Russia to give up its self image as the greatest power in the region, even fifteen years after the break up of the Soviet Union.

Russia's hand has been most heavily felt in the secessionist conflicts in Georgia of South Ossetia and Abkhazia and in the Chechen and Dagestani conflicts in the North Caucasus; however, it has played and continues to play an important role in the Nagorno Karabakh conflict. Russia's contradictory policy of selective support to Armenia while at the same time participating as a co-chair in the OSCE Minsk negotiations is often described as detrimental to solving the conflict.[48]

Russia's actions throughout the 1990's towards Armenia and Azerbaijan seem to support a desire to perpetuate the conflict to keep the region under Russian control. Russia is a strong supporter of Armenia, both militarily and diplomatically. In 1998, the two countries signed a Treaty of Friendship and Mutual Cooperation that included substantial military assistance to Armenia. [53] Russian parliamentary investigations have since found that Russia supplied Armenia with arms well worth over a billion dollars during the Karabakh war.[54]. While both Azerbaijani and Armenian fighters took advantage of weapons left in Soviet warehouses to arm themselves during the fighting, Russia covertly transferred weapons and military equipment exclusively to the Armenian forces from 1993-1996; these transfers included air defense missiles, tanks, and small arms. [55]

Armenia, for its part, has welcomed Russian support to counter threats posed by Azerbaijan and Turkey and traditionally looks to Russia as its protector in the region. The situation, however, is not as clear cut as it may seem. Despite ties to Armenia, however, Russia also supports Azerbaijan. Moscow cannot completely alienate Baku because of its energy resources.

Russia's desire to maintain its position as the hegemonic state in the Caucasus is revealed in President Boris Yeltsin's 1994 decision to become the chief mediator and enforcer of a peace settlement in the Karabakh conflict. Russia's intent became clear to the heads of Armenia, Azerbaijan, and Georgia at a summit on the ceasefire in October of that year. As the price for mediation, Russia asked for bases to be permanently stationed in

Azerbaijan along with Russian border guards to be stationed on the Iranian-Azerbaijani border. More significantly, the communiqué presented by Russia stipulated a “significant strengthening of Russia’s position and role in the Transcaucasus region”.[56] This was unequivocally rejected by Azerbaijan.

Azerbaijan’s defiance of Russia may have led to Moscow’s most direct intervention into the conflict. Azerbaijan’s losses on the battlefield by this time had weakened the government and made it vulnerable to Russian influence. When Popular Front leader Albulfaz Elchibey was elected in 1992, he recognized this and made a deliberate attempt to orient foreign policy towards the West. Elchibey called for a withdrawal of Russian troops from Azerbaijan and proceeded to strengthen ties with Turkey. When Elchibey signed the agreement to build the Baku-Tbilisi-Ceyhon pipeline with Turkey and refused to allow Russian bases in Azerbaijan; it is often speculated, but not confirmed, that Russia backed the coup that deposed him from office.

Russia’s involvement as a co-chair in the Minsk process has opened new opportunities to influence the peace process, ultimately leading to further deadlock. One example of this is the ‘common state’ proposal put forward by Russia in which Nagorno Karabakh and Azerbaijan would share power in one state. Many observers charge that this same type of proposal has been used by Russia to prolong conflicts in Abkhazia and Transdnistria. Indeed, the Georgian government threatened to boycott any OSCE proposal for Nagorno Karabakh according to this model because it would increase Russia’s influence in the South Caucasus. [47] Moscow is suspected of similar motives in Georgia: promoting

instability in order to reduce the appeal of the Baku-Tbilisi-Ceyhan pipeline crossing that country.[57] These same actions considerations apply in Karabakh.

4.4.2 *Russia's New Tactics in the South Caucasus*

Russia currently seems to be adopting a more equivocal attitude towards the war.

Although not opposed to a peaceful settlement of Karabakh, the continuation of the conflict is favorable to Russia because it is a strong justification for remaining a force in the Caucasus. Russia also benefits because war keeps Armenia and Azerbaijan weak and from achieving true independence and full economic potential. This allows Russia more control of the region's oil reserves and gives Moscow more of a sway with local leaders.

Russia is also in a much stronger economic situation than in the early 1990's when the Karabakh war first broke out. Since 1999, its economy has been on a steady recovery; mainly due to the high world price of the oil and gas it exports and instability in the Middle East. As a result of improved economic outlook, Russia under Putin has taken on a more assertive, confident diplomacy. In Central Asia and the Caucasus, Russia is aiming to project its influence in the region through a new tactic: the use of its national magnetism.

As Brookings scholar Fiona Hill recently stated, Moscow is using its new energy resource wealth to assert "soft power" into Central Asia and the Caucasus. Since 2000, migration to Russia has become a safety valve for the region as millions of people have moved to Russia in search of better economic prospects. [58] Russia's footprint in the

Caucasus is being deepened through the Kremlin's heavy promotion of culture and the Russian language along with job opportunities.

Despite the newfound appeal of Moscow's culture, energy remains the instrument of choice in maintaining power in the Caucasus. Russia is the main regional supplier of gas in many of the former Soviet states; it also supplies 25% of Europe's gas needs, set to rise to 70% by 2020.[59] Moscow's national gas company Gazprom is a significant presence in many countries in the Caucasus

Even Azerbaijan, a producer of gas, will import some 1.5 cubic meters in 2007 to meet domestic needs. Russia thus has considerable leverage over the affairs of the South Caucasus; and as recent affairs involving Ukraine and Georgia have demonstrated, Russia is not afraid to use its energy resources as a political weapon.

Russia's attempts to influence policy through the energy sector are having an impact on the Karabakh conflict. The situation between Ukraine and Russia is illustrative.

In a pricing dispute in January 2006, Russia shut off its gas supplies to Ukraine; freezing out the country in the dead of winter and affecting gas supplies to Europe. The dispute was not without a political element. The gas crisis came just as Ukraine headed into parliamentary elections, in which Yushchenko faces tough opposition from his former pro-Moscow rival Viktor Yanukovich.

Although Russia and Ukraine have since come to a mutual agreement on gas prices, both Ukraine and the EU have vowed to look to the Caspian for some its energy resources and expressed interest in building additional routes for the transportation of energy resources from the Caspian Sea basin, Russia and the territory of Ukraine. With the aim of increasing energy security, Belarus, Azerbaijan and Ukraine recently held a joint conference pledging to increase energy cooperation.

Most importantly, Ukraine's interest in Caspian energy has caused a significant change in its stand on Karabakh. Ukraine and Azerbaijan have traditionally been at odds over their differing political systems. Yushchenko , as the leader of the Orange Revolution that brought democratic change to Ukraine, previously kept his distance from Aliyev's authoritarian regime. Azerbaijan was in fact one of the first post-Soviet states to go on the offensive against the nature of political change in after the Orange Revolution. In 2005, Azerbaijani authorities even went as far as arresting a Ukrainian opposition leader in Baku's airport and deporting him back to Ukraine; bringing condemnation from Yushchenko .

Russia's actions, however, have caused a significant change in relations between the two countries. In September of 2006, Ukrainian President Victor Yushchenko made his first official visit to Azerbaijan. Yushchenko declared Ukraine's support for Azerbaijan's position in the Karabakh dispute while also pledging to send peacekeepers to Karabakh to help end the conflict. Addressing students of Baku Slavic University on September 8, Yushchenko placed Ukraine firmly on Azerbaijan's side, saying that "recognition of

Azerbaijan's territorial integrity is a necessary condition for settlement of the [Karabakh] conflict." [60] Support for Azerbaijan over the Karabakh conflict is clearly linked to Ukraine's need for Azerbaijani assistance in the energy sphere as a bulwark against Russia. Moscow is also putting pressure on Baku for its cooperation with both Georgia and Ukraine. Recently Gazprom announced that it would raise gas prices for Azerbaijan in 2007 from \$110 to \$230 per 1,000 cubic meters. Russia's use of energy as a political weapon is clearly resulting in shifting alliances across the South Caucasus.

4.4.3 U.S. - Russia Energy Rivalry

A final factor is the rivalry between the United States and Russia for control of Caspian energy resources. To this end, both countries are engaging in systematic efforts to strengthen their military positions in the region. Russia and the U.S. are training and arming their respective allies (the United States in Azerbaijan and Georgia and Russia in Armenia). Russia, having the advantage of former Soviet infrastructure has built up a considerable military presence in the Caucasus.

The Red Army has a large presence in Armenia. It maintains its 102nd military base in the country which holds Russian tanks, infantry fighting vehicles, armored personnel carriers and artillery guns. Further equipment has been sent to this base as part of its military withdrawals from Georgia. For its part, Armenia is an enthusiastic participant in the Russian dominated CIS 's Collective Security Treaty Organization (CSTO), reflecting the strong military ties between the two countries.[61]

In Azerbaijan, Russia does not have quite the same military occupancy. However, Russia does maintain smaller garrison and military detachments as well a radar station for tracking ballistic missiles in the town of Gabala.[62] Recently, Russia offered to increase military aid in the form of military equipment to Azerbaijan and both countries are moving forward to increase military cooperation. Moscow has also pushed for its own multilateral Caspian security organization — Kasfor — whose declared goals of battling terrorism and illicit traffic on the Caspian are identical to those of the U.S.'s Caspian Guard.[62]

Increasing militarization of the Caucasus is having an extremely detrimental effect on the peace process. The military buildup in the Caucasus has caused both Armenia and Azerbaijan to look towards the military option as the only way of resolving the Karabakh conflict. Many Azeris, for example believe that the NATO military training they received through the United States has made them more capable of taking Karabakh back by force. Armenians, in turn, believe that with Russian weapons and possible Russian military assistance, should war resume, they will be able to prevail in any conflict over Karabakh. This has led to a heightened level of aggression and has reduced the incentive for dialogue and compromise on both sides. [27]

Of all the major powers, Russia has the most interests at stake in the Caucasus. Although Karabakh is not quite as critical to in Moscow's eyes as the conflicts in Georgia, Moscow still wants to maintain control in the South Caucasus and keep U.S. ambitions in check. There is no conclusive evidence that Russia is currently actively perpetuating the conflict;

but the current situation does work to its advantage as it keeps Armenia and Azerbaijan weak, and thwarts U.S. ambitions in the region. In this way, its tactic is similar to Iran's. Unlike Iran, however, Russia is guilty of prolonging the conflict by using energy to manipulate politics in the Caucasus to its liking and through direct competition with the U.S. for influence in the Caucasus.

4.5 The Role of the United States

The emergence of a strong US presence in the Caucasus is one of the most important developments in the region since the mid-1990s. In the post-Cold War environment, both the United States and Russia are competing for Central Asia and the Caucasus as a great geopolitical prize.

Echoing the thesis of Halfred Mackinder that control of the 'Eurasian heartland' ensures control of the world, influential policy makers in the Clinton administration, such as Deputy Secretary of State Strobe Talbott, began to argue that the United States had vital interests in former Soviet Central Asia.

The current Bush administration has deepened its involvement. The desire to diversify the energy market through control of the Caspian's energy resources, the Bush regime's democracy promotion agenda, and the need for cooperation in the "global war on terror" has ensured that the Caucasus receives high level attention. The Caucasus is the corridor between Central Asia and Europe and as such, its security and stability is critical to the West. America is also seeking to limit the power of Russia and Iran in the region by

strengthening ties with the three Caucasian states. The aim is to build democracies in these states; increase their independence and lessen the need for dependence on Russia.

The U.S. agenda in the Caucasus is specifically defined as, “strengthening the independence and prosperity of the new Caspian states, bolstering regional cooperation, enhancing global energy security through the free flow of Caspian oil and gas to world markets, and increasing investment opportunities for companies from the United States and other countries.”[63] Securing the BTC pipeline is another major priority and to this end, the United States became seriously involved in the resolution of the Karabakh conflict.

Most importantly, the United States has come to realize the crucial importance of Azerbaijan, which is in the words of Zbigniew Brzezinski is a “geopolitical pivot, a cork in the bottle containing the riches of the Caspian Sea basin and Central Asia.” Azerbaijan suddenly became even more critical when energy resources were discovered in the 1990’s, which the U.S. did not want subjected to Russian control. The U.S. feared that if Azerbaijan again fell under Russian influence, Central Asia would follow. [64]

The Bush administration took a major step in securing the support of Azerbaijan with the lifting of Section 907 of the Freedom Support Act in January of 2002. This act had prohibited US assistance to Azerbaijan excepting aid for humanitarian purposes and nonproliferation and disarmament programs until it discontinued its economic blockade of Armenia. [65] Total aid in 2002 increased to 335 million which initiated a series of

U.S. run programs in the areas of democracy building, security, market reform and humanitarian assistance. [66]

In Armenia, the United States is pushing a similar program of reforms ostensibly to increase the stability and security of the region. In 2006, according to the US State Department, the United States government provided Yerevan with 76.5 million dollars in total aid. [67]

The impact of this involvement over the long term cannot be predicted. In the short term, however, it is causing regional instability that may lead a resumption of fighting over Nagorno Karabakh.

4.5.1 *U.S. Democracy Policy*

There is a debate today among political scientists over whether ‘democratic peace theory’ is valid: that no two democracies have ever fought each other in a war. Those who advocate this view believe that a policy of worldwide democratization is the key to world peace. Indeed, scholars such as Francis Fukuyama, writing at the end of the cold war, theorized that mankind had reached ‘the end of history’ and a wave of democratization would bring about the end of international conflict.[68]

After the 9/11 attacks, the Bush administration decided that democratization, by force if necessary, was now the essential element in US national security policy. The United States’ stated goal was to build a coalitions of democratic nations abroad and create a

“balance of power that favors freedom”.[69] Neo-conservatives in 2003 made the case for the Iraq war believing this would promote democratization throughout the Middle East.

In the last five years, democratization of the Caucasus and an active role in the OSCE negotiations became US priorities. It was believed that both of these goals would increase stability and increase popular participation in government. To this end, nearly all of the State Department’s money for programs run out of U.S. embassies abroad became slated for ‘democracy promotion’. The lifting of Section 907 of the Freedom Support Act unleashed a flood of aid money into Azerbaijan, including the many ‘democracy promotion’ activities run by the U.S State Department. In Azerbaijan, democracy programs totaled 10.3 million for 2006; U.S. democracy assistance totaled 16.0 million for Armenia in the same year.

Democracy is a worthy long-term goal, but the way in which the U.S has gone about it is ineffective and even harmful to the countries being ‘democratized’. The problem with the U.S. approach is that it is too broad, demands results too quickly, and assumes one model fits all societies. The United States has also not paid sufficient attention to the sequence and timing of reforms to take into account the precarious nature of states in transition which experts on democratization, such as Jack Snyder, have argued is essential for effective transitions.[45]

Elements of mature democracies such as: free elections, active civil society, and a free and independent press are being developed simultaneously with no real strategy. And while these elements are necessary in a democracy, they are not sufficient. The larger, underlying institutions that provide the basis for an informed, democratic population are still being neglected in these countries (such as the education sector). This makes the current U.S. programs unlikely to be effective in the long run. To take one example, the Armenian presidential elections in 2003 and the Azerbaijani elections both heavily pushed by the United States to be free and fair, not surprisingly, fell short of this goal.

The U.S. State Department notes that “Democratically governed nations are more likely to secure the peace, deter aggression, expand open markets, promote economic development, protect American citizens, combat international terrorism and crime, uphold human and worker rights, avoid humanitarian crises and refugee flows, improve the global environment, and protect human health”.^[70]

While this may be true of more mature democracies, the evidence for this in transition countries is mixed at best. Introducing increasing numbers of independent actors (international NGOs, local civil society groups) increases turbulence leading to a loss of control by the state. In Azerbaijan and Armenia the instability that accompanies such changes has led to a backlash of increased autocratic control

The U.S.’s actions are also increasing resentment worldwide. There is a growing disillusionment in many transition countries over the benefits of democracy. America’s

ambitions on democracy promotion have not matched with its actions and the realities in many countries. One of the main causes for this is the failure of the U.S. to secure Iraq; the current violence and chaos is beginning to reverse democracy across the Middle East. A growing number of people are becoming increasingly distrustful of the democracy push, viewing it as a U.S. agenda that is being forced upon the world.

A recent Washington Post article reported that in Syria, the Iraq war has effectively silenced demands for democratic reform. One writer in Damascus is quoted as saying, "The Americans came to Iraq to make it an example to the other countries to ask for change, but what happened was the opposite. Now everyone is saying we do not want to be like Iraq." The events in Iraq have certainly not gone unnoticed in the Caucasus, particularly in Azerbaijan, an Islamic country that is geographically close to the Middle East.

All of this is not to say that democracy is not a necessary goal for the Caucasus. It is. The Karabakh conflict is much more likely to be solved when these countries have become more mature democracies that are responsive their citizens. However, this will take time and patience on the part of the U.S. is crucial.

To conclude, the United States should promote democracy, but they must be careful how they do so. In the Caucasus, the war over Karabakh is a reflection of the current stage of democratization in Armenia and Azerbaijan. America must be subtle in its approach to avoid creating instability so that these countries can build their own institutions for

participatory governance and become less dependent on outside interference. In time, Karabakh will no longer be necessary as a national unifier and the costs of continuing the war will likely be seen as too high.

4.5.2 *The U.S. Petroleum-Military Complex*

In the mid-1990's the Clinton administration decided that gaining a share of Caspian oil resources was a strategic priority. The U.S. sought to gain control of the supply routes of Caspian energy to reduce dependence on Middle East energy sources, and in doing so began to compete with other countries, most notably, Russia, in what some have called the second 'Great Game'. Since then, massive foreign investment has flooded into the Caucasus; mainly to Georgia and Azerbaijan. The global oil business has also had a huge effect on the Karabakh conflict.

The biggest international investment in the region and the one with the most regional impact is the recently opened \$3 billion Baku-Tbilisi-Ceyhan (BTC) pipeline which carries Caspian oil to the energy markets of Europe. The BTC pipeline was heavily promoted as the favored American option in order to secure and diversify its energy sources and its opening in 2006 was an undeniable success for U.S. energy policy. The BTC would also bypass Russia and Iran; boosting America's position in the South Caucasus. While initially touted by the U.S. as a "peace pipeline" that would finally bring Azerbaijan and Armenia to a compromise, the result has been quite the opposite.

When planning the route for the pipeline, the most efficient and logical choice was to have the pipeline run from Baku through Armenia to Ceyhan. The United States insisted that the sine qua non for this route was that Armenia had to make peace with Azerbaijan over Karabakh. The effort failed. The two countries were unable to put aside their differences for economic benefit. The Armenians did not want to conflate the independence of Karabakh with the BTC and “sell out” Karabakh for a pipeline[53]. Since Armenia and Azerbaijan are still at war, the pipeline was re-routed. The BTC now runs through Tbilisi rather than Armenia, deepening Armenia’s economic and political isolation.

This isolation is having negative consequences on the peace process. Rather than gaining a stake in regional security, Armenia now has an incentive to actually increase tensions over Karabakh to destabilize its neighbors. This is not to say that this is Armenia’s intention; just that non-inclusion in this critical regional project is generating resentment in Yerevan that could have negative repercussions. There is a growing feeling within Armenia that it is being purposefully isolated by Turkey, Azerbaijan and Georgia.

While they have tried to play down their isolation by promoting their cooperation with the United States, Russia and Iran, and by rejecting any resentful feelings in public statements; nationalist elements within the government may be gaining strength.

Speaking to a diaspora forum, Robert Kocharian recently outlined Armenian’s new foreign policy goals. Kocharian outlined Armenia’s attempts to end its isolation through new partnerships with Russia and Iran. The take home point from Kocharian’s speech ,

however, was that “international recognition of the Nagornyy Karabakh republic should be "national task number one".[36]

Exclusion from the BTC has also pushed Armenia closer to Russia and Iran. Out of necessity, Armenia has recently concluded large energy deals with both nations. Deepening ties with these countries is detrimental to Armenia’s aspirations for independence and may push Armenia away from the West. It is also likely to polarize the countries of the South Caucasus, as Azerbaijan and Georgia are growing increasingly close to the West and Armenia is forced to ally with Iran and Russia.

The final, most unfortunate result of the recent oil windfall is that a large portion of the oil money in both Georgia and Azerbaijan is not being used to improve their societies, promote regional cooperation, or advance the dialogue on Karabakh. All of these countries are experiencing a rentier effect. Profits from oil are being used to increase their military capabilities. Georgia’s military budget has increased faster than any other country’s in the world while Azerbaijan recently boasted that its total military budget will soon be bigger than the entire state budget of Armenia.[27]

In August of 2006, the head of the International Crisis Group’s EU office, Nikolas Whyte, voiced similar concerns over what it believes to be an increasing risk of military conflict in the South Caucasus. Remarking on similar fears recently expressed by the EU, Whyte stated, “that's an extremely reasonable concern...they are preparing for war.”[71]

A major factor in the security of the Caucasus is that the opening of the BTC pipeline and increase in foreign investment has come with a considerable military price. Oil and gas reserves attracted investment in the region, but the U.S. led war on terrorism and the need to protect Caspian oil interests, has also led to a rather large military build up.

In an essay on the “Geostrategic Implications” of BTC published in 2005, Svante Cornell calls the BTC pipeline an integral part of a larger transportation network- termed the ‘new Silk Road’ being built for use by the West. This network is not just a business network, it is also strategic and military in nature.[54] The infrastructure (roads, air corridors, etc) being built to accommodate the needs of the pipeline also provides a transportation corridor from the Black and Caspian Seas to the Central Asian interior, where the U.S. is engaging in military operations in Afghanistan. Security forces are being trained by the West to ensure the security of both the pipeline and these transportation networks.

The U.S. and Russia also train, equip, and install bases to solidify their presence in the region. [57] The result is an increasing militarization of the entire region that has not received much attention by outside observers. More disturbingly, in Azerbaijan there is a new confidence that as a result of the training and arms they have received through Western programs (ironically, NATO’s Partnership for Peace) and U.S. military-to-military assistance, they will finally be able to take Karabakh back by force. [27] While there is little chance that the U.S. and Russia will end up in a direct military clash in the region, it is very likely that war will break out between local powers that are allied and equipped by either the United States or Russia.

The United States, of course, does not have the same historical military presence in the Caucasus that Russia does. However, the U.S. is quickly making up the deficit, particularly through its efforts in Azerbaijan. A combination of diplomatic outreach, military agreements and foreign aid are entrenching the U.S. interests. These military initiatives are being pushed at the highest levels of government. The Clinton administration initiated military agreements with the leaders of the region that have continued to grow under the Bush regime. These agreements include: sale or transfer of military equipment, training of militaries, and the sponsorship of joint military exercises. One of the most significant is the \$80 million 'Caspian Guard' initiative that sponsors training and joint military exercises with the Azerbaijani army ostensibly to combat terrorism and smuggling on the Caspian, but more likely, exists to guard Caspian oil. The main military partner for Armenia is of course, Russia. The United States, however, runs its own military assistance programs, and annually provides some 4 million in military aid to Armenia and \$ 600,000 for military training assistance. [72]

Rather than securing peace, these efforts by the United States are leading to a dangerous military build up in the region that is fueling conflict. The race to dominate the Caucasus's oil pipelines may lead to an outbreak of regional "proxy" wars. In Georgia, internal conflicts are clearly being stoked by U.S and Russian involvement. It is likely that this same scenario could occur in Karabakh.

Along with an overall increase in militarization in the region, there is a growing inclination among local leaders to assume that with the increased military support they are receiving from the outside, they can continue to buy time. Leaders in Armenia and Azerbaijan are stalling on settling the Karabakh issue, to eventually be able to use military means to resolve their differences over Karabakh.

Ultimately, by providing arms and military training to local governments in the name of security, the U.S. is in actuality contributing to the stalemate over Karabakh and to the likelihood of a resumption of war.

Chapter 5

CONCLUSION

The collapse of the Soviet Union removed a protective barrier that shielded the states of the former Soviet Union from the effects of globalization. Once this barrier was gone, latent tensions were released when the grand narrative of communism became filled with local clan-based politics.

To compound the turbulence, the external pressures of globalization continue to cause extraordinary change in the ancient lands of the South Caucasus. Democratization, the global petroleum industry, and the proliferation of both state and non-state actors advancing their own interests are causing immense instability.

The most important countries involved in the region, the United States and Russia, are involved in a dangerous arms race in the region to secure access to Caspian oil supplies and regional pipelines. Diverse actors such as Russia, Iran, the United States, and recently Ukraine are all on the diplomatic offensive to win control of the South Caucasus. Militarization of these nations is harming the peace process and is increasing the likelihood of war. Local leaders are growing increasingly confident that they will be able to prevail in another Karabakh war with the help of their allies; either Russia or the United States. As Martha Brill Olcott has argued, far from promoting stability, the Caspian oil race will exacerbate local tensions and produce a “zone of instability and crisis that could stretch from the Black Sea to the Indian Ocean and from the Ural Mountains to the Tarim Basin in China”. [57]

Pressure from the outside will not end the war over Nagorno Karabakh. It is unrealistic, however, to believe that great powers will cease involvement due to the fact that the conflict is located in a geo-strategically important area of the world; one with a long history of great power interference. Azerbaijan and Armenia are fragile, newly emerging states with complex local politics. They also have a short history of conducting foreign relations as sovereign nation states.

Solving this conflict requires a long term approach that goes beyond getting the parties to agree to the set of principles being promoted by the OSCE. All of these elements makes finding a lasting peace settlement more complicated, but not impossible. If the countries

of the South Caucasus are able to develop politically while sustaining internal cohesion and stability, it will no longer be necessary to rely on external powers.

The countries of the South Caucasus also must increase cooperation in their own neighborhood. An opportunity for deeper regional integration and independence was missed with the Baku-Tbilisi-Ceyhan pipeline project. Future regional projects that involve all three Caucasian nations, would increase regional interdependence and cooperation; giving all countries in a stake in the region's stability and prosperity.

The biggest challenge for both Azerbaijan and Armenia is the need to build their social and economic institutions on their own terms to be able to successfully transfer to a more democratic society. Restructuring social services, education systems and eliminating inequality (particularly in Azerbaijan) will lessen a great deal of the instability in these countries. Only once this instability is eliminated and can society be open and balanced in discussing the Karabakh issue. Until this is achieved, it is too easy for leaders to use the nationalist rhetoric around the Karabakh conflict to avoid making difficult political decisions. Leaders in both Azerbaijan and Armenia must stop using the issue to further their political goals and to consolidate their own power and instead focus on laying the groundwork for a more equitable and open society. The West is correct in putting pressure on these regimes to initiate change; however, neither the settlement to the Karabakh conflict nor democratic reform will be successful if imposed by an outside power. In the short term, these reforms are likely doing more harm than good. In the end, the responsibility for providing accountable governance lies with Armenia and

Azerbaijan alone. Local leaders must be eventually willing to leave ethnic politics behind and give up Karabakh as a political cause. This is indeed necessary; in order to finally move past a conflict that has robbed several generations of meaningful social and economic progress since the collapse of the Soviet Union.

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Appendix A



Contested areas between Azerbaijan and Armenia from The International Crisis Group Report: *Nagorno-Karabakh: A Plan for Peace*. Europe Report N°167 (October 11, 2005).

Appendix B

Map of the South Caucasus



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