

Shifting Geopolitical Realities in the South Caucasus

Stefan Meister

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Executive Summary

Azerbaijan's victory in the Second Karabakh War, and its regaining of territory around and partly from the disputed region is not the end, but a new stage of the conflict between Azerbaijan and Armenia. A peace agreement is still far away.

Prospects for new connections and trade routes are being challenged by the fragile security situation on the ground, the concerns of several regional states and other unresolved questions. With its "peacekeeping forces", Russia now has troops on the ground in all three states of the South Caucasus. Turkey is increasingly challenging Moscow in the latter's perceived sphere of influence.

The geopolitical shift in the region has weakened the European Union's and United States' role in the region and the OSCE Minsk Group as the key multilateral negotiation format. The lack of action by the EU as a mediator or security player in the region has made it easier for other actors to change the rules of the game in the region and weakened democratic progress and reform in the South Caucasus. The formal negotiations aimed at a peaceful political solution have not been able to resolve the conflict in the past 25 years.

Military means and authoritarian conflict management might create new geopolitical facts, but will not be able to reconcile the conflict parties. The need for re-engagement and a bigger role for the EU in the region has increased, but without the political will among member states to really strengthen its role in the neighbourhood, nothing will happen. All this plays into the hands of the national elites that gain from the conflict and enemy paradigm. The same is true of external players such as Russia and Turkey, which understand this conflict first and foremost as a part of their power politics.

Introduction

The Second Karabakh War of September 27 to November 10, 2020 led to significant death and suffering, and involved serious violations of international humanitarian law and international human rights law. It changed the geopolitical constellation in the South Caucasus and constitutes an example of the inherent instability of the unresolved protracted conflicts in Eastern Europe. Azerbaijan demonstrated that it could turn its defeat of 1994 into a victory with the military support of Turkey and sophisticated weapons. What nearly 30 years of negotiations in the multilateral OSCE Minsk Group could not achieve, Azerbaijan seemed attained in a 44-day war. The ceasefire agreement between Armenia and Azerbaijan, mediated by Russia outside the agreed OSCE format on November 9 and 10, 2020, has utterly changed the situation of the Karabakh conflict and the countries of the South Caucasus.¹ At the same time, it demonstrates the continued practice of dealing with conflicts militarily, as was the case with the First Karabakh War at the beginning of the 1990s when the Armenian side won, laying the ground for further violence and hate fuelled by both sides.

Armenia lost control of all seven of the territories around Karabakh that it had conquered in the early 1990s, with the exception of the five-kilometer-wide Lachin transit corridor between Karabakh and Armenia. It also lost around one-third of the territory of Karabakh itself, including Shusha/Shushi, a town of strategic and historic importance to both sides. Officially, 1,960 Russian peacekeepers are now securing the territory not regained by Baku. The agreed “corridor” through Armenia along the border with Iran, connecting Azerbaijan with its exclave of Nakhichevan, has not yet been established because of Armenian resistance and is a matter of tensions. Would it be implemented; Armenia would lose even more sovereignty over its territory.

While the “hot war that caused up to 7,000 casualties on both sides has ceased, the conflict is not over; it has merely entered a new phase. Fundamental issues such as the status and administration of Karabakh are still unresolved. The agreement is already being undermined by renewed friction. Especially for Armenia, this humiliating loss has had grave consequences for its domestic politics, including a legitimization crisis for the political elites. At the same time, with its growing dependency on Russian security guarantees, Armenia’s national sovereignty is under even greater challenge. In addition, Azerbaijan finds itself in a new situation of having Russian troops on its territory for the first time since the early 1990s.

The balance of power in the region is shifting further away from the EU and the United States towards Russia and Turkey. While the latter was not an official signatory to the ceasefire agreement, Ankara is playing a significant role in the background as a military and diplomatic supporter of Azerbaijan. Israel, too, through its arms deliveries to Baku, has been important to Azerbaijan's victory, and is pursuing its own interests, related particularly to Iran's influence in the region.

By contrast, those actors that had been working for more than 25 years for a peaceful resolution of the conflict on both sides have been further marginalized. The absence of the OSCE Minsk Group or any Western player or international organization (apart from mention of a supervisory role for the UNHCR) from the ceasefire negotiations has undermined the role of multilateral institutions and peaceful conflict resolution mechanisms. This has made Karabakh a peculiar test case of “illiberal peace” and “authoritarian conflict management” by Russia and Turkey.² The 44-day war was also the result of

1 <http://kremlin.ru/events/president/news/64384>.

2 Cf. Laurence Broers (2021), Requiem for the unipolar moment in Nagorno Karabakh, in: *Current history*, October, pp. 255-261, here page 260.

Western disengagement, especially in recent years, handing the conflict over to Moscow. Thus, the West itself has contributed to legitimizing Russia's role as the main security player in the South Caucasus. The signalling of this war, that military superiority can lead to a victory without any multilateral engagement, undermines the credibility of Western countries. This war can in its importance for reshuffling regional order not be underestimated.

The Background to the Second Karabakh War

The conflict between Armenia and Azerbaijan over Karabakh is the longest-running unresolved post-Soviet conflict, which started in 1988 before the break-up of the Soviet Union. An estimated 25,000 lives were lost in inter-ethnic violence and a bitterly fought war in 1992-1994. More than 700,000 ethnic Azeris and over 400,000 ethnic Armenians were forced to flee their often ancestral homelands.

The conflict differs from other protracted conflicts in Eastern Europe, such as those in Moldova, Georgia, and Ukraine, in several respects. First, it is not only by nature, but also by universal and consensual recognition a manifestly interstate conflict between Armenia and Azerbaijan. Even if Armenia has always promoted the de facto authorities as a conflict party in negotiations, Yerevan itself never recognized Karabakh as an independent state. The disputed region within the internationally recognized borders of Azerbaijan has no direct border with Armenia. Thus, the conquest of some additional Azerbaijani territories was important in order to connect Karabakh directly with Armenian territory and, from an Armenian perspective, to gain buffer zones for security purposes and as bargaining chips. Second, it has long been one of the most dangerous places in the world and, in some respects, more comparable to the confrontations in Kashmir or on the Korean peninsula than to other protracted conflicts in Eastern Europe, which are currently less tense.³

A third important element is that Russia has not played the same role as in other protracted conflicts in Eastern Europe. Moscow did not exclusively back one of the conflict parties, in spite of its official alliance with Yerevan. Instead, it developed good relations with both sides and tried to portray itself, with some success, as an honest broker. The Russian leadership was a key negotiator in the OSCE Minsk Group with its other co-chairs, France and the US. This is true to the extent that Russia worked within this group and not unilaterally outside of it, as was the case before and after Russia became one of the three permanent co-chairs. Nonetheless, it has also supplied both sides with weapons and backed the military escalation which it should prevent.

Finally, the struggle over Karabakh has shaped the identity of both countries since the break-up of the Soviet Union, and become an integral part of their nation-building enterprises (alongside related memories in Armenia of the atrocities committed against ethnic Armenians

³ I would question this argument with regard to the Donbas where the contact line is a very dangerous place for people. Because of Russian military support and sometimes build-up, the level of militarization is also very high and dangerous for those living close to the contact line. At the same time, according to the number of BICC the level of militarization between Armenia and Azerbaijan is still higher. Cf., FN 6 and Thomas de Waal (2021), The Nagorny Karabakh conflict in its fourth decade, CEPS Working Document No. 2, September 2021, p. 2, https://www.ceps.eu/wp-content/uploads/2021/09/WD2021-02_The-Nagorny-Karabakh-Conflict-in-its-Fourth-Decade.pdf,. Access: 31.10.2021.

in the Ottoman empire).⁴ As in the 1980s and 1990s, Armenia and Azerbaijan each played a part in the latest escalation. The conflict over Karabakh never froze completely. It has always had the potential to escalate and can be described as a low-intensity conflict. Opportunities for peaceful conflict settlement have not been used by either side in the past 25 years and no proper preparations for peace were made by the countries' leaderships vis-à-vis their respective populations.

The two conflicting countries have become two of the most heavily armed states in the world. According to the Global Militarization Index in 2020, Armenia was second and Azerbaijan 16th on the list of the most militarized countries in the world. In 2019, Armenia invested 4.9 percent of its gross domestic product (GDP) and Azerbaijan 4 percent on military expenditure.⁵ Azerbaijan funds an immense defense budget with revenues from oil and gas exports. This has allowed the country to buy modern weaponry from Israel, Turkey, Ukraine, Russia and South Korea.⁶ Armenia has bought mainly discounted weapons from Russia in the framework of the Russia-led Collective Security Treaty Organization.

While Yerevan could live with the status quo until 2020, it missed several chances to get a better deal during negotiations on a peace agreement in the 25 years before the recent fighting. The Azerbaijani leadership, by contrast, had been increasingly under the impression that Armenia was plotting new baselines—largely ignored by the international community—by building additional infrastructure as well as through its policy of targeted settlements in the occupied territories.⁷ In any case, Azerbaijan failed to secure international support for its cause—especially on the issue of its territorial integrity—from any key states other than Turkey. This put Azerbaijan in a different position from Ukraine, Georgia and Moldova, which have also struggled with non-government-controlled areas within their internationally recognized borders.

The democratic election of Nikol Pashinyan after the 2018 Velvet Revolution brought to power a new Armenian Prime Minister who, unlike his predecessors, such as Serzh Sargsyan and Robert Kocharyan, had no roots in Karabakh. This raised hopes of a window of opportunity to resolve the conflict, but these expectations were soon dashed. Pashinyan initially took a moderate tone and appeared to recognize the need to lead his nation out of isolation in order to democratize it. He soon realized, however, that the domestic political costs of a compromise with Azerbaijan would be too high.

As a result, he switched to hardliner rhetoric and was even considering official “integration” of the contested region into Armenia.⁸ After a public dispute over history between Azerbaijan's

4 Cf. Thomas De Waal (2013), *The Black Garden: Armenia and Azerbaijan through peace and war*, New York University Press.

5 Max Mutschler/Marius Bales (2020), *Globaler Militarisierungsindex 2020*, Bonn International Center for Conflict Studies, p. 7, https://www.bicc.de/uploads/tx_bicctools/BICC_GMI_2020_DE.pdf. Access: 31.10.2021.

6 According to SIPRI, Azerbaijan spent US\$ 24 billion on its military between 2009 and 2018. In the same period, Armenia spent US\$ 4 billion on its military, but was able to purchase weapons from Russia at preferential prices in the context of its membership of the CSTO. <https://www.sipri.org/sites/default/files/SIPRI-Milex-data-1949-2019.xlsx>

7 International Crisis Group (2019), *Digging out of deadlock in Nagorno Karabakh*, Report 255, 20.12.2019, <https://www.crisisgroup.org/europe-central-asia/caucasus/nagorno-karabakh-conflict/255-digging-out-deadlock-nagorno-karabakh>. Access: 31.10.2021.

8 With regard to international law, that means annexation of the disputed territory. Pashinyan calls for

President Ilham Aliyev and Premier Pashinyan at the 2020 Munich Security Conference, it became clear that the leaders of both nations were far apart from each other. This meant that a peaceful resolution of the conflict was as unlikely as ever.⁹ Nevertheless, Pashinyan cannot be blame first of all for this escalation and war, he had to deal with the legacy of his predecessors which were neither able to negotiate a peace agreement in a time when Armenia had a better bargaining position nor did they invest in the modernization of the Armenian army sufficiently.

At the same time, Aliyev was rhetorically preparing his country for war. A brief military escalation at the Armenian-Azerbaijani border in July 2020 resulted in the loss of a high-ranking Azerbaijani officer. The timing and preparations for war were carried out in a planned and calculated way. At the same time, one factor that should not be underestimated was the requirement for Aliyev to react to an accelerating nationalist dynamic in his country, one that could easily have spilled into the streets and challenged his legitimacy. As a result, in the shadow of the global COVID-19 pandemic and the 2020 US presidential election campaign, and ahead of winter, he began the 44-day war for Karabakh in September 2020.

Shifting the Regional Balance of Power

A key outcome of the Second Karabakh War has been a shift in the regional balance of power, as both Russia and Turkey increased their influence in the wider region. Russia's main interests in the South Caucasus are to remain the dominant regional military and security player, and to push or keep other actors, particularly the US, NATO and the EU, out of the region. Having stationed Russian "peacekeeping forces" in Karabakh, Moscow now has troops in all three states of the Southern Caucasus. Even though Turkey also has a foothold in the region, Ankara is not able to challenge Moscow's hegemonic position. Russia's war against Ukraine will impact on the situation in the South Caucasus. The outcome of this war will shift on the geopolitical and security situation in the region. At the same time, Russia will have in the foreseeable future sufficient resources, to stay the key security player in the South Caucasus.

Baku may have communicated its planned military action in advance not only to Ankara, but also to Moscow, which was probably informed about the forthcoming escalation by its intelligence services anyway. Nonetheless, the rapid territorial gains by Azerbaijani troops might still have taken Moscow by surprise. The Russian leadership managed to negotiate a ceasefire agreement before Azerbaijan's army regained all of Karabakh. This also allowed Russia to give itself a new role in the disputed region by officially dispatching almost 2,000 peacekeepers, albeit without a formal internationally recognized mandate.

There is apparently a document that defines the legal framework for the peacekeeping operation, but Azerbaijan has not signed it.¹⁰ The mandate for the Russian mission needs

unification between Armenia and Karabakh, in: Eurasianet, 6/08/2019 <https://eurasianet.org/pashinyan-calls-for-unification-between-armenia-and-karabakh>

9 Munich Security Conference, An update on Nagorno-Karabakh, <https://www.facebook.com/watch/live/?v=480692625931370&ref=external>

10 Vasif Huseynov (2021), Azerbaijan increasingly critical of Russia's peacekeeping mission in Karabakh, Eurasia Daily Monitor, 18, 144, <https://jamestown.org/program/azerbaijan-increasingly-critical-of-russias-peacekeeping-mission-in-karabakh/>, Access: 2.11.2021.

to be renewed after five years—a provision that is in Baku's interest, because it provides an opportunity to cancel the agreement. Azerbaijani experts, moreover, allege that the Russian military and non-military contingent has in fact grown to 7,000-8,000 personnel.¹¹ As Armenian military units withdrew, Moscow de facto replaced Yerevan as the patron of Karabakh. Russian has been introduced as a second language in the disputed region and has become the only security guarantee for disputed region.¹²

Russia's actions have also marginalized the OSCE Minsk Group, thereby further reducing the already relatively low influence of the US and the EU, via France, in the region (to the extent that France represented EU positions, which was not always the case). Even if the Minsk Group retains the sole official international mandate to negotiate an agreement, the crucial talks are taking place between Russia, Armenia, Azerbaijan and, partly, Turkey. Nevertheless, it could be important to keep the existing infrastructure of the OSCE Minsk group if the situation in the conflict is changing.

The Moscow-brokered ceasefire agreement, which does not make any reference to the existing OSCE formats, did not just make Russia even more important for Armenia as a protective power. Azerbaijan, too, must now come to terms with a Russian presence on its territory for the first time since 1993. While President Aliyev claims that the conflict is over, he still lacks full sovereignty and territorial integrity. Moreover, Moscow has succeeded in keeping Turkey out of the agreement, although there is a monitoring mechanism with some Turkish involvement. At a joint monitoring center with Russia, Turkey has deployed 45 monitors 20 km from the front line, on Azerbaijani territory.¹³

The Russian leadership's wait-and-see approach during the war showed that Moscow has other goals than simply to support its "ally" Armenia, although Armenian territorial integrity definitely remains a red line until now. Until the 2020 war, Moscow had only limited influence over Azerbaijan, which used gas and oil pipelines that circumvented Russian territory for its energy exports through Georgia to Europe. Now, with the Russian troops on Azerbaijani territory key to the negotiations between Armenia and Azerbaijan, Russia has increased its leverage on Baku. But if these forces do not react to Azerbaijani provocations, Baku might try to systematically force Armenia to agree with its demands based on military pressure.

Turkey's support for Azerbaijan shifted the balance in the Karabakh conflict and was key to Baku's military victory. For years, Azerbaijan had been arming itself with state-of-the-art drones and precision weapons to prepare for war.¹⁴ As a NATO member, Turkey helped to improve the capabilities of the Azerbaijani army with training and joint exercises. It also gave Baku a clear military-technological advantage by providing drones, as well as the relevant operating systems and on-site technical support. Multiple sources have confirmed that up to 2,000 Syrian combatants were brought in with Turkish support, boosting the military capacity of the Azerbaijani army.¹⁵ President Recep Erdogan's unconditional support for Azerbaijan on

11 [11] Ibid.

12 [12] De Waal (2021), p. 8, FN 3.

13 See: International Crisis Group (2021), Post-war prospects for Nagorno-Karabakh, Report 264, 9.06.2021, <https://d2071andvip0wj.cloudfront.net/264-nagorno-karabakh.pdf>. Access: 31.10.2021.

14 Between 2014 and 2018, Azerbaijan was the second largest buyer of Israeli weapons, accounting for 17 percent of Israeli exports. Trends in international arms trade, 2018, SIPRI factsheet, March 2019, https://www.sipri.org/sites/default/files/2019-03/fs_1903_at_2018.pdf

15 Russian FM: 2000 Mideast militants fight in Nagorno-Karabakh, AP 3/11/2020, <https://apnews.com/>

the international stage gave Baku the feeling that it had a true ally. That was also crucial, for starting this war. While it may have been domestically advantageous for Turkey's president to score points with nationalists by supporting Azerbaijan, it was also important to challenge Russia in its sphere of influence. He thereby improved his bargaining position vis-à-vis Moscow in other conflicts, such as Syria and Libya.

The Turkish leadership is critical of Moscow's attempt to tip the military balance in its favour in the Black Sea, especially after Russia's illegal annexation of Crimea and its war against Ukraine. Through its indirect intervention in the Karabakh conflict, Turkey has indicated its ambition to become an even more influential power in the South Caucasus, and to regain some of the influence it had in the time of the Ottoman empire. Against the background of declining US interest in the region and the EU's lack of interest in security-related engagement, states such as Georgia and Ukraine increasingly perceive Ankara as an ally to counterbalance Russia in the Black Sea region.

The 2020 Azerbaijani victory strengthens the Baku-Ankara axis, allowing Turkey to continue to pursue its economic and energy policy interests in the Caspian Sea region and Asia. Ankara has upgraded the Turkish Armed Forces' representation in the Azerbaijan Operational Group by adding four generals to the leadership. Furthermore, both armies held military exercises only 300 meters from the Lachin corridor in September 2021.¹⁶ With systematic military pressure on Armenia and latest attacks on Armenian territory, president Aliyev systematically use his military superiority to get a "peace agreement" under his terms and to get a direct connection between Azerbaijan and its exclave Nakhichevan. Additionally, President Aliyev has an interest in safeguarding Azerbaijan (with its largely Shia population) as a secular state, not letting Sunni-Islamist ideology spread or Turkish power to become too dominant in the country. Here contradictory become positions between Ankara and Baku become visible.

The agreed corridor through Armenia to the Azerbaijani exclave of Nakhichevan is source of potential conflict, with regard both to its use by Turkey and Azerbaijan, and to Azerbaijan's future relations with Iran. In addition, President Aliyev's July 2021 comment on this part of Armenia ("West Zangazur is our historical land") indicates possible Azerbaijani territorial claims to Armenian territory, at least for negotiation purposes. But non reaction by Russia and the international community to Azerbaijani attacks against Armenian territory could fuel more territorial demands from the Azerbaijani side. Located along the border with Iran in Armenia's Syunik province, the connection could become a problem rather than opportunity for trade and transit between Armenia and Iran. Iran is an important economic and energy partner for Armenia, and Armenia sees this partnership as the only way to mitigate, at least partially, its economic and energy dependence on Russia by getting gas from Iran. The creation of such a corridor secured by Russian border guards would further undermine the sovereignty of the Armenian state.

For the Iranian leadership, it is important that Russia has a presence in the region, and that its rival Turkey cannot establish dominance in Azerbaijan. The huge number of ethnic Azeris in northern Iran is also important for Tehran. While Iran has called for the return of the seven

article/2000-mideast-millants-nagorno-karabakh-1d24df0044dc17f54ce4f45380505cf0, Deaths of Syrian mercenaries show how Turkey, Russia could get sucked into Nagorno-Karabakh conflict, Washington Post, 14/10/2020, https://www.washingtonpost.com/world/middle_east/azerbaijan-armenia-turkey-nagorno-karabakh/2020/10/13/2cdca1e6-08bf-11eb-8719-0df159d14794_story.html.

16 Cf. Huseynov, 2021.

territories around Karabakh to Azerbaijan, Tehran welcomes the fact that Karabakh was not fully retaken by Azerbaijani troops, and that Russian forces will be deployed in the disputed territory for at least five years.¹⁷ For Tehran, military cooperation between Azerbaijan and Israel is especially problematic. Iranian companies were not invited by Baku to help rebuild the reconquered territories, but Israeli companies were offered opportunities to participate in the rebuilding of areas that border Iran.

For several years, Tehran has accused Israel of using Azerbaijani territory for intelligence purposes and for launching military actions against Iran. The Azerbaijani state border service patrols the border with Iran with the help of Israeli-made drones. In reaction, both Azerbaijan (in cooperation with Turkey and Pakistan) and Iran have organized large-scale military exercises on their respective borders.¹⁸

Armenia and Azerbaijan: The Limits of the Victory

After Armenia's 2018 Velvet Revolution and a competitive democratic election, there were high hopes in the country that this was the moment for fundamental reforms and integration into the democratic world. Even though the challenges facing Pashinyan were huge, he also failed due to his apparent unwillingness to initiate a fundamental reform process. His manual rule, his populist style and way of dealing with the media alienated the progressive parts of society. Nonetheless, despite Armenia's defeat in the Second Karabakh War, Pashinyan managed to get re-elected in snap elections in June 2021. This was more due to a lack of alternatives and the even lower rating of his challengers, most notably former president Robert Kocharyan (who has close ties with Russia), than to strong support for Pashinyan. But it was also a strong signal of the society, that it wants not return to the corrupt and autocratic leadership of the past but demands reforms and progress from its leadership.

After the 2020 war, Armenia had to adjust to the reality that the Western community, despite some rhetorical support, had left the country to fend for itself in and around Karabakh, but also that it could not count on Russia as a protective power. Moscow's wait-and-see approach until the moment before an Armenian defeat, and its pronounced neutrality, were a source of deep frustration for Armenia. Even though the alliance option under the CSTO only applied to the territory of Armenia itself, Moscow's muted response showed Yerevan that this post-Soviet institution is something of a Potemkin organization, by the grace of Moscow, rather than a functional military alliance. That Belarus or Kazakhstan, as CSTO member states, could support Armenia militarily in its war against Azerbaijan was also out of the question, at least as long as there was no Russian leadership.

Russia's military presence extends beyond Karabakh. In Armenia, Moscow operates a military base in Gyumri, the second-largest city in the country, with 3,000 military personnel. Russia is playing a crucial role in securing the transit route between Armenia and the disputed region, as well as with regard to the possible corridor to Nakhichevan for Azerbaijan and

17 How Iran sees the Nagorno-Karabakh truce, Eurasianet, 13/11/2020, <https://eurasianet.org/perspectives-how-iran-views-the-nagorno-karabakh-truce>.

18 Rovshan Mammadli (2021), What is behind the growing Iran-Azerbaijan tension?, OC-Media, 11.10.2021, <https://oc-media.org/features/analysis-what-is-behind-the-growing-iran-azerbaijan-tension/>. Access: 2.11.2021.

Turkey. It has deployed troops close to Armenia's border with Azerbaijan as well as with Turkey at the request of Yerevan. All this contributes to Armenia's further lost sovereignty.

Without Russian support Armenia is not able to protect itself. This gives Russia even greater influence over Armenian domestic politics. It is conceivable that the Kremlin's reluctance to help Yerevan in 2020 was also intended to weaken the position of Prime Minister Pashinyan. He had come to power in 2018 via street protests and democratic elections, something that is a nightmare for the Kremlin in view of the domestic politics of Russia and other Eastern European states, not least Belarus. But more important for the Kremlin seemed to be to get its forces on Azerbaijani soil than to stop the war earlier.

For Armenia, the 2020 ceasefire agreement was tantamount to capitulation—not only undermining its understanding of Armenian sovereignty, but also destabilizing the country as a whole. Pashinyan discredited himself in the eyes of many Armenians by signing the agreement with Aliyev. The wave of refugees from Karabakh and the surrounding provinces, as well as the dead, wounded, missing and returning soldiers, have caused additional burdens on Armenia. According to Armenian sources, more than 300 POWs are still missing. These have not only weakened the country financially. They also have destabilizing effects on society because of the many frustrated and homeless people. According to unofficial statistics, up to 100,000 people live in Karabakh and there are now more than 20,000 permanent refugees from the region in Armenia.¹⁹

The still unresolved status and administration of Karabakh remain contentious issues that will continue to affect domestic politics in Armenia and Azerbaijan, and to cause lasting instability in the South Caucasus. An open wound persists between Armenians and Azerbaijanis. Armenian politicians have limited room for compromise after the 2020 defeat. National security and sovereignty, as they are understood in Armenia, have become even more pressing issues.

The lack of border demarcation between Armenia and Azerbaijan will further fuel tensions between both countries. Be it border questions, captured soldiers or lethal landmines, security issues have become political bargaining chips and toxic topics in the relations between the two states.²⁰ Since the 2020 war, it appears unlikely that any of the recent Armenian refugees will ever return to the areas now controlled by Russian forces. Many no longer believe they can rely on Russia's protection. Today, it is even more difficult than before 2020 to envisage Armenians and Azerbaijanis peacefully and cooperatively coexisting.

Whereas before the war Azerbaijan's President Aliyev had offered the "highest possible autonomy existing in the world" for the people living in Karabakh,²¹ he has recently announced that there will be no territorial autonomy at all. For the Azerbaijani side, Karabakh "no longer exists as a concept".²² Baku uses its new position of power to try to put Armenia under further military pressure to resolve open questions in Azerbaijan's interest. This will cause further flight and displacement, and presumably increase the tensions between the neighbors.

19 Interview of the author with an expert on the region, April 2021.

20 Cf. International Crisis Group (2021).

21 <https://www.euronews.com/2011/06/24/azerbaijan-president-s-perspective-on-nagorno-karabakh-impasse-resolution>.

22 Joshua Kucera (2021), Down with Nagorno Karabakh – long live Karabakh, Eurasianet, 2.04.2021, <https://eurasianet.org/down-with-nagorno-karabakh-long-live-karabakh>. Access: 31.10.2021

Armenia has shifted its approach from autonomy of Karabakh Armenians to the demand for human rights guarantees by Baku.

Baku is now engaged in rapid demining efforts in the disputed region and its surroundings, as well as in large infrastructure projects there. With these activities, as well as new housing development and industrial investment by Turkey and Russia, new facts on the ground are emerging. Azerbaijan has already invested US\$3 billion in the reconquered regions, almost completely restored the electricity supply to the entire region and announced plans to build smart villages.²³ It will be costly to rebuild the largely destroyed infrastructure in the seven territories Baku has restored to its full control, where it plans to resettle some of the 700,000 internally displaced persons (IDPs) who had to leave their homeland in the early 1990s.

Among those most affected by these new developments in the past year are civil society and the peace activists in both countries. The pressure on Armenian civil society, especially those who cooperated with Western institutions and participated in reconciliation measures with Azerbaijani partners, increased during the war. The story is similar in Azerbaijan where, in the national frenzy of war and victory, anyone who campaigned for peace was considered a traitor and even persecuted by the state authorities.²⁴

The local forces that had been calling for reconciliation have lost much since 2020. Nationalists and hardliners now dominate the political discourse in both countries. This will weaken general civil society development and makes achieving a lasting peace much less likely. The 2020 military victory boosted the legitimacy of President Aliyev, providing him with more scope to put critics under pressure. Many in the opposition support the patriotic victory paradigm and alternate voices have become rare.²⁵ At the same time, the Azerbaijani victory might make it easier to negotiate a compromise, and the possible rapprochement between Turkey and Armenia could support this process. But it will come at the costs of Armenia.

The Decline of Western Influence

For the EU and the US, the Second Karabakh War and ceasefire agreement of late 2020 marked a spectacular failure of their various efforts to contribute to stabilization, confidence building and conflict resolution. The OSCE Minsk Group format had been the main multilateral framework for negotiations since the First Karabakh War in 1992. Through the Group's co-chairs, France, Russia and the US, two major Western powers were involved in conflict mediation.

Neither the EU nor the US played any role in the negotiations on the ceasefire between Armenia and Azerbaijan in 2020. Russia's blatant bypassing of the OSCE Minsk Group format and High-Level Planning Group, which had been preparing for a multinational OSCE peacekeeping force to Karabakh since 1994, fits into the larger context of growing tensions

23 Paul Globe (2021), Karabakh conflict continues through competing construction projects, Eurasia Daily Monitor, 18, 162, <https://jamestown.org/program/karabakh-conflict-continues-through-competing-construction-projects/>. Access: 3.11.2021.

24 Azerbaijani Security Services 'threatened to kill' activist and family, OC-Media, 16/11/2020, <https://oc-media.org/azerbaijani-security-services-threatened-to-kill-activist-and-family/>

25 Bahruz Samadov (2020), To stand for peace in spite of everything, OC-Media, 2.10.2020, <https://oc-media.org/opinions/opinion-to-stand-for-peace-in-spite-of-everything/>.

between Moscow and the West in recent years. The war in Ukraine has made it even more difficult, to cooperate on the conflict. As a result of their inaction, the EU and the US have been effectively pushed out of the conflict resolution process, weakening the role of the OSCE. Although there was a meeting of the three co-chairs at a side event of the 76th UN General Assembly in New York in September 2021, neither Washington nor Paris have an impact on the dynamics and mediation of the conflict. Instead, Russia was able to create major new facts on the ground with its unilateral deployment of peacekeeping forces to Karabakh.²⁶

While the Minsk Group has lost both functionality and legitimacy, the conflict parties may still have an interest in using the format for peace negotiations. Armenia, in particular, with its weakened bargaining position, has an interest in bringing additional actors into the settlement process, although obviously not Turkey, a Minsk Group member, whose participation Azerbaijan would insist on in the case of a change to the format. It is also up to Moscow and, to some extent, Baku to decide on the role of the OSCE in future negotiations—and on the ground, where the Personal Representative of the Chairperson-in-Office has until now played a limited role. The appointment of a new co-chair by the US might bring some new life into the format, although the Russian-US tensions about the the war in Ukraine will undermine any kind of rapprochement. In the meantime, the process of border demarcation and delimitation between Armenia and Azerbaijan, based on Soviet-era maps, and without specifying the status of Karabakh, has begun within the trilateral format with Moscow.²⁷

For Azerbaijan, it has always been problematic that the three countries with the world's largest Armenian diasporas constitute the three co-chairs of the Minsk Group. France and the US had grown frustrated with the conflict parties over the years and reduced their engagement with the Minsk Group format, which resulted in Russia increasingly dominating the negotiations. When French President Emmanuel Macron sided with Armenia during the 2020 war, that made it even more difficult for Baku to accept Paris as an honest conflict broker.²⁸

The fact that Russia negotiated the ceasefire agreement outside the Minsk Group format has created a new reality. The West is no longer part of the conflict mediation and resolution process. For the Russian leadership, it has been easier to reach partial accord with Ankara than with Washington and Paris. There were some hopes, that the newly established facilitation format by the EU under Charles Michel would create a new opportunity for EU engagement aiming on practical steps like the release of Armenian POWs by Azerbaijan, progress in border limitations and the negotiation of a peace agreement. But since the EU is not using its leverage on the two conflicting sides, it has very limited impact on enforcing any kind of agreement. Instead of creating an alternative negotiation format, the EU has become

26 OSCE (2021), Statement by the Co-Chairs of the OSCE Minsk Group, New York, 24.09.2021, <https://www.osce.org/minsk-group/498948>. Access: 31.10.2021.

27 Vasif Huseynov (2021), 'Zangezur Corridor' closer to realization as Armenia readies to normalize relations with Turkey and Azerbaijan, Eurasia Daily Monitor, 18, 158, <https://jamestown.org/program/zangazur-corridor-closer-to-realization-as-armenia-readies-to-normalize-relations-with-turkey-and-azerbaijan/>. Access: 3.11.2021.

28 RFE/RL (2020), Macron says France ready to help build lasting solution to Nagorno-Karabakh conflict, 13.11.2020, <https://www.rferl.org/a/macron-france-ready-lasting-solution-karabakh-conflict/30946318.html>. Access: 31.10.2021.

rather a neutral facilitator without much impact on dynamics on the ground.

Western inaction before and during the 2020 war has not only discredited democracy and the EU in the whole region, but also led to a loss of credibility for the stakeholders in government, parliament and civil society who campaigned for a European and democratic Armenia. This has harmed the EU's neighborhood policy, of which Armenia was once considered a role model, as it is both a member of the Eurasian Economic Union and a signatory of a Comprehensive and Enhanced Partnership Agreement with the EU. Especially the opposition is using the slogan democracy or security to undermine the government of Nikol Pashinyan and discredit the Velvet revolution.

That the Karabakh conflict was underestimated by the EU sends multiple geopolitical messages and has an impact beyond the region. In the South Caucasus, Turkey's arrival and Iran's engagement, which is expected to grow in the light of Israeli and Turkish activities, are causing further disintegration of the post-Soviet space. Russia's role in reaching a ceasefire agreement and its deployment of peacekeeping forces demonstrated that it is still the key security player in the South Caucasus, but it is increasingly being challenged by countries such as Turkey, Iran and China—especially in the economic and transport sectors. The Kremlin's policy of taking advantage of conflicts rather than resolving them, however, can only work as long as Russia has sufficient resources to back up that policy with military force. Therefore, the outcome of the war in Ukraine will play an important role for the security situation in the South Caucasus.

Turkey is seeking direct access to the Caspian Sea and is getting closer to its goal of becoming a hub for energy resources from the Caspian Sea to Europe. In the light of the decoupling from Russian oil and gas, the EU will have an increasing interest in Azerbaijani hydrocarbons and a possible transcaspian link to buy gas from Central Asia. In this context Turkey will be even more important as a transit route for oil and gas to Europe. Turkey's military and economic cooperation with Azerbaijan have improved Ankara's position in its negotiations with Moscow. Countries such as Georgia and Ukraine will keep a close eye on players that can balance Russia's influence in the region in the future. Turkey supplies drones to Ukraine and is discussed in the region as a possible partner in confronting Russia if the US withdraws further from the region and the EU remains unwilling to engage more on security issues.²⁹ But, the economic crisis in Turkey ahead of the 2023 elections and its ongoing demand for Russian resources shows the limits of Ankara's approach.

Russia, Turkey, and Iran have a common interest in building transit routes through the South Caucasus. This opens up certain opportunities for rapprochement between Armenia and Turkey, and the possibility of open borders between both countries. But for Turkey it will depend on the reaction of Baku, if it finalizes the border opening negotiations. Georgia is playing a mediating role in the negotiations between both countries. Nonetheless, a precondition for improvement in relations between Ankara and Yerevan remains normalization of relations between Armenia and Azerbaijan. While there is potential for increased trade and connectivity, and expectations are high following the war, without a real peace agreement

29 Hürriyet Daily New (2021), Ukraine uses Turkish armed drone in Donbas for 1st time, 27.10.2021, <https://www.hurriyetdailynews.com/ukraine-uses-turkish-armed-drone-in-donbas-for-1st-time-168922>. Access: 31.10.2021.

there are also many remaining obstacles.³⁰

Ankara, Tehran and Moscow have proposed a 3+3 format between the three South Caucasian states, Turkey, Iran and Russia.³¹ This would cement the new geopolitical reality without the EU or the US. It would also create a platform for the negotiation of new large-scale infrastructure projects. Tbilisi is currently opposed to such an initiative, however, and will not participate in any such regional format with Moscow until Russian troops leave Abkhazia and South Ossetia.³² For Tbilisi, new East-West transit routes through Azerbaijan and Armenia would undermine Georgia's role as the key transit country. It would also be affected by possible new South-North transit routes connecting Russia, and Iran via Azerbaijan. However, Georgia's democratic backsliding in the context of its 2018 presidential elections, 2020 parliamentary elections and 2021 local elections has led to Tbilisi's estrangement from the EU. Against this background, the three large regional powers will make a further push for a 3+3 format.

The problem of the EU's engagement in the South Caucasus and elsewhere is that it is not a relevant geopolitical player. Its resulting failure to act and engage has consequences for the stability and development of its neighbors, which will be increasingly influenced by other actors. In a multipolar world, this leads to instability. The withdraw of the US from several regions and its towards China and the Asia Pacific region is creating a geopolitical vacuum on the EU's southern and eastern borders, in which players such as Russia, Turkey, Saudi Arabia and Iran will be competing for influence. The return of the US to Europe in the light of Russia's war in Ukraine does not mean, that Washington will also engage in other regions of conflict at Europe's margins. Even if the EU remains a mere onlooker, it will face direct consequences from the conflicts, war, displacement, migration and instability that will plague nearby weak states.

The EU is losing credibility among the neighborhood's civil societies and democratic stakeholders in government and parliament. Its failure to act on security challenges has substantially weakened democracy and the rule of law on its borders, where the "right of the mighty" has prevailed over the "might of right." Lasting peace can, however, only be achieved through trust-building, compromise and reconciliation, and not through military victories—a lesson learned from the First Karabakh War and, as it turned out, its uncertain results.

Recommendations

- The EU needs to engage more in conflict management, monitoring and peacekeeping in all of the protracted conflicts in Eastern Europe. In addition to its important role as a key donor and promoter of dialogue, it needs to become a relevant actor in establishing

30 Thomas De Waal (2021), In the South Caucasus, Can new trade routes help overcome a history of conflict?, Carnegie Europe, <https://carnegieeurope.eu/2021/11/08/in-south-caucasus-can-new-trade-routes-help-overcome-history-of-conflict-pub-85729>.

31 Elena Teslova, Russia suggests 3+3 format with Turkey, Iran, Azerbaijan, Armenia, Georgia in the Caucasus, 6.10.2021, <https://www.aa.com.tr/en/politics/russia-suggests-3-3-format-with-turkey-iran-azerbaijan-armenia-georgia-in-caucasus/2384679>. Access: 3.11.2021.

32 Vali Kaleki (2021), Iran and the 3+3 regional cooperation format in the South Caucasus: Strengths and weaknesses, Eurasia Daily Monitor, 18, 96, <https://jamestown.org/program/iran-and-the-33-regional-cooperation-format-in-the-south-caucasus-strengths-and-weaknesses/>. Access: 3.11.2021.

and securing lasting peace in the South Caucasus through stronger involvement in negotiations in multilateral formats. It needs to be more invested in the various negotiation platforms, including those of the OSCE, and more willing to deploy peacekeepers and monitoring missions to safeguard ceasefires. It might make sense to promote the UN's role in peacekeeping in the region, but it should be expected that Russia will block any decision in its role as a permanent member of the UN Security Council.

- Bringing the EU or certain nonpartisan states into the conflict mediation and resolution process could be an instrument for reanimating the OSCE Minsk Group. France could be replaced by the EU through its Special Representative. In the current constellation, with France, Russia and the US as co-chairs, the group will face difficulties in regaining its past relevance. Upgrading the mandate of the EU's Special Representative could be an important step towards increasing the profile of the EU in the conflict. It would also demand more backing from the EU member states.
- The EU needs to start an honest discussion on how to deal with Russia in conflicts, in the post-Soviet space, including in the context of Karabakh; and on how to better help the people on the ground. With Russia's war in Ukraine it is not anymore acceptable, that Russia is using the undermining the security of sovereign. Inaction will push Karabakh and Armenia deeper into Russia's embrace and accepts Baku's approach, that military solution of a conflict is an option without creating lasting peace and stability. There is a need for clearer rules for dealing with Russia regarding these conflicts, and for more ownership of the settlement process by multilateral institutions and the EU itself—for instance, by providing international peacekeeping troops and ensuring comprehensive monitoring of borders.
- The parties to the Karabakh conflict have an interest in a greater role for international organizations in the conflict. The internationalization of the Karabakh conflict is a precondition for a peaceful solution. The UN should discuss how to position itself on non-UN-mandated peacekeeping forces.
- An honest assessment is required of what went wrong in past conflict mediation and dialogue projects. The EU and international organizations should refocus their attention on such conflict-related challenges as refugees, IDPs, war crimes, human rights violations and housing issues. Material humanitarian support is not enough, for instance, to help IDPs. Work is also needed with the people on the ground on their traumas, their individual fates and their tragic experiences, and to change the narratives about the other side and the conflict. Of course, this is also a major task for the governments and societies of both countries.
- It is up to the political elites and civil societies of Armenia and Azerbaijan to start a genuine reconciliation process and end the rhetoric of hate and antagonism. Since the end of the 1980s, the populations of both countries have had practically no contact. Better conditions for dialogue initiatives and confidence building might create more acceptance for the negotiation of a lasting peace agreement. But first a functioning ceasefire as to be created.
- Civil society and international organizations should put more effort into challenging the current adversarial discourses and situating the conflict in the context of human rights protection and non-discrimination policies. All the conflict parties should actively work on a deconstruction of “threats” in their societies, and on sending respectful messages to the

other parties to the conflict, as well as on confidence building and the development of a vision for a common future.³³ This is paramount in overcoming the prevailing narratives of hate and paradigms of humiliation. More support for democratic development, and respect for human rights and the rule of law, in both Azerbaijan and Armenia through the Eastern Partnership could have positive effects on interstate relations between the two countries.

33 Cf. Leila Alieva (2020), War in the Caucasus – Karabagh conflict: Why war?, 13.10.2020, <https://www.iipvienna.com/new-blog/2020/10/13/karabagh-conflict-why-war>. Accessed 31.10.2021.



Stefan Meister

Head of the International Order and Democracy Program at the German Council on Foreign Relations.

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