

CIFE Policy Paper N°113

Kenan Aslanli*, February 15th 2021

A multidimensional approach to the Karabakh War: internal, external, and energy aspects

The war over the Karabakh region of Azerbaijan started at the end of the 1980s and the beginning of the 1990s as a result of secessionist activities of the Armenians living in the mountainous part of the region with the direct support of the Republic of Armenia. As a consequence of the war that temporarily ceased in 1994 with the brokerage of Russia, Armenia occupied the former Nagorno-Karabakh Autonomous Oblast (NKAO) and 7 seven adjacent cities (Kalbajar, Lachin, Qubadli, Zangilan, Jabrayil, Fuzuli, Agdam). The Karabakh conflict was categorized as one of the "frozen conflicts" in the post-soviet space, but some serious skirmishes occurred on the frontline between 1994-2020 (e.g. "4-days war" in April 2016).

The second phase of the active war in Karabakh occurred between Azerbaijan and Armenia from 27 September to 9 November, 2020. At the end of the war, Azerbaijan managed to regain a considerable part of its lands, which were determined as its legitimate territories but remained under Armenian occupation for almost three decades. The problem has not been completely resolved after Russian troops were deployed in the region, according to the cease-fire plan. Moreover, a final solution in the long term has become more complicated. This policy paper suggests a 3-dimensional analytical framework to analyze the Karabakh wars (the 1990s vs. 2020) with different aspects to understand the past, present, and future of the conflict:



"Internal dimension." The political and social processes of Azerbaijan and Armenia along with their economic situations have been among important components, affecting the Karabakh conflict. At the end of the 1980s, during the disintegration process of the Soviet Union, national sensitivities came to the fore in many countries with a deep impact on Armenia such as consolidating radical nationalism, which traces back to the country's history. Karabakh wars have made a significant impact on both countries' internal political orders and economic situation.

Similar to the war in the 1990s in Karabakh, the war in 2020 contained several elements among which was the stability and different leanings in the two countries' domestic politics and state administration. In the 1990s, while Armenia was enjoying political stability, Azerbaijan was suffering from instability in terms of its politics and state administration. Today, the situation is reversed. During the war, which has been called "the great homeland war" by Azerbaijani President Ilham Aliyev, for regaining the occupied territories, it has been observed that citizens, political parties, and civil society organizations have taken their positions around the commander-in-chief and the armed forces.

In Armenia, however, the "witch hunt," conducted by Nikol Pashinyan against pro-Russian political and military elites after the "Velvet Revolution" during February-May 2018, divided the settled political order in the country. Also, the growing displeasure with the Kocharyan-Sarkisian duo, which is identified as the "Karabakh clan" has left people choiceless and put domestic politics in a serious deadlock. Former presidents Kocharyan and Sarkisian both representing Karabakh Armenians in Armenian politics and actively participating in the war in the early 1990s ruled Armenia for almost 20 years. But the "inheritance" of this 20-years-long rule was corruption, nepotism, poverty, human rights violation (e.g. shooting peaceful protesters after the 2008 Presidential election), and massive emigration.

On the other side, Azerbaijan has managed to create a younger and more dynamic governance structure through very critical dismissals and appointments within the state apparatus after 2015. The second Karabakh war, which occurred between 27 September and 9 November and resulted in the military defeat of Armenia, deepened that country's internal political crisis while Azerbaijan demonstrated great national solidarity with no objection to the government except allowing "Russian peacekeepers" to enter the Azerbaijani territories after 28 years.

When we compare the economic situations of the 1990s and 2020, we observe a different tableau again. In the former, both countries were suffering from socio-economic troubles. But currently, Azerbaijan's GDP reaches 50 billion USD while Armenia's GDP remains around 14 billion USD. But also, we should note that especially after the series of the devaluation of national currency in Azerbaijan, the margin between GDP per capita of these two countries narrowed down (4600 USD in Armenia, 4800 USD in Azerbaijan for 2019). Azerbaijan's military budget has surpassed Armenia's state budget for long years. Besides the economic potentials, it will bear interesting results to compare the primary indicators (2019) for militarization levels.



Source: SIPRI Military Database 2020; BICC's Global Militarization Index (GMI) 2020.

At this point, Armenia with lower economic and financial opportunities, had higher indicators in terms of the military expenditures' out of GDP (5% vs. 4%), the military spending per capita (230 USD vs. 185 USD), and the budget expenditures towards military (16% vs. 12%). In other words, Azerbaijan continued to make other expenditures besides the militarization and attempted to follow a balanced way while Armenia allocated a greater part of public

finance for military purposes despite its limited resources. Economic power, besides being among the important components for leading to war (that enabled to get military equipment, high technology, procurement of drone technology, etc.) is of significance for the "post-war era" as well. Azerbaijan has already started rebuilding its liberated territories and creating a road infrastructure. Azerbaijan signed a series of contracts with Turkish and Italian companies for highway construction to Shusha (cultural and historical center of Karabakh that was liberated from occupation on 8 November 2020) and reconstruction of energy infrastructure in the region.

The Armenian Parliament approved the reduction of education expenditures from the central budget for 2021. Also, the COVID-19 pandemic affected both countries, yet the number of confirmed cases and death toll were higher in Armenia among the South Caucasus countries in 2020. Pashinyan, who succeeded to remain in the power despite the mass protests in Yerevan against the capitulation in the war, intends to compensate the unprecedented military defeat in Karabakh with the economic benefits of regional cooperation. The second joint statement of the President of Azerbaijan, the Prime Minister of Armenia, and the President of the Russian Federation signed in Moscow on January 11, 2021, has prioritized restoration of all economic and transport connections in the region. Armenia has vivid domestic debates about the costs and benefits of economic consequences of new regional power configuration in the Caucasus.

"External dimension." The changes in the "power struggle" and power projections among regional and global powers could be analyzed by comparing the two Karabakh wars. During the first Karabakh war in the 1990s, the most important geopolitical development was the consequences and the "power vacuum" after the collapse of the Soviet Union. On the one hand, Russia struggled to get itself rid of the shock of the geopolitical disappear of the USSR. On the other hand, as part of its "grand strategy", Russia had made a direct contribution to the formation of "frozen conflicts" by exploiting the separatist movements in the countries of "near abroad". Russia had a rising competition with regional powers (Turkey and Iran) and the US (NATO). In the Karabakh conflict, Russia sided with Armenia by supplying military equipment and weaponry and became the only mediator of the May 1994-dated ceasefire.

Turkey, as always, sided with Azerbaijan with no hesitation. Despite its mediation attempts, it failed to create efficient politics for bringing a final solution to the problem in the early 1990s. Iran, which aimed at enjoying the “*power vacuum*” in the region actively, developed economic ties with both Armenia and Azerbaijan. Also, Tehran participated in mediation efforts in December 1991, May 1992 (coincided with the occupation of Shusha city of Azerbaijan), and October 1993 (coincided with the occupation of Zangilan district of Azerbaijan). Iran’s mediation efforts failed. Azerbaijan’s growing political, economic, and energy relations with Turkey and the West disapproved of Iran’s expectations from Azerbaijan. Despite its stress on territorial integrity, Iran did not refrain from supporting Armenia (supplying arms and fuels). During the second Karabakh war in 2020, Iran sweated for determining its adequate position. Subsequently, it made emphasis on territorial integrity several times, proposing that it had a comprehensive plan for the resolution.

Certain factors played role in determining the interests of the USA, the UK, and the EU in the Karabakh issue: their politics in the Caucasus; Azerbaijan geographic position between Russia and Iran; the transition route in the region; the critical corridor between the Caspian Sea and the Black Sea; the sale of Azerbaijani and Central Asia oil and natural gas resources to European and world markets; the ‘Christian minority’ discourse, uttered by the Armenians living in those countries. During the second Karabakh war, the European Commission and the European Parliament made statements, calling on the parties to restart negotiations. These statements underlined both the rights of the Armenian population in the Nagorno Karabakh and Azerbaijan’s territorial integrity. Also, due to the pandemic and the presidential election, the US remained reluctant. Despite the economic relations (e.g. French companies’ investments in Azerbaijan) and political relations (e.g. both Haidar Aliyev and Ilham Aliyev made their first official visits to Paris) that developed in the last 27 years, the OSCE Minsk Group co-chair France openly supported Armenia in a one-sided manner during the second war. The UK pledged some diplomatic support to Azerbaijan both at the bilateral level and UN Security Council. The main actors which had an impact on the resolution of the conflict between Azerbaijan and Armenia were Russia and Turkey in the second Karabakh war. The cooperation and competition “enigma” between the two countries in Libya and Syria was transferred to South Caucasia in 2020 through the

Karabakh conflict. But it is important to note that the “four-day-long war” in April 2016 in Karabakh coincided with uncertainty and tension in Turkish-Russian relations. Although Turkey was not mentioned in the ceasefire declaration, signed by Russia, Azerbaijan, and Armenia on 9 November 2020, the peace process was shaped by Turkey and Russia. The regional balance is preserved between Russia and Turkey despite all difficulties and risks. The smooth functioning of the Turkish-Russian Joint Ceasefire Observation Center in Karabakh will be the test for bilateral relations between these two regional powers. In the new era, Georgia’s geopolitical and geo-economic importance may increase as the country lays in the significant energy route.

“Energy and Transportation Corridor Dimension”.

The unchanging but expanding dimension of the Karabakh wars in the 1990s and 2020 is the energy and transportation corridor dimension. Azerbaijan’s decision at the beginning of the 1990s to cooperate with Western companies for the production and export of its oil and natural gas resources in the Caspian Sea certainly disappointed Russia and Iran. This decision played a role in their anti-Azerbaijan stance during the conflict. Although Russia’s stance was clear since the beginning, Iran adopted a similar stance in the years 1994-1996. Both countries had a similar position on the legal status of the Caspian Sea in the early 1990s. However, the placement of more Russian energy companies in the Azerbaijani energy sector softened Russia’s position in the legal status of the Caspian Sea. Yet, its stance on the Karabakh conflict remained the same. When it became clear that Azerbaijan would reach its oil and natural gas to the global markets via Georgia and Turkey, the presence of Russia-backed armed Armenian separatists in Karabakh gained geopolitical importance for Russia. The Armenian side has repeatedly threatened to hit Azerbaijan’s oil and gas pipelines and wells in the Caspian Sea and the Sangachal Terminal with rockets.

When clashes erupted in July 2020 in the Tovuz region near the Azerbaijani-Armenian border, it was underlined that this situation would pose threat to pipelines and railways, close to that region. The route of the pipeline, which carries Russian gas to Armenia through Georgia is also very close. During the second war that erupted on 27 September 2020, Armenian armed forces conducted several rocket attacks in Ganja, which accommodates energy and transportation infrastructure. Although Armenia targeted the Baku-Tbilisi-Ceyhan (BTC) oil pipeline,

the Western countries did not react as strongly as Azerbaijan expected. One of the main reasons for the US's and EU's reluctance to react to the security risks of the oil-gas pipelines of Azerbaijan is that South Caucasus Pipeline (SCP), which foresees the exportation of Azerbaijani natural gas to European countries (10 billion cubic meters in the first phase) does not have strategic importance as much as it used to have for the US and the EU. It was since the US and Qatar have appeared as significant alternatives for exporting LNG to the EU gas market.

Besides this factor, Turkmenistan has been exporting its entire capacity (more than 30 billion cubic meters) of natural gas supply to China only. In other words, the expectation of the 1990s or the 2000s that Turkmenistan would export its natural gas to the Western side through Azerbaijan is not present anymore. The approximately 3500-kilometer-long South Gas Corridor's Shah Deniz Consortium will launch a 25-year natural gas supply to customers such as Italy, Greece, Bulgaria, Georgia, and Turkey from Azerbaijan. BTC pipeline, which carries Azerbaijani oil (as well as crude oil from Kazakhstan) contains significance for countries like Turkey and Italy (Israel is among important clients of Azerbaijani oil). These countries have already taken a pro-Azerbaijani stance during the Karabakh conflict. According to the ninth article of the joint ceasefire statement, made by Azerbaijani President, Armenian Prime Minister, and Russian President on 9 November 2020: "All economic and transportation links in the region will be unblocked. Armenia will provide the safety of transportation links between the western regions of Azerbaijan and the Nakhchivan Autonomous Republic to organize the unimpeded movement of citizens, vehicles, and goods in both directions. Units of the Russian Federal Security Service's Border Guard will monitor these transportation links."

In this way, Turkey and the Nakhichevan region will have a direct transportation connection with Azerbaijan and Central Asian countries in addition to the present Baku-Tbilisi-Kars railway. Also, Azerbaijani lands lay in a transition route for China's "One Belt, One Road" project, "Lapis-Lazuli Transportation Corridor," and "North-South Transportation Corridor" (India-Iran-Russia). Within the framework of the Europe-Caucasia-Asia Transportation Corridor, more than 50 million tons of goods are carried annually through the Azerbaijani lands. The resolution of the conflict in the region, which lays in the middle of such important connection points is important.

However, the deployment of Russian troops in the region is also equally important for generating uncertainty (in the middle of "Ganja corridor" and "Nakhchivan-Zangazour corridor").



Projections for Future

The peaceful coexistence of Armenians and Azerbaijanis will be extremely challenging after the bloody clashes. Especially, the military failure in the second Karabakh war stimulated the sense of revenge on the Armenian side. In addition to the Karabakh region, it is likely to see instability in the borders of the two countries given the fact that the border demarcation is still absent. Armenia often applies to Russia to get political and military support in the border demarcation disputes with Azerbaijan ensuring the presence of the Russian "peacekeepers" in the critical border points.

Russia may use its military presence in the Karabakh against Azerbaijan, Armenia, and Turkey on some political and economic issues (through the regional stability and legal status of the Armenians in Nagorno Karabakh). However, if the US will increase its political and economic pressure on Russia during the Biden era and Russia potentially can search a further rapprochement with Turkey in critical regions including South Caucasus and Middle East. On the other side, the US may mount pressure for the establishment of a multi-partied peace force mission in Karabakh. If the stance towards Iran is softened in the Biden era as expected, Iran may take a more active position in the regional matters again including South Caucasus. The second Karabakh war will accelerate the military, political, economic and cultural integration process between Turkey and Azerbaijan.

The importance of the energy corridor via Azerbaijan has relatively decreased while that of the transpor-

tation corridor has increased. Russia, which is positioned in the strategic crossroad between East-West and North-South transportation corridors, is gaining bargaining power and advantages against the US, EU, and China in the long-term period. EU can make additional efforts to take an active stance on the Karabakh issue based on the principles of territorial integrity, regional economic integration, and human rights.

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