

Next Steps *in the Solution of the Nagorno-Karabakh Conflict*

Alexander
Jackson

Abstract

The outlines for a settlement of Nagorno-Karabakh are clear under the Madrid Principles. With enough political will, these Principles could be implemented as a blueprint for a peaceful settlement. However there is inadequate political will from all parties, due to both domestic and international politics. At the domestic level, public sentiment prevents anything that would be viewed as a compromise. Maintaining the status quo may be unpopular, but not as unpopular as a bold agreement. This lay behind the failure of the Turkish-Armenian protocols and the current impasse. At the international level, Russia has not exercised its full leverage over Armenia. Other actors, such as the US and EU, have been disengaged. The next steps in the solution of the conflict should involve a much more active role by the EU and US, working in concert with Russia. The aim should be to make the benefits of cooperation more attractive than the domestic costs. Only the full engagement of international actors can prompt local leaders to unblock the peace negotiations.

** Alexander Jackson recently served as the Senior Editor of the Caucasian Review of International Affairs*

The term ‘frozen conflict’, which had previously been applied to the Nagorno-Karabakh conflict as well as other post-Soviet standoffs, was discredited with the Russia-Georgia war of 2008.¹ It became clear that these conflicts were not ‘frozen’ – they were tinderboxes, with the potential to create instability across the region.²

The Russia-Georgia war created a greater sense of urgency for the settlement of other unresolved conflicts in the region, notably the Nagorno-Karabakh dispute. Some progress has been made since August 2008, representing an intensification of a positive trend in settling the conflict which has been underway since around 2005.

Despite this progress, there is still some way to go before the ‘Madrid Principles’ are accepted as the basis for a peaceful political solution. Nonetheless, the technical parameters for the settlement – contained within the Madrid Principles – are clear. Therefore the next steps in the settlement of the Nagorno-Karabakh conflict could be considered as simply the implementation of the blueprint of the Madrid Principles.

1 Thomas De Waal, ‘The Karabakh Trap’, Conciliation Resources, February 2009.

2 Svante Cornell, ‘The New Eastern Europe: Challenges and Opportunities for the EU’, Center for European Studies, March 2010.

However there is another significant set of factors which conditions the next steps in the conflict – domestic and international politics. In particular, the need for strong political will from all parties to the conflict is a crucial factor. Without this, implementing the blueprint of the Madrid Principles will be impossible. On the contrary, without the strong political will the nationalist positions will be hardened on both sides, increasing the risk that even the existing blueprint will be abandoned and leading to renewed dangers of a war.

In other words, although the framework exists for a settlement of Nagorno-Karabakh, there is not yet the will to fulfill it. The longer that will is absent, the greater the risk that the framework will be abandoned and replaced by unilateral - and potentially military - approaches by both sides.

The Current Security Situation

The current security situation around the Nagorno-Karabakh Line of Contact (LoC) remains tense and volatile. In 2010 at least 25 lives were lost in skirmishes, up from 19 in 2009.³ One of the most serious ceasefire violations since the end of hostilities since 1994 occurred in February 2010, with reports of multiple deaths on both sides.

3 International Crisis Group, ‘Armenia and Azerbaijan: Preventing War’, February 2011.

The current level of monitoring is extremely inadequate. The Organisation for Security and Cooperation in Europe (OSCE) established a ‘Minsk Group’ in the early 1990s to monitor and seek a resolution to the conflict. The permanent representative of the Minsk Group, Andrzej Kasprzyk, has an inadequate staff and a deeply limited mandate for assessing the situation along the LoC. The requirement for Mr. Kasprzyk to inform both sides before any monitoring makes it “comparatively easy for either side to conceal from international eyes what it is doing”⁴. Even small confidence-building measures, such as withdrawing snipers (responsible for many fatalities) from the front lines, have not been implemented.

The large number of soldiers around the LoC, the proximity of the Armenian and Azerbaijani trenches, and the sophistication of the military hardware available to them make occasional clashes almost inevitable.⁵ These factors also increase the chances of fatalities, raising the danger of escalating retaliatory strikes with heavier weaponry and across a larger area. Lack of direct communication between the two sides, as well as the opacity of troop movements, makes it more difficult to cool down tense situations.⁶

4 De Waal (2009).

5 Amanda Paul, ‘Nagorno-Karabakh – A ticking time bomb’, European Policy Centre September 2010.

6 Crisis Group (2011).

Deterrent Factors

The fact that these skirmishes do not escalate into more serious fighting is an indication that the political leadership on both sides still retains close control over their armed forces (although nominally autonomous, the Nagorno-Karabakh military is closely linked with the Armenian mili-

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tary). More importantly, it demonstrates that both Baku and Yerevan are still committed to the peace process, rather than actively seeking to begin a new conflict. Mr Kasprzyk has acknowledged that this is the crucial factor preventing conflict, stating that “the cease-fire is preserved only by the political will of the parties”⁷. The unwillingness to engage in military action is a product of *negative* factors as well as *positive* factors, i.e. engagement in the peace process. As one informed analyst notes, “the parties realize that a new war in the

7 ‘Incident on contact line was “most serious in past two years” – OSCE envoy’, News.az July 5 2010.

region would spell disaster for all”.⁸ This awareness stems from two main factors:

Firstly, the impact of the Russia-Georgia war was a clear warning for all parties to the Nagorno-Karabakh conflict. It drove home the lesson that military action has severe and often unintended consequences. For Baku, the damage to Georgia’s energy transit infrastructure was perhaps the most alarming lesson⁹; however, both Azerbaijan and Armenia had a sharp demonstration that Russia was willing to use military force in the pursuit of its interests. Although the parameters under which Moscow would intervene in Nagorno-Karabakh are unclear, the possibility of its intervention is not.

In addition the extraordinary arms build-up over the past few years arguably acts as a deterrent. Armenia’s pursuit of long-range missile systems would allow it to target Azerbaijan’s vital oil and gas industry in any conflict, whilst the increase in defensive capabilities in and around the heights of Karabakh itself makes it more difficult for any potential Azerbaijani offensive.¹⁰

8 Shain Abbasov, ‘Karabakh 2014: No war, but a difficult road to peace’ in Conciliation Resources, ‘Karabakh 2014’, September 2009.

9 Fariz Ismailzade, ‘The Georgia-Russian Conflict: A Perspective from Azerbaijan and Implications for the Region’, Caucasus Analytical Digest No.1, 2008.

10 Sergei Minasyan, ‘Mechanism Of Peacekeeping In Nagorno-Karabakh Conflict: Theory Of Deterrence Under The Armaments Race’ *Globus Energy and Regional Security*, Issue 5 2010.

On the Azeri side, Baku’s extraordinary military budget growth over the last few years has allowed it to purchase a range of advanced hardware and weapons systems, giving it a qualitative edge over Armenia.¹¹

These factors inhibit the potential for a new war in Nagorno-Karabakh. However, equally important is the positive commitment to the peace process and the feeling amongst both Armenia and Azerbaijan that – from their own perspective – the peace process can bring benefits that outweigh the costs. Whilst this commitment to the peace process exists, and whilst leaders in Azerbaijan and Armenia retain tight political control over their armed forces, preventing the escalation of skirmishes, it is unlikely that a major new conflict will break out along the ceasefire line.

Therefore the oft-repeated statement that the situation in Nagorno-Karabakh is “more dangerous than ever” is not entirely accurate.¹² The situation has always been dangerous and at present there are mitigating factors, as in the past. This is not to dismiss the risks or the potential impact of a new war over Nagorno-Karabakh, which would be extremely costly and bloody. It is simply to note

11 ‘The Military Balance’, International Institute for Strategic Studies 2010.

12 Amanda Paul, ‘Nagorno-Karabakh: more dangerous than ever’, *Today’s Zaman* 23 January 2011.

that there are currently factors in place to prevent a radical deterioration of the security situation. However all of these mitigating factors are contingent upon one thing: continued commitment to the current blueprint for a peaceful settlement.

The Madrid Principles: Blueprint for Peace?

The Madrid Principles are the latest iteration of the ‘Basic Principles’, which were unveiled in the summer of 2006 and which were themselves the result of years of talks and draft documents. There are stated to be around fifteen Basic Principles, but to date only six have been officially announced. They are as follows¹³:

1. Return of the territories surrounding Nagorno-Karabakh to Azerbaijani control;
2. An interim status for Nagorno-Karabakh providing guarantees for security and self-governance;
3. A corridor linking Armenia to Nagorno-Karabakh [through the district of Lachin, the so-called ‘Lachin corridor’];
4. Future determination of the final legal status of Nagorno-Karabakh through a legally binding expression of will;
5. The right of all internally displaced

¹³ Joint Statement on the Nagorno-Karabakh Conflict, The White House, July 10 2009.

persons and refugees to return to their former places of residence;

6. International security guarantees that would include a peacekeeping operation.

It is important to note the distinction between a ‘package’ and a ‘phased’ approach. A package approach would involve all elements being addressed at once and discussed until parties can agree; a phased approach involves the implementation of less controversial steps first, in order to build confidence and make progress, pushing more difficult issues – notably the issue of a final status for Karabakh – back.¹⁴

Armenia has supported a package approach, which would provide it with security guarantees and a resolution on the status of Karabakh before it made any concessions: to this end, it still seeks to link the issue of status with any withdrawal. Azerbaijan favours the phased approach, underlining the importance of returning the occupied territories first.¹⁵ International mediators currently support Baku, and Azerbaijan regularly declares that Armenia’s insistence on a package approach is intended to play for time and entrench the status quo.

¹⁴ Gerard J. Libaridian, ‘The elusive ‘right formula’ at the ‘right time’: a historical analysis of the official peace process’, Conciliation Resources, 2005.

¹⁵ Rexane Dehdashti-Rasmussen, ‘The Conflict over Nagorno-Karabakh: Causes, the Status of Negotiations, and Prospects’, OSCE Yearbook, 2006.

All of the principles are contested, to varying degrees, by one side or the other. In particular, nationalist constituencies in Armenia are deeply opposed to any steps which they consider to be a compromise, or which involve a 'step back' for Armenia. This problem is less acute in Azerbaijan because, at most stages of the Madrid Principles, Azerbaijan would be gaining, and ending the status quo which has been generally on Armenia's side.

Returning occupied territories (which Armenia considers to be a security belt for itself and for Karabakh) around Nagorno-Karabakh itself would occur first. According to Azerbaijan's Foreign Minister (although not formally confirmed by the Minsk Group), Armenian forces would withdraw from five districts of Azerbaijan bordering Nagorno-Karabakh itself: Agdam, Fizuli, Djebrail, Zangelan, and Gubadli. They would remain in Lachin and Kelbajar for up to five years in order to maintain land links between Armenia and Nagorno-Karabakh¹⁶. Azerbaijan is calling for an immediate withdrawal from the first five districts, in line with the 'phased' approach to the conflict, although it appears that Armenia is reluctant to withdraw until other elements of the peace process have been settled.

¹⁶ Azerbaijani Foreign Minister Discloses Details of 'Madrid Principles', RFE/RL March 15 2010.

These conditions have been publicly accepted by the Azerbaijani government, and Armenia privately accepts the need for a phased withdrawal, although it remains in disagreement over certain modalities of the process¹⁷. In particular, Armenia has occasionally insisted on retaining full control of the entirety of Kelbajar and Lachin districts until after a referendum on Nagorno-Karabakh's final status, the most contentious issue. It is likely that the Lachin corridor would be monitored by international observers as an intermediate step.

Currently the proposed make-up of the proposed peacekeeping force is unclear: it is plausible they would be from OSCE member states, although they may be UN-mandated and drawn from states which have no connection with the conflict. Depending on the contours of a final political settlement, Russia may play a large role in the peacekeeping mission in order to preserve its regional influence, although Baku would be very cautious about this.

These observers and/or peacekeepers would also facilitate the right to return (principle five) of Azeris displaced during the conflict. This has largely been accepted by both sides and has been underlined by several

¹⁷ International Crisis Group, 'Nagorno-Karabakh: Getting To A Breakthrough', 2009.

UN General Assembly resolutions.¹⁸ Currently, most of the districts are empty and overgrown; aware of the international repercussions, Armenia has dissuaded settlers from moving to the occupied regions, although authorities in Nagorno-Karabakh have reportedly offered strong incentives for settlers.¹⁹ The lack of settlements in the occupied districts would make returning displaced Azeris significantly easier, once funds have been provided and essential work, such as de-mining and restoring roads, carried out.

The most difficult issue in the peace process is the issue of Nagorno-Karabakh's status. With regard to this principle, the parties employ two somewhat contradictory principles of the Helsinki Final Act which formed the basis for the OSCE. Armenia emphasises Article 8, the equal rights and self-determination of peoples, whilst Azerbaijan underlines Article 4, territorial integrity of states. Some have argued that these positions simply represent "a legalistic framing of the conflict and are assumed to be synonymous with the negotiating stances of the conflict parties", and are changeable²⁰. This may be true, but clearly the adherence to these

18 'General Assembly Adopts Resolution Reaffirming Territorial Integrity Of Azerbaijan, Demanding Withdrawal Of All Armenian Forces' UN News Center 14 March 2008.

19 International Crisis Group, 'Nagorno-Karabakh: Viewing The Conflict From The Ground', 2005.

20 Conciliation Resources, Karabakh 2014, 2009.

principles reflects genuine interests, and they cannot be easily reconciled. Azerbaijan has attempted to compromise by offering Nagorno-Karabakh

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the "highest level of autonomy" within the Azerbaijani state. Armenia and officials in Stepanakert have rejected this and insisted on a formula which would allow for Nagorno-Karabakh's eventual independence. President Sargsyan has stated that Nagorno-Karabakh "has no future within Azerbaijan".²¹

The issue is complicated by the fact that any "legally binding expression of will" would have to include the voices of Azerbaijanis displaced from Nagorno-Karabakh, who would have to be returned to their homes before any vote. The issues of interim status and final status are closely linked: Baku insists that any interim status must be in line with its territo-

21 'Statement by the President of the Republic of Armenia H.E. Serzh Sargsyan at the OSCE Summit', 2 December 2010.

rial integrity, which implies that the opportunity for secession called for by Armenia would be closed. Complicating the matter is the fact that the separatist government in Stepanakert is not involved in the peace process, as for Azerbaijan this would imply recognizing their claims to legitimacy. The most likely option is the deployment of a substantial international peacekeeping presence in Nagorno-Karabakh, in order to provide tangible security guarantees for Karabakh Armenian and to facilitate the return of Azeri refugees. The issue of final status would be discussed much later, once refugees had returned and the area was under international oversight.

From the above it can be seen that a clear blueprint does exist for the settlement of the Nagorno-Karabakh conflict. On a purely technical level the two main sticking points are the following: the modalities of the Armenian withdrawal from the occupied districts, including whether Kelbajar and/or Lachin would be included in any immediate withdrawal; and the question of how the final status of Nagorno-Karabakh is determined. Related to this is the methodological issue: whether the process stays strictly phased, as supported by Azerbaijan and the OSCE Minsk Group, or whether the mechanism for establishing final status is

agreed upon now, as Armenia insists. Given the existence of a blueprint for peace, the main factor inhibiting progress is insufficient political will: the inability of conflict parties to accept the need for compromise, and the unwillingness of the international community to play a more active role.

Lack of political will: the Armenian case

Political leaders do not act in a vacuum: their actions are always shaped by constituencies at home (as well as abroad), even in non-democratic or semi-democratic states. These constituencies often have agendas which are not in line with national interests, especially in weak or developing states. In these states, agendas are often bound up with concepts of national or ethnic identity, particularly in cases where that identity is perceived to be under threat.²²

These constituencies have significant roles in processes of conflict resolution. Diaspora communities have a unique place here: as one academic puts it, one view holds that “diasporas are long distance nationalists or fundamentalists that perpetuate conflicts through economic and political support or intervention without

22 Bahar Baser and Ashok Swain, 'Diaspora Design Versus Homeland Realities: Case Study Of Armenian Diaspora', *Caucasian Review of International Affairs* Vol.3 No.1 2008.

risking their own neck”²³

In the case of the Nagorno-Karabakh conflict, the Armenian diaspora communities could be considered to fulfill this definition²⁴. They are generally held to be more nationalist and with stronger historical links to perceived injustices against Armenians over the last century, since many diaspora communities in Europe and the United States were established after the events of 1915. Well-organized and well-resourced, they are able to exert influence on foreign governments (notably in the United States) and also to apply significant pressure on the government in Yerevan.²⁵

Strikingly, in February 2011 signs emerged that diaspora groups would receive representation in a planned second chamber of the Armenian legislature. This would allow them to influence the domestic politics of what is, essentially, another country.²⁶

In addition, the authorities in Nago-

23 Eva Østergaard-Nielsen, 'Diasporas and Conflict-Resolution – Part of the Problem or Part of the Solution?' Danish Institute for International Studies, 2006.

24 The emphasis on the Armenian case here does not imply that other conflict parties are immune to domestic political pressures; however, the Armenian case is the most complex and the most central to progress (or otherwise) on Nagorno-Karabakh.

25 Heather S. Gregg, 'Divided They Conquer: The Success of Armenian Ethnic Lobbies in the United States', Rosemarie Rogers Working Papers No. 13, 2002.

26 Harut Sassounian, 'Diaspora to be Represented in Armenia's Senate: Many Questions, Few Answers', *Asbarez.com* February 11 2011.

rno-Karabakh constitute a second (semi)foreign constituency. 'Independence' through war, the role of the military, claimed historical links to the land, national consciousness, and Armenian unity are amongst the key elements in the self-identity of Nagorno-Karabakh Armenians.²⁷ Therefore, it is quite clear that they constitute a more nationalist and uncompromising group than many in Armenia proper.

Although Yerevan and Stepanakert are often taken as synonymous in their aims and interests, in reality their approaches differ. The Armenian government is, in the final analysis, often prepared to compromise; the Nagorno-Karabakh authorities almost never are. Given the strong elite links between Stepanakert and Yerevan – former Armenian President Robert Kocharian led the de facto republic between 1994 and 1997, and incumbent Serzh Sargsyan was a pivotal military commander in the Nagorno-Karabakh military during the war – this means that Yerevan's policy is conditioned by hardliners in Karabakh, who emphasize freedom won through military force as a pillar of their self-identity, as well as the diasporas abroad which emphasize the events of 1915.

27 See, for example, 'Speech of NKR President Bako Sahakyan delivered at the "Armenian-Turkish Relations and the Artsakh Issue" Conference', July 10 2009.

“The Armenian government is subject to a number of pressure groups, most of which do not have much interest in making concessions on Nagorno-Karabakh or normalizing relations with Turkey.”

At home, nationalist opposition groups such as the Armenian Revolutionary Federation, many of them with links to Nagorno-Karabakh or the diasporas, also attempt to influence the government. At present they are disunited and internally fractured; however, by appealing to national identity they can conceivably generate significant public support. If a unifying leader could be found – less divisive than former President Levon Ter-Petrosian, now a staunch government critic but also widely distrusted by nationalist groups – the opposition could force the ruling Republican Party (HHK) into accepting their positions.

This illustrates that the Armenian government is subject to a number of pressure groups, most of which do not have much interest in making concessions on Nagorno-Karabakh or normalizing relations with Turkey (let alone both at the same time). In this regard absence from power is a luxury: opposition and diaspora groups can appeal to intransigent na-

tionalism in a way that the government, facing real domestic and foreign challenges, cannot.

This pressure is likely to intensify as the centenary of 1915 approaches. Nationalist sentiment will increase and lobbying efforts by the Armenian-American community to push a genocide recognition Bill through the US Congress will intensify. This will have a detrimental effect on the Nagorno-Karabakh peace process and the Turkish-Armenian thaw over the next four years, entrenching historical nationalism on all sides and discouraging compromise.

For the purposes of this article, the above indicates the constraints on the Armenian government as it seeks to make the next step on Nagorno-Karabakh. Parliamentary elections due in May 2012 also put pressure on the HHK, forcing it to respond to popular concerns and a public unwillingness to compromise.

The linkage of Nagorno-Karabakh with the rapprochement, although logical, also sharply increased the costs of the process for the Armenian government. Therefore it is unlikely that the Turkish-Armenian thaw, which would have enabled Ankara to exert greater influence on Yerevan vis-à-vis Nagorno-Karabakh, will be

revived. Although politically difficult, the thaw with Turkey would have brought tangible benefits to Yerevan in the form of better economic and political opportunities; the domestic cost could therefore have been

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outweighed (and publicly justified) by the international benefits. However concessions on two fronts would be politically impossible for the HHK, given the fractious state of Armenian politics and the significant if divisive influence of Mr. Ter-Petrosian.

Without the influence of the Turkish thaw, the pressures pushing Yerevan to make progress on Nagorno-Karabakh are greatly reduced. Another factor inhibiting progress is the perceived absence of security guarantees for Nagorno-Karabakh, as the intense disagreements over the status of the Lachin corridor testifies. It is far more profitable for the HHK to maintain the status quo, certainly until after the 2012 elections and probably until after 2015. After this point, Yerevan may be able to limit the influence of the diasporas and persuade the authorities in

Stepanakert to accept compromises.

Lack of political will: the international case

In the Nagorno-Karabakh case, the next steps will be conditioned by international as well as domestic politics. Although the parties themselves are ultimately responsible for any solution, the international community also has a key role in formulating a settlement and encouraging progress towards it. Despite all the failings of the OSCE Minsk Group, for example, it has managed to develop the Madrid Principles and lead Armenia and Azerbaijan close to accepting them as a blueprint for peace.

The level of engagement of the international community will be essential in determining whether the parties can agree on the Madrid Principles, or whether they are rejected and the situation becomes more precarious and dangerous. Handled correctly, international actors can make compromise more palatable for national leaders, increasing the benefits of peacemaking relative to the costs.

Russia

Undoubtedly, the outside state with the most influence in the Nagorno-Karabakh conflict is Russia. As the

former imperial centre (Tsarist and Soviet) it has a strong historic role in the South Caucasus's ethnic tensions.²⁸

This historical legacy is buttressed by modern forms of influence. With Azerbaijan, Russia has conducted extensive energy deals, which have turned Baku from an energy importer to an energy exporter with regard to Russia. Most recently, Moscow signed a contract to double gas imports from Baku from 2010 volumes, and raised the possibility of buying much more. In the past, Russia has offered to buy all of Azerbaijan's export volumes, demonstrating the importance which the Kremlin attaches to this relationship²⁹. With Armenia, Russia has a range of economic and security ties, including Russian ownership of most of Armenia's major energy and industrial facilities, Russian gas supplies, and the presence of a large Russian military base at Gyumri.

Moscow is therefore able to exercise considerable influence over Baku and Yerevan. It is widely perceived to favour Armenia in the conflict, since it does not leverage Armenia into making concessions; however, it has repeatedly indicated that its real interest is the status quo, or at least prog-

ress which does not favour either side. For instance, increased security cooperation with Armenia in 2010 was offset by alleged sales of high-value military hardware to Azerbaijan.³⁰

It was widely believed that Russia has sought to keep the conflict frozen purely to maintain its influence in Armenia as a 'strategic foothold' in the Caucasus. After the war with Georgia, this no longer holds true: Russia has made efforts to promote a political settlement and be viewed positively after widespread international disquiet over its invasion of Georgia³¹. In November 2008 President Medvedev persuaded Presidents Aliyev and Sargsyan to sign the Moscow Declaration. Although it contained no specific steps, it is significant as the first document which bears both presidents' signatures since the 1994 ceasefire. Subsequently, Russian officials have regularly met with their Armenian and Azerbaijani counterparts and appear to be actively promoting a peaceful resolution based on the Madrid Principles.

Russia's change of approach to the Karabakh conflict appears to be serious, if not entirely whole-hearted yet (re-

28 Houman A. Sadri, 'Global Security Watch: The Caucasus States', California: Praeger 2010.

29 'Russia's Gazprom ready to buy all of Azerbaijan's gas - CEO Miller' RIA Novosti June 19 2010.

30 Alexander Jackson, 'Russia Tightens Its Grip in the South Caucasus', *Caucasian Review of International Affairs* August 23 2010.

31 Fariz Ismailzade, 'Moscow Declaration on Nagorno-Karabakh: A View from Baku' *Turkish Policy Quarterly* Vol. 7 No. 3, 2008.

flecting historical attempts to maintain the status quo). It is only partly driven by the need for a positive image after the war with Georgia and by the need for its Gyumri base, both of which are relatively minor concerns. Instead it appears to reflect a genuine desire to end the risk of a new Caucasus war, which would require some form of Russian intervention and create huge complications for Russia's regional strategy. A peace settlement brokered by Moscow would also allow it to maintain regional influence, for instance through peacekeepers or security guarantees.

Regardless of the contours of a final settlement, Russia will still have enormous influence in Armenia. Its ownership over strategic sectors of the Armenian economy, from railways to telecommunications and from power plants to banking, gives it significant sway over Armenia's political economy³². Yerevan will also remain a member of the Collective Security Treaty Organization, the Russian-dominated security bloc.

Given the certainty of continued influence, it can be expected that Russia will continue to push both parties towards a peaceful resolution. Whether or not it will exercise its full leverage will continue to reflect its strategic

³² 'Armenia: Hard Economic Times and Growing Russian Influence', Stratfor March 4 2009.

calculus in the South Caucasus, and whether it believes that a settlement's benefits outweigh the costs. If Russia chooses to make full use of its influence, it could contribute to rapid progress towards a political solution.

The United States

The high-water mark of US influence in Nagorno-Karabakh came in 2001 with the Key West talks, overseen by then-President George W Bush. The talks were inconclusive and since then US influence has been patchy. The two main conditioning factors at present are, firstly, the logistical need to maintain a 'central corridor' for NATO operations in Afghanistan, for which transit rights across Azeri territory are essential.³³ More broadly, this extends to Baku's cooperation in the 'war against terror', especially relevant given its proximity to Iran.

The second conditioning factor is the influence of the Armenian diaspora in Congress. Senators from states with significant Armenian-American constituencies, such as California and New Jersey, often support the positions of the Armenian diaspora in key Congressional bodies. Given the nature of American politics, this can lead to deadlock, as shown by the long deadlock in appointing Matthew

³³ Andrew Kuchins and Thomas Sanderson, 'The Northern Distribution Network and Afghanistan', Center for Strategic and International Studies, January 2010.

Bryza, widely mistrusted by Armenian-Americans, to the post of Baku ambassador.³⁴

This tension between the Executive Branch and Congress makes it difficult for the US to exercise a consistent influence in Nagorno-Karabakh; more pertinently, it means that neither side views Washington as a truly unbiased mediator. In addition, the US has only limited leverage, unlike Russia: it can offer financial incentives or political guarantees, but given its lack of attention to the Caucasus in recent years, neither of these seem particularly important for Baku or Yerevan.

The Caucasus is unlikely to become a focus area for the US any time soon; for now, a de facto policy of leaving the area to Russian influence seems to be Washington's default policy. Without sufficient political will, America will be unable to positively influence the next steps in the Nagorno-Karabakh conflict.

The European Union

The EU's involvement in Nagorno-Karabakh has been extremely limited to date. The EU's Eastern Partnership initiative, launched in 2009, stresses the need for stability in the South

³⁴ Alexander Jackson, 'Unblocking the US-Azerbaijan Relationship', *Caucasian Review of International Affairs* October 7 2010.

Caucasus and calls for efforts to achieve it; it does not envisage a more active role in conflict-resolution processes, emphasizing that existing formats should be supported.

At the institutional level, responsibility for the conflict is fractured between European agencies: the Special Representative for the South Caucasus, the European Commission, and the European Council all play a role in various policies towards the South Caucasus. There is no integration of effort, with country action plans having no overlap with the Special Representative, for instance.³⁵ National capitals also have their own agendas; France, with its strong Armenian diaspora and role as a Minsk group co-chair, is very different to (for instance) Hungary, which is actively seeking to build energy ties to Azerbaijan.

Competing initiatives and structures means that the EU has been unable to play a significant role at all in the Nagorno-Karabakh conflict. If and when a settlement is reached, the main activity of the EU will probably be to provide significant investment and reconstruction funds to the occupied areas of Azerbaijan, through vehicles such as the European Bank for Re-

³⁵ Stefan Wolff, 'The European Union And The Conflict Over The Nagorno-Karabakh Territory', Report prepared for the Committee on Member States' Obligations Parliamentary Assembly of the Council of Europe, 2007.

“Competing initiatives and structures means that the EU has been unable to play a significant role at all in the Nagorno-Karabakh conflict. If and when a settlement is reached, the main activity of the EU will probably be to provide significant investment and reconstruction funds to the occupied areas of Azerbaijan.”

construction and Development and the European Investment Bank.

Conclusion

Neither Russia, the US nor the EU has demonstrated the political will to force the parties into moving forward with the Madrid Principles, the only widely accepted blueprint for a settlement. The US has not focused on the South Caucasus for several years, and in any case its approach to Armenia and Azerbaijan is heavily conditioned by logistical requirements in Afghanistan and the influence of the Armenian diaspora. The EU, with a much greater stake in the region's energy resources, has failed to provide diplomatic muscle through a divided approach and a residual unwillingness to be seen to usurp Russian diplomacy.

Russia's failure to provide political will has not been through a lack of leverage but through an unwillingness to abandon its traditional 'divide and rule' policy. This appears to be changing and, if so, could have a dramatic effect on the next steps of the Nagorno-Karabakh peace process. Moscow remains the one power with the influence to decisively shape the conflict; at the raw military level, it is also the only state which could realistically threaten to use force to halt a conflict – it is therefore a crucial, albeit subtle, factor in maintaining the ceasefire and thus creating the space for peace talks.

However, Russia cannot dictate another state's internal politics, and Armenia's domestic politics pose a significant obstacle to peaceful progress in Nagorno-Karabakh. Although subject to some international influence, this is far less important to the government of President Sargsyan than the pressure exerted by a range of Armenian constituencies which emphasise a discourse of 'no compromise'. Opposition parties (notably the Armenian Revolutionary Federation) and alliances (Levon Ter-Petrosian's Armenian National Congress) are engaged in regular verbal conflict with the government, lambasting it for perceived weakness and selling out Armenia's position. Although the an-

ti-government forces are currently fractured and unpopular, the emergence of a strong and unified movement could herald a return to ‘street politics’, limiting the space for dialogue and making it even harder for President Sargsyan to work pragmatically with Azerbaijan or Turkey without being seen as a traitor. The fall of the government is not impossible.

The Yerevan government is also subject to pressures from Nagorno-Karabakh’s de facto authorities, and the Armenian diasporas, notably in the US. These are more nationalist and less willing to compromise than opposition parties within Armenia itself, due to a ‘frontier spirit’ and the luxury of distance, respectively. These groups exercise financial, political and ideological leverage over the Armenian government, and are certainly not beholden to its policies. Any Armenian pledge to withdraw from districts surrounding Karabakh will face staunch opposition in Stepanakert and could make the Nagorno-Karabakh military feel it has no choice but to launch attacks against Azerbaijan to disrupt the peace process.

However if the Armenian government can overcome these domestic obstacles, the Madrid Principles pro-

vide a clear blueprint for peace. The most contentious issue is the status of Nagorno-Karabakh. However it is clear that before addressing the issue of status, momentum needs to be achieved: first and foremost, this should involve an Armenian withdrawal from the five occupied districts around Nagorno-Karabakh, in line with the recommendations of the OSCE Minsk Group and several resolutions of the UN General Assembly.

Achieving this will require much greater efforts by the EU and the US, working closely in concert with Russia. In light of the US-Russia ‘reset’, Karabakh is one area in which they share aims and should be able to cooperate. Washington will only be able to play a supporting role compared to Russia, but it will still be important. Political guarantees and demonstrations of long-term US involvement would reassure Armenia and Azerbaijan that they are not being abandoned to Russian dominance.

The EU will have a crucial task: providing economic, political and soft-security assistance to the process as it moves forwards. Reconstruction funds, unarmed observer missions, security-sector reform and political support from the EU would be a powerful incentive to continue the pro-

cess and would also make it run smoothly.

No outside party can halt domestic politics or reinvent national identities. However, as the experience of European integration demonstrated, political and economic assistance – underwritten by security guarantees from great powers – can galvanize peacemaking processes and make the benefits of cooperation domestically acceptable. Greater international attention will, therefore, be critical in unblocking the current impasse and moving towards a peaceful final settlement of the Nagorno-Karabakh conflict.