

Hans-Joachim Schmidt

## Could War Return to Nagorno-Karabakh?

### Introduction

The conflict between Armenia and Azerbaijan over the region of Nagorno-Karabakh has remained unresolved since the May 1994 ceasefire agreement. Immediately after the war in Georgia in August 2008, it looked as though the presidents of Azerbaijan, Ilham Aliyev, and Armenia, Serzh Sargsyan, might be about to agree on a compromise for the first time. In 2007, the three co-chairs of the Minsk Group – from France, the USA, and Russia – had submitted a proposal containing a set of “Basic Principles”, which were intended to be the foundation for the negotiation of a comprehensive peace settlement.<sup>1</sup> The Minsk Group, which currently consists of 14 OSCE States, has been attempting to mediate between the two sides since 1992 and to initiate and support a peace process for the disputed territory.<sup>2</sup> Of the Basic Principles, however, two in particular are disputed by the conflict parties. While the government of Azerbaijan emphasizes the principle of sovereignty and territorial integrity, because Nagorno-Karabakh lies within its borders, the Armenian government stresses the principle of self-determination as a means of justifying the presence of the Karabakh Armenians and securing their future in the territory. Just as the Minsk Group has been intensifying its efforts, the EU has also ramped up its involvement with the conflict by means of its Eastern Partnership, which was established in May 2009. In addition, a low-

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- 1 The Basic Principles were first presented to the Armenian and Azerbaijani foreign ministers at the OSCE Madrid Ministerial Council in November 2007. US President Barack Obama, Russian President Dmitry Medvedev, and French President Nicolas Sarkozy highlighted the six most important of them in a joint statement in July 2009. See The White House, Office of the Press Secretary, *Joint Statement on the Nagorno-Karabakh Conflict, by U.S. President Obama, Russian President Medvedev, and French President Sarkozy at the L'Aquila Summit of the Eight, July 10, 2009*, 10 July 2009, at: [http://www.whitehouse.gov/the\\_press\\_office/Joint-Statement-on-the-Nagorno-Karabakh-Conflict/](http://www.whitehouse.gov/the_press_office/Joint-Statement-on-the-Nagorno-Karabakh-Conflict/). The Basic Principles are based on the principles contained in the Helsinki Final Act on the renunciation of force, territorial integrity, and equal rights and self-determination of peoples and include the following six points: the return of the occupied territories surrounding Nagorno-Karabakh to Azerbaijan, the linking up of Armenia and Nagorno-Karabakh via the Lachin corridor, the return of refugees and internally displaced persons, an interim status for Nagorno-Karabakh providing guarantees for security and self-governance, the final status of Nagorno-Karabakh, to be determined by a plebiscite, and international security guarantees that would include a peacekeeping operation. Since the Madrid Ministerial, the details of the Principles have been revised several times, but their essence remains the same. Cf. *Medvedev momentum falters in Nagorno-Karabakh*, IISS Strategic Comments, Comment 27, August 2011, at: <http://www.iss.europa.org/doc/default.asp?lang=en&nav=cscomment27>.
  - 2 The members of the Minsk Group are Armenia, Azerbaijan, Belarus, Finland, France, Germany, Italy, Russia, Sweden, Turkey, the USA, and the rotating members of the OSCE Troika; see: <http://www.osce.org/mg/66926>.

key Swiss diplomatic effort has been attempting to normalize the historically strained relations between Armenia and Turkey since 2007. This also appeared to have achieved a minor breakthrough in late 2009/early 2010, with the signing of two protocols.<sup>3</sup>

However, Baku, which is also a strategic partner of Ankara in its conflict with Armenia, successfully used the power afforded it by its gas and oil wealth to dissuade Turkey from ratifying both protocols. The planned normalization would have weakened the joint Turkish and Azerbaijani trade embargo against Armenia while improving Yerevan's position in the negotiations over the future of Nagorno-Karabakh. But by taking this step, Azerbaijan did itself no favours, as domestic developments in Armenia since then appear to have seriously dented interest in an agreement. Subsequently, the government in Baku has been attempting to encourage Yerevan to make compromises largely by increasing military pressure, yet this has been without any tangible success. In the meantime, relations between Armenia and Azerbaijan have deteriorated and hardened. This is evident in the dramatic rise in the number of exchanges of fire at the line of contact between Nagorno-Karabakh and Azerbaijan, and even at the Armenian-Azerbaijani border, as well as in the arms race, which shows no signs of slowing down. Most recently, Presidents Barack Obama, Dmitry Medvedev, and Nicolas Sarkozy – all three of whose current terms of office expire in 2012 – have increased the political pressure on both sides to reach a compromise on the Basic Principles by signing a joint declaration at the G8 summit in Deauville in May 2011.<sup>4</sup> Whether external pressure of this kind, no matter how politically important and well intentioned, will suffice to finally bring about a breakthrough is, however, something that many experts doubt.<sup>5</sup>

Nonetheless, there are factors that raise hopes that a peaceful resolution to the conflict may be found. The discovery of oil and gas in the Caspian Sea and Azerbaijan has significantly raised the region's economic importance since the 1990s. The unresolved conflict in the South Caucasus and the resulting economic and trade embargoes imposed on Armenia and Nagorno-Karabakh by Turkey and Azerbaijan create an environment that is not conducive to long-term investment and the economic development of the entire South Caucasus. To this must be added the potential of the region to act as a bridge to Central Asia. The significance of this function is growing for reasons connected to security and energy policy as well as for economic reasons, but it is hard to exploit as things stand. These constraints on development ac-

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3 Cf. Thomas de Waal, *Armenia and Turkey: Bridging the Gap*, Carnegie Endowment for Peace, Policy Brief 87, Washington, DC, October 2010, available at: <http://carnegieendowment.org/2010/10/05/armenia-and-turkey-bridging-gap/22p>.

4 Cf. *Joint statement on the Nagorno-Karabakh Conflict, by the Presidents of the OSCE Minsk Group Co-Chair Countries at the G-8 Summit*, Deauville, France, 26 May 2011, at: <http://www.osce.org/mg/78195>.

5 Cf., e.g., *Experts: There will be no breakthrough in talks around Nagorno-Karabakh*, Today.AZ, 3 June 2011, at: <http://www.today.az/print/news/politics/87440.html>.

celerate the impoverishment of the population while encouraging black markets, corruption, and criminality in the region. The diplomatic resolution of the territorial conflict therefore remains a key precondition if there is to be any hope of overcoming these problems. Since 2007, NGOs from both states parties to the conflict have been meeting fairly regularly either in Georgia or Turkey to discuss how further progress could be made in Armenian-Azerbaijani relations.<sup>6</sup> They are kept informed by the USA of the state of discussions between the Minsk Group and the conflict parties. Russia, which has been participating constructively in attempts to resolve the conflict, particularly through the actions of President Medvedev, has also organized a meeting between Armenian and Azerbaijani parliamentarians.

### *Is Peace Possible?*

In a recently published study, Charles Kupchan has examined a number of cases to determine when and under what conditions successful peace processes are possible.<sup>7</sup> He comes to the conclusion that every successful peace process goes through four phases: In the first instance, one of the parties to the conflict has to develop the willingness to pursue peace (“unilateral accommodation”) and to take the first political steps in this direction. In the second phase, both sides need to show “reciprocal restraint” to achieve rapprochement by making concessions and forging initial mutual agreements. In the third phase, rapprochement at diplomatic level extends deeper into the societies concerned, which begin to create a multitude of links (“societal integration”). Only then can new interpretations of history and identity (“generation of new narratives and identities”) emerge on both sides, lending the peace process long-term stability. Kupchan mentions five additional factors that are significant for success: First, diplomatic rapprochement cannot be forced, but must be the result of mutual diplomatic engagement. Here it is important not to confuse engagement with appeasement. Second, it should be stressed that, according to Kupchan, regime type is no indicator of the success of peace efforts. Contrary to popular opinion, he denies that democracy or democratization is a necessary prerequisite for successful peace processes. Third, political diplomacy between the two sides and not economic interdependence is the real “currency of peace”,<sup>8</sup> though economic interdependence can have a positive effect. Fourth, relations between domestic political factions in the states in question have a central role for the peace process. If opposition and nationalist forces are against peace and able to mobilize suffi-

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6 One of these meetings is described in: Caucasus Institute (ed.), *Caucasus Neighborhood: Turkey and the South Caucasus*, Yerevan 2008.

7 Charles A. Kupchan, *Enmity into Amity: How Peace Breaks Out*, Friedrich Ebert Stiftung International Policy Analysis, Berlin, April 2011, at: <http://library.fes.de/pdf-files/iez/07977.pdf>.

8 *Ibid.*, p. 7.

cient support, this can cause any peace process to fail. Fifth and finally, third parties – external powers or international organizations – can play an important facilitating, supporting, or complementary role in the process, though this can never replace the need for co-operation between the conflict parties.

Applying these findings to Nagorno-Karabakh, we can observe the following: The good news is that the authoritarian structures in place in both states do not necessarily preclude a successful peace process. It can even be argued that the democratization of one or both states could cause additional structural problems for the peace process if it were to lead to fragmentation in domestic politics, reducing the predictability and reliability of foreign policy. In addition, democratization processes may also raise the likelihood of internal or external violence (e.g. to distract from domestic problems), which would also damage the prospects of any peace process. As the publication of the joint statement by Obama, Medvedev, and Sarkozy indicates, conditions in the wider world are also favourable for a peace settlement. Furthermore, an intensive political dialogue has been taking place at the highest level between the presidents of the two conflict parties for several years now. Here as before, however, Azerbaijan has rejected the participation of Nagorno-Karabakh's political representatives, as it wishes to avoid contributing to any form of political recognition for the territory. This is not a problem under the current Armenian president, who is himself from Nagorno-Karabakh and hence indirectly represents the region. Despite this dialogue and the evident desire for peace on the part of both presidents, it is nonetheless necessary to ask whether either side is genuinely willing to enter into a peace process, enabling the start of a phase of reciprocal restraint and concessions.

#### *Asymmetric Starting Positions*

At the strategic level, the initial positions of the two sides are different. That makes agreement difficult and fuels mistrust on both sides. Armenia appears to be in the more comfortable position, as it has gained the upper hand in the military confrontation between the two countries over the Azerbaijani region of Nagorno-Karabakh, whose population is largely Armenian. Since 1994, it has also succeeded in occupying seven further administrative regions of Azerbaijan to create a security buffer zone.<sup>9</sup> It is a member of the Collective

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9 For full details of the historical genesis of this conflict, see: Rexane Dehdashti, *Internationale Organisationen als Vermittler in innerstaatlichen Konflikten. Die OSZE und der Berg Karabach-Konflikt* [International Organizations as Mediators in Domestic Conflicts. The OSCE and the Nagorno-Karabakh Conflict], Frankfurt am Main 2000, pp. 98-123. For a briefer overview, see also: Rexane Dehdashti-Rasmussen, *The Conflict over Nagorno-Karabakh: Causes, the Status of Negotiations, and Prospects*, in: Institute for Peace Research and Security Policy at the University of Hamburg/IFSH (ed.) *OSCE Yearbook 2006*, Baden-Baden 2007, pp. 189-210, and Emil Souleimanov, *The Conflict over Nagorno-Karabakh*, in: Institute for Peace Research and Security Policy at the

Security Treaty Organization (CSTO) and a military ally of Russia. Yerevan can be satisfied with what it has already achieved and, since it is merely interested in maintaining the status quo, need only seek to gain international recognition for the territories it has conquered. It remains unclear, however, whether Armenia supports the local Nagorno-Karabakh Armenians in Stepanakert in their efforts to achieve independence or would ultimately rather annex the territory for itself, granting it a special status as an autonomous province. It has not yet recognized the local government in Stepanakert, even though the latter does maintain a "Permanent Representation" in Yerevan as well as offices with no diplomatic status in several other European capitals. The trade embargo imposed by Azerbaijan and Turkey following the ceasefire, however, is detrimental to Armenia's economic wellbeing, as it means that Armenia can only trade with its neighbours via a detour through Georgia and Iran. This artificially increases the cost of trade in goods, weakens Armenia's economy in international competition, and contributes to poverty and underdevelopment in the country. After the war in Georgia in 2008, Georgia's President Mikheil Saakashvili also banned Russian arms deliveries to Armenia and to Russian troops stationed in Armenia from passing through his country's territory. Deliveries are therefore now only possible via the expensive airborne route or a detour through Iran. Armenia, which has allowed Russian troops to be stationed on its side of the Turkish border to help it defend itself against Turkey, continues to rely on its ally for military support and arms shipments, although these have become more expensive for both Moscow and the Armenian armed forces following the war in Georgia. This is not a state of affair that Armenia will be able to afford in the long term.

Azerbaijan is not interested in maintaining the status quo. It is using diplomatic means to seek the return of the territories occupied by Armenia and the Karabakh Armenians to its sovereign control. It does not wish to grant Nagorno-Karabakh more than autonomy status and therefore also demands co-responsibility for the Lachin corridor, which is supposed to later provide a secure connection between Nagorno-Karabakh and Armenia via Azeri territory. On the one hand, Baku finds itself in the disadvantageous position of having to make demands as a defeated power. Here, it seeks to make use of its refugee and displaced-person problem, which is numerically far larger than Armenia's. During the military conflict, Armenia had to take in some 360,000 refugees and around 70,000 displaced persons, which it has sought to integrate as far as possible with international assistance. Baku, by contrast, had to deal with 200,000 refugees and between 570,000 and 690,000 displaced persons, who were accommodated in housing estates apart from the local population.<sup>10</sup> To this day, they have still been kept from inte-

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University of Hamburg/IFSH (ed.), *OSCE Yearbook 2004*, Baden-Baden 2005, pp. 203-220.

10 Cf. Hans-Joachim Schmidt, *Military Confidence Building and Arms Control in Unresolved Territorial Conflicts*, PRIF Reports No. 89, Frankfurt am Main 2009, p. 6, also available at: <http://www.hsfk.de/fileadmin/downloads/prif89.pdf>.

grating into local Azerbaijani society as a means of facilitating their resettlement in the case of a future peace agreement. This is also intended to strengthen Baku's international case for its claim to sovereignty over these territories, particularly since at best 100,000 to 150,000 Karabakh Armenians are said to still be living in the occupied territories of Azerbaijan. The return of the far larger number of Azeri refugees and displaced persons could therefore lead to new asymmetries and is a central problem for the peace process. In order to protect the peace, the deployment of a 3,000-strong OSCE peace-keeping force for various scenarios has been planned since the 1990s.

On the other hand, the discovery of rich oil and gas fields in Azerbaijan alongside rising energy prices have dramatically changed the political and economic balance between Azerbaijan and Armenia. Azerbaijan currently spends just over three billion US dollars on defence alone, a sum equivalent to the entire Armenian national budget. This means that Baku can, despite the political and psychological disadvantages of being the defeated power, act from a position of economic, political, and soon also military strength. A significant proportion of Azerbaijani defence spending, however, is lost to corruption, which is particularly rife in the defence sector. Moreover, Azerbaijani forces have problems with training their troops in the use of new weapons, and their combat effectiveness is generally estimated to be lower than that of their Armenian counterparts. It must also be borne in mind that it would be easy for long-range Armenian artillery and, in particular, Russian combat aircraft to destroy Azerbaijani pipelines and energy extraction facilities were war to break out. This would deprive the government and leading families in Baku of their most important source of income, with uncertain consequences for the ruling clan and the survival of the authoritarian regime. Baku has also followed the liberalization that has shaken the Arab world, and this new risk, though its extent is hard to gauge in Azerbaijan, cautions against a military intervention. The Azerbaijani energy sector is, for the reasons given above, generally not in favour of attempting to seek a military solution.

Azerbaijan is, however, expected to reach the zenith of its current energy-based economic boom in two to three years and, if rising energy prices do not extend this, to gradually lose the advantages it currently enjoys over Armenia. It is therefore to be feared that the government in Baku, despite Georgia's discouraging experience during the war in August 2008, may indeed risk a military campaign before its position is damaged too gravely, and this would make further peace talks impossible, at least for the short term. Azerbaijan's growing military power and the resulting danger of a military conflict are being consciously used by a number of Azerbaijanis in senior positions to force Armenia into a peace compromise.

That is where the real problem for the Armenian government lies. It seeks to avoid being forced, from a position of Azerbaijani strength, into a compromise on the Basic Principles and a peace settlement. This could cause

the Armenian president serious domestic political damage. The course taken by the Armenian-Turkish normalization discussions already provided warning signs. Despite the potential benefits, including the possibility of relaxation of the economic embargo, the talks damaged the Armenian president when the Armenian Revolutionary Federation withdrew from the coalition government, claiming that the Armenian head of state had made too many concessions to Turkey over the issue of the Armenian genocide.<sup>11</sup> This was a particular problem for the president, as this party has a major influence on the Armenian diaspora, particularly in the USA. Moreover, a previous attempt to find a diplomatic solution collapsed following the assassination of the Armenian prime minister in parliament in 1999, which has given every subsequent Armenian leader cause to be cautious. This underlines the importance of domestic politics for the peace settlement, which Azerbaijan really needs to take into account more, although there is no sign of it doing so at present.

Nor does Russia desire a new war in the Caucasus. It has a major interest in the Azerbaijani energy sector and seeks to significantly increase its economic stake and influence there, with one of its goals being to weaken the Western Nabucco pipeline project, which aims to connect the Caspian Sea to Western Europe via Turkey, Bulgaria, Romania, Hungary, and Austria. This is why Russia, alongside the Eastern European countries, has in recent years become a major supplier of weapons to the Azerbaijani armed forces. A return to armed conflict would undermine the diplomatic efforts of President Medvedev, who, with the direct support of President Sarkozy of France and US President Obama, has attempted in consultations to encourage the leaders of Armenia and Azerbaijan to pursue a peaceful settlement in accordance with the proposals of the Minsk Group. On the other hand, the Russian hardliners around Prime Minister Vladimir Putin also appear to fear a weakening of Russian influence in the region if a peace process does materialize.<sup>12</sup>

### *Growing Military Tensions*

The arms race between Armenia and Azerbaijan, in which the latter has been the driving force in recent years, is a major cause for concern. Thanks to sharply rising oil revenues, Baku can afford to spend significantly more on its armed forces and their equipment than can impoverished Armenia and Nagorno-Karabakh. Over the last decade, Azerbaijan has increased its military spending in real terms by a factor of ten to 1.413 billion US dollars in

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11 Cf. Radio Liberty/Radio Free Europe, *Armenian Revolutionary Federation Quits Government*, at: [http://www.rferl.org/content/Armenian\\_Revolutionary\\_Federation\\_Quits\\_Government/1617382.html](http://www.rferl.org/content/Armenian_Revolutionary_Federation_Quits_Government/1617382.html), 28 April 2009. The Armenian Revolutionary Federation rejects plans for a joint Turkish-Armenian scholarly commission to examine the question of whether Turkey carried out a genocide of Armenians.

12 Cf. Wikileaks Cable 10BAKU134, Azerbaijani President to U/S Burns: "You can't boil two heads in one pot", created 25 February 2010, released 28 January 2011.

2009 without any sign of a corresponding growth in threats to its security.<sup>13</sup> In 2010, defence expenditure declined slightly by 3.5 per cent because of falling energy prices as a consequence of the global financial crisis.<sup>14</sup> The proportion of the entire state budget that is spent on defence was still as high as 35 per cent in 2000, but has since fallen, and varied between 2004 and 2008 from nine to 17 per cent, according to shifts in energy prices. Military spending as a percentage of Gross National Income (GNI) fluctuated between 2.4 and 3.4 per cent from 2000 to 2009.<sup>15</sup> We should not be deceived by these low figures, as the numbers above reveal. Such rapid increases in the defence budget are also a strong indication that Baku may be planning to re-take Nagorno-Karabakh by force.

Between 2000 and 2009, Armenia's defence expenditure experienced slightly less than a threefold rise in real terms, from 94 million to 272 million US dollars.<sup>16</sup> In 2010, SIPRI estimates showed a further rise of 12.5 per cent.<sup>17</sup> Up to 2007, however, the defence budget as a proportion of total state spending fell from 23 to slightly more than ten per cent, and as a percentage of GNI from five to 2.2 per cent.<sup>18</sup> However, this positive trend has started to be reversed since Armenia began to react to Azerbaijan's massive increases in defence spending in 2006. By 2009, Armenian defence spending had again risen to 15 per cent of the national budget. Yet these figures only include a part of Armenia's arms build-up, as they do not take account of the free transfer of Russian arms and ammunition. Between 1993 and 1996, 84 battle tanks, 50 armoured combat vehicles, and 72 artillery pieces were delivered secretly from Russia to Armenia and Nagorno-Karabakh. To this day, the location of these weapons remains unclear. Moreover, little is known about the strength of the forces (both Armenian and Karabakh Armenian) stationed in Nagorno-Karabakh, which operate under joint command. The only published figures on Armenian troop strengths in Nagorno-Karabakh originate in Azerbaijan, and it has so far not been possible to verify them. They are likely to be exaggerated by Azerbaijan to justify its own armament programme. According to these reports, 118 additional battle tanks (+47 per cent) and 181 armed combat vehicles (+65 per cent) and 181 artillery pieces (+61 per cent) arrived in Nagorno-Karabakh between 1997 and 2009.<sup>19</sup> According to Azerbaijan's figures, 371 battle tanks, 459 armoured combat vehicles, and 479 artillery pieces were stationed in Nagorno-Karabakh in 2009. In April 2011, a senior Russian government official admitted to the author that the force concentrations there are the highest in the South Caucasus.

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13 This figure is adjusted for inflation and expressed in 2005 constant US dollars.

14 Cf. *SIPRI Yearbook 2011: Armaments, Disarmament and International Security*, Oxford 2011, pp. 208-209.

15 Cf. *ibid.*, p. 216.

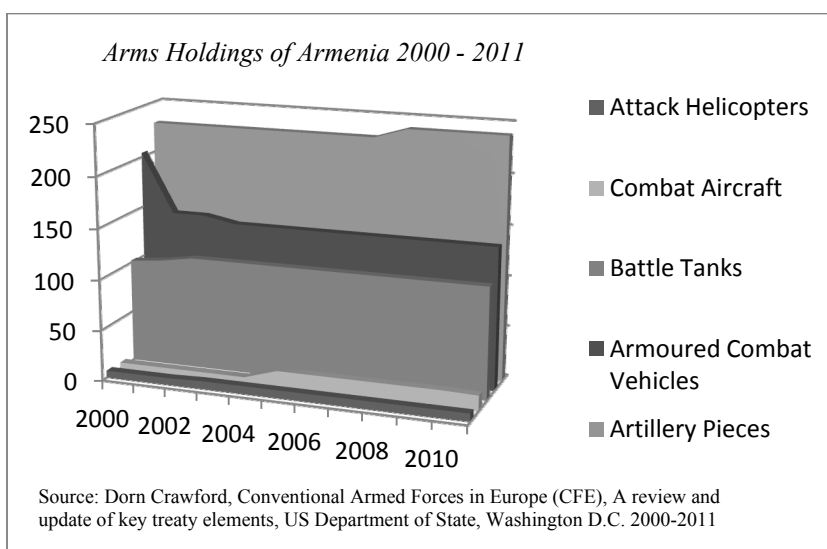
16 See Note 13.

17 Cf. *SIPRI Yearbook 2011*, cited above (Note 14), pp. 208-209.

18 For details of these figures, see Schmidt, cited above (Note 10), pp. 8-9.

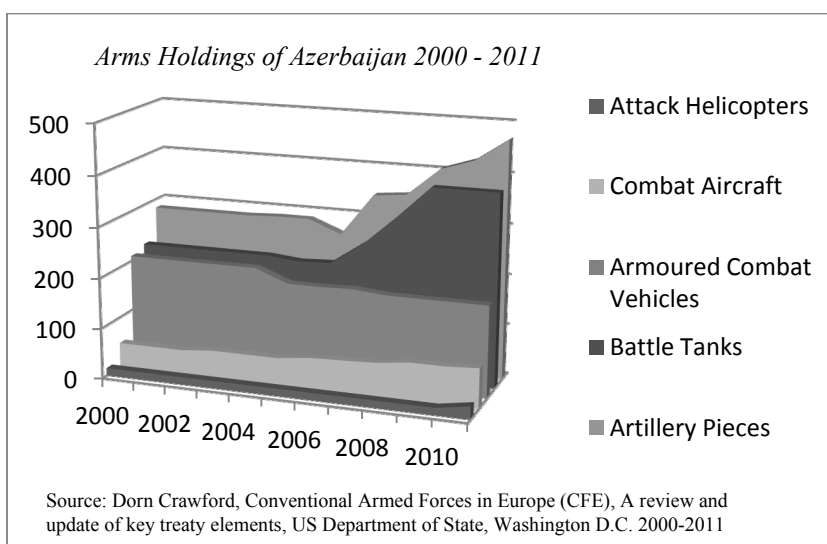
19 See Permanent Mission of the Republic of Azerbaijan to the OSCE, *Armenian aggression against Azerbaijan: facts and figures based on military analysis*, Vienna 2009.





Given, as the above graph shows, that little has changed at Armenia's military bases in quantitative terms in the last decade, the tripling of the Armenian defence budget appears to suggest rising strengths in Nagorno-Karabakh. As the graph shows, the numbers in four of the five weapon categories have barely risen: Attack helicopters +1, combat aircraft +9, battle tanks +8, and artillery pieces +10. Only in the category of armoured combat vehicles has there been a significant change – a decrease of 64 units – but these were probably relocated to Nagorno-Karabakh. Armenia's annual figures of CFE holdings are distorted by the omission of those weapons deployed in Nagorno-Karabakh.

The commercial and economic embargo imposed by Turkey and Azerbaijan continue to make it hard for Yerevan to import arms. Russia remains Armenia's most important supplier of arms. Slovakia has also provided two combat aircraft and Belarus ten artillery pieces in the last decade, while China is a major supplier of multiple-launch rocket systems. Armenia registers only some of its arms imports with the UN Register of Conventional Arms, probably in order to avoid revealing to Azerbaijan the true strength and degree of modernization of its forces in Nagorno-Karabakh.



Azerbaijan is the largest importer of arms in the Caucasus. Between 2002 and 2009 alone, it bought at least 168 T-72 battle tanks, 37 armoured combat vehicles, 315 artillery pieces, 33 combat aircraft, and eleven attack helicopters.<sup>20</sup> The supplier countries include Ukraine, Belarus, Slovakia, Bulgaria, Georgia, Israel (reconnaissance drones), South Africa, as well as Russia, which supplied 62 T-72 battle tanks in 2007 and, since 2008, a further 70 BTR-80 armoured combat vehicles. Moscow hopes that these arms deliveries will help it to increase its influence on Baku's energy policy; at the same time, however, they raise its influence on security policy in case of war. Since Armenia and Azerbaijan are technically still in a state of war – having merely signed a ceasefire agreement – arms shipments of this size, particularly to a country such as Azerbaijan, whose interest lies in changing the status quo, have alarming implications for security. The East-Central European States and Ukraine, in particular, should exercise greater restraint in this regard in the future, precisely since a military conflict in the coming years can no longer be ruled out. The UN Register of Conventional Arms can only fulfil its early-warning function to a limited degree, as transfers are only registered in retrospect, and not before or during their occurrence.

The graph above shows clearly the extent to which Azerbaijan has raised its holdings in four of five categories of weapons in the last decade and since 2006/2007 in particular – sometimes dramatically – thanks to its high revenues from rising oil prices: battle tanks +161, artillery pieces +187, com-

20 Figures derived by the author from the UN Register of Conventional Arms, at: [http://unhq-appspub-01.un.org/UNODA/UN\\_REGISTER.nsf](http://unhq-appspub-01.un.org/UNODA/UN_REGISTER.nsf).

bat aircraft +31, attack helicopters +11. Only in the category of armoured combat vehicles has a slight reduction by 30 been registered.

Particularly concerning for Armenia and Nagorno-Karabakh are the improvements in night-fighting and reconnaissance capabilities of the Azerbaijani forces that have taken place since the war in Georgia.<sup>21</sup> For instance, the eleven Russian Mi-24 Hind attack helicopters imported from Ukraine in 2009 were retrofitted for night-fighting by a South African arms company. Improvements to Azerbaijan's reconnaissance capabilities thanks to the import of Israeli drones may also significantly raise the effectiveness of Azerbaijan's artillery and combat aircraft. In response, Armenia and Nagorno-Karabakh have asked Russia for additional S-300 and new S-400 anti-aircraft systems to improve their air defences. Armenian and Karabakh forces still believe that they possess sufficient military strength, as the mountainous terrain in Nagorno-Karabakh together with the fortified defensive positions give the defending forces an advantage, even against a numerically superior force. Yet fears are growing, as Yerevan simply does not have the financial means available to Baku.

### *Arms Control Slips Down the Agenda*

Now we turn to the question of how the existing European regimes on military confidence-building, such as the Vienna Document, and on arms control, such as the CFE Treaty, can contribute to preventing a potential military conflict of this kind. Unfortunately, the current situation does not look good following Russia's suspension of the CFE Treaty in December 2007 in protest at the failure of the NATO states to ratify the adapted CFE Treaty, which had been signed in 1999. No solution has yet been found to the crisis of conventional arms control in Europe. This also has negative repercussions for the Vienna Document 1999, whose necessary revision has been blocked as a result.<sup>22</sup> Regional approaches to enhancing military confidence-building and arms control have also failed so far, generally because Azerbaijan has rejected them on the grounds that it would rather pursue integration with the EU and does not want to be isolated from Europe. While the OSCE did hold a seminar on new regional measures in Odessa in July 2011, the results remain disappointing because two major actors, Russia and Turkey, did not participate. Furthermore, Western CFE states stopped their data exchange

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21 Cf. Sergey Minasyan, *Nagorno-Karabakh After Two Decades of Conflict: Is Prolongation of the Status Quo Inevitable?* Caucasus Institute Research Papers, No. 2, Yerevan, August 2010, pp. 44-53.

22 The Forum for Security Co-operation adopted the new Vienna Document 2011 in a special meeting at the end of the year. However, this revision merely updated some technical details. For more information see Pierre von Arx, *Recent Developments in the Field of Arms Control and Confidence- and Security-Building Measures*, in the current volume, pp. 201-223.

with Moscow under the CFE Treaty at the end of 2011, since Russia has not participated in it since 2007.<sup>23</sup> This further weakens the effectiveness of this treaty, which has made a major contribution to preventing this conflict from escalating once more to a state of war.

Despite several weaknesses, the CFE Treaty, with its equal ceilings for both states (220 battle tanks, 220 armoured combat vehicles, 285 artillery pieces, 100 combat aircraft, and 50 attack helicopters each), and its transparency and verification mechanisms, has contributed to the stabilization of the ceasefire agreement. The conflict over the status of Nagorno-Karabakh has so far made more stringent regulations impossible. The government in Stepanakert is willing to co-operate on conventional arms control, but only once its legitimacy has been recognized. Baku rejects this out of hand. Furthermore, Azerbaijan is only willing to include confidence-building measures within the talks on the "Basic Principles" once the status question has been resolved, while Armenia has the reverse priorities.<sup>24</sup> It has so far not proved possible to pursue status-neutral military confidence-building measures with the conflict parties. A key measure would be better monitoring of the line of contact, in order to bring about an end to the exchanges of fire that regularly occur there. Here, Russia proposed a new incident-prevention mechanism as a confidence-building measure in its trilateral talks with both parties in March 2011, which seems based on the incident-prevention mechanism for Georgia. However, bilateral negotiations over this mechanism have not been successful so far and are continuing. Yerevan and Stepanakert should also provide more transparency regarding their troops in Nagorno-Karabakh, something that is long overdue.

Since 2001, Baku has failed to report correctly on eight (in 2002 this increased to nine) military sites of its own in Nagorno-Karabakh and the other occupied territories, to which it has no access.<sup>25</sup> The units associated with these peacetime locations are currently stationed on Azerbaijani territory, close to the line of contact. However, since 2001, the other CFE states have been prevented from inspecting these units, although they continue to be mentioned in the annual data exchange. This is Azerbaijan's response to Armenia's refusal to include its holdings in Nagorno-Karabakh. What makes the situation worse is that Azerbaijan's holdings in the categories battle tanks and artillery pieces are increasingly breaching the above-mentioned CFE ceil-

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23 Cf. U.S. Department of State, *Implementation of the Treaty on Conventional Armed Forces In Europe*, Statement by Victoria Nuland, Washington, DC, 22 November 2011, at: <http://translations.state.gov/st/english/texttrans/2011/11/20111122143004su0.6327479.html>.

24 Cf. President of Russia, *Declaration between the Republic of Azerbaijan, the Republic of Armenia and the Russian Federation*, Moscow, 2 November 2008, at: <http://archive.kremlin.ru/eng/text/docs/2008/11/208708.shtml>. This document was the first in which Azerbaijan accepted confidence-building measures as a tool for conflict settlement.

25 Cf. Bureau of Verification and Compliance, *Adherence to and Compliance with Arms Control, Nonproliferation, and Disarmament Agreements and Commitments*, Washington, DC, 30 August 2005, at: [www.state.gov/t/avc/rls/rpt/51977.htm](http://www.state.gov/t/avc/rls/rpt/51977.htm).

ings. The same is true of Armenian forces if one includes holdings in Nagorno-Karabakh. There is therefore an urgent need to strengthen the role of military confidence-building and arms control here. This can only hope to succeed if the NATO states and Russia begin to take conventional arms control more seriously once again and overcome the current crisis, particularly since Azerbaijan has already indicated that it has no interest in further reducing its national ceilings.

### *Conclusions for the Peace Process*

Despite the intensified negotiations between the two presidents, military developments in recent years make clear that prospects for a potential peace process are none too good. The war of words has also escalated again since 2009. Baku is increasingly relying on political and military pressure rather than political compromise with Armenia, while Yerevan is relying on its own strength rather than seeking accommodation, as the Armenian president's recent visit to Nagorno-Karabakh underlined. The military situation is a particular cause for concern, with the Azerbaijani side appearing more willing to seek a military solution despite the deterrent effect of the war in Georgia,<sup>26</sup> while the opportunities for preventing war by means of arms control appear to be shrinking. This situation can only be tackled if the Western NATO states, Ukraine, Belarus, and Russia start to take military confidence building and arms control more seriously once again. It is particularly imperative that the Eastern European countries that provide Azerbaijan with weapons reconsider their arms-export policies and exercise greater restraint. That applies equally to Russia, which has adopted an ambivalent position in recent years as a consequence of its energy interests.

The prospects for the bilateral peace process have declined despite the improvement of external conditions in the form of Russian-American relations. With elections in both Russia and the US in 2012, these conditions could again deteriorate. In terms of Track II diplomacy, the groups in both societies that are seeking accommodation are still too weak to affect the hostile positions taken by their governments and much of the population, particularly in Azerbaijan. The political elites on both sides still do not appear to be genuinely ready to enter, in Charles Kupchan's terms, the first phase of the peace process, in which there must already be indications of the compromises to be made in the second phase. Russia, the EU, and the US should certainly continue to support efforts to encourage mutual understanding, above all via Track II initiatives. Unfortunately, the second Track II meeting between representatives of the Azerbaijani community and the Armenian community of Nagorno-Karabakh in Berlin on 28 November 2011 failed because the Arme-

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26 Cf. André Widmer, *Sehnsucht nach Heimat* [Yearning for the Homeland], in: *Frankfurter Rundschau*, 29 June 2011, p. 17.

nians did not appear for status reasons. However, a planned follow-on meeting in Moscow in late January or early February 2012 will hopefully have more success.<sup>27</sup> They could do more to co-ordinate their efforts than has been the case so far. They can also increase the positive inducements towards a peace settlement by offering the conflict parties additional incentives such as investment in economic infrastructure. The EU should make use of the negotiations on an association agreement with Armenia and Azerbaijan within the scope of the new Eastern Partnership, which commenced on 15 July 2010, to do this.

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27 Cf. *Azerbaijani community of Nagorno-Karabakh turns to int'l organizations*, Today.Az, 16 December 2011, at: <http://www.today.az/print/news/politics/99836.html>.