

Shifting Geopolitical Realities in the South Caucasus

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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", Russian 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 27 September to 10 November 2020 led to significant death and suffering, and involved serious violations of international humanitarian law and international human rights law. It has changed the geopolitical constellation in the South Caucasus and constitutes an example of the inherent instability of 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-year long negotiations in the multilateral OSCE Minsk group could not achieve, Azerbaijan attained in a 44-day war. The ceasefire agreement between Armenia and Azerbaijan mediated by Russia outside the agreed OSCE format on 9–10 November 2020 has utterly changed the situation of the Karabakh conflict and the South Caucasus.¹ At the same time, it is a continuation of the 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, thereby 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-kilometre-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 to Iran, connecting Azerbaijan with its exclave of Nakhichevan, has yet not been established due to Armenian resistance.

While the ‘hot war’ that caused up to 7000 casualties on both sides has ceased, the conflict is not over but 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 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 even more challenged. 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. 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 for “illiberal peace” and “authoritarian conflict management” by Russia and Turkey.² The 44-day war was also the result of Western disengagement, especially in recent years, handing the conflict over

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.

to Moscow. Thus, the West itself has contributed to legitimizing Russia's role as the main security player in the South Caucasus.

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 regards, more comparable to 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 has 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 USA. At least, it 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.

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 in the Ottoman empire).⁴ As in the 1980s–1990s, Armenia and Azerbaijan each played their part in the latest escalation. The conflict over Karabakh has never frozen 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.

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.

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

The two conflicting countries have become two of the most heavily armed states in the world. According to the Global Militarization Index, Armenia was in second position and Azerbaijan in 16th position in 2020 as 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 defence 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 has 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 – largely ignored by the international community – plotting new baselines by building additional infrastructure and through its policy of targeted settlements in the occupied territories.⁷ In any case, Azerbaijan failed to secure international support for its cause – and especially on the issue of its territorial integrity – from any key states other than Turkey. This put Azerbaijan in a different place to 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 the rhetoric of a hardliner and was even considering official “integration” of the contested region into Armenia.⁸ After a public dispute over history between Azerbaijan’s 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

At the same time, Aliyev was rhetorically preparing his country for war. A brief military escalation at the Armenian-Azerbaijani border in July 2020 had led to 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 that Aliyev was having to react to an accelerating nationalist dynamic in his country that could easily have spilled on to the streets and challenged his legitimacy. As a result, in the shadow of the global COVID-19 pandemic and

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 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>

the 2020 US presidential election campaign, and ahead of the 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 USA, 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.

The planned military action may have been communicated in advance by Baku not only to Ankara, but also to Moscow, which was probably informed about the forthcoming escalation by its intelligence services any way. 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 2000 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 to be renewed after five years – a provision that is in the interest of Baku, because it is an opportunity to cancel the agreement. Azerbaijani experts, moreover, allege that the Russian military and non-military contingent has grown to 7000–8000 personnel in reality.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 "passportization", as in Donbas, seems to have become part of Moscow's policy.¹²

Russia's actions have also marginalized the OSCE Minsk Group, thereby further reducing the already relatively low influence of the USA 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.

The Moscow-brokered ceasefire agreement, which does not make any reference to the existing OSCE formats, did not just make Russia and even more important for Armenia as a protective power. Azerbaijan too must now come to terms with a heavy 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 join

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.

¹¹ Ibid.

¹² De Waal (2021), p. 8, FN 3.

monitoring centre with Russia, Turkey is deploying 45 monitors 20 kms 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 just to protect Armenia, although Armenian territorial integrity definitely remains a red line. 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 may try to bring Baku into its sphere of influence through, for instance, possible participation in the Eurasian Economic Union.

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 2000 Syrian combatants were brought in with Turkish support, boosting the military capacity of the Azerbaijani army.¹⁵ President Recep Erdogan unconditional support for Azerbaijan on the international stage gave Baku the feeling of having a true ally. 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 how Moscow is attempting to tip the military balance in its favour in the Black Sea, especially after Russia's illegal annexation of Crimea. Through its indirect intervention in the Karabakh conflict, Turkey has indicated its ambition to become an influential power in the South Caucasus too, and to regain some of its influence from the time of the Ottoman empire. Against the background of US declining 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.

At the same time, 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 recently 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 metres from the Lachin corridor in September 2021.¹⁶ At the same time, President Aliyev has an interest in safeguarding Azerbaijan (with its largely Shia population) as a secular state and not letting Sunni-Islamist ideology spread or Turkish power to become too dominant in Azerbaijan.

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/article/2000-mideast-millians-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.

The agreed corridor through Armenia to the Azerbaijani exclave of Nakhichevan is another 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 comment in July 2021 on this part of Armenia ("West Zangazur is our historical land") indicates possible Azerbaijani territorial claims to Armenian territory, at least for negotiation purposes. Located along the border with Iran in the Armenian Syunik province, the corridor 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, at least partially, to mitigate its unilateral economic and energy dependence on Russia by getting gas from Iran.

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 Teheran. While Iran has called for the return of the seven 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 Teheran, the 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 bordering on Iran.

For several years, Teheran has accused Israel of using Azerbaijani territory for intelligence purposes and launching military action against Iran. The state border service of Azerbaijan 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 the Armenian Velvet Revolution of 2018 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 an apparent unwillingness to initiate a fundamental reform process. His hands-on rule, 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, than a sign of strength for Pashinyan.

With the war in the autumn of 2020, Armenia had to adjust to the reality not only 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 just 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 the post-Soviet

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.

institution is more of a Potemkin organization by the grace of Moscow 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 question, at least as long as there was no Russian lead.

There is now not only a Russian military presence in Karabakh. In Armenia, Moscow operates a military base in the second largest city of Gyumri, with 3000 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 Turkey. All this means that Armenia has lost further 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, which is a nightmare for the Kremlin in view of the domestic politics of Russia and of other Eastern European states, not least Belarus.

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. These are not only weakening the country financially. They are also 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 they border questions, captured soldiers or lethal landmines, security issues have become political bargaining chips and toxic topics in relations between both 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 might use its new position of power to try to put Armenia under further military

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

pressure to resolve open questions in its interests. This will cause further flight and displacement, and presumably increase the tensions between the neighbours.

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 gained back under its full control, where it plans to resettle some of the 700,000 IDPs who had to leave their homeland in the early 1990s.

Among those most affected by these new developments in the last 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. There is a similar story 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 alternative 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.

The Decline of Western Influence

For the EU and the United States, 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 concerning the First Karabakh War since 1992. Through the Group's co-chairs, France, Russia and the USA, two major Western powers were involved in conflict mediation.

Neither the EU nor the USA 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 has been preparing for a multinational OSCE peacekeeping force to Karabakh since 1994, fits into the larger context of growing tensions between Moscow and the West in recent years. As a result of their inaction, the EU and the USA have been effectively pushed

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/>.

out of the conflict resolution process, weakening the role of the OSCE. Although there was a meeting of the three co-chairs as a side event of the 76th UN General Assembly in New York in September 2021, both Washington and Paris continued to have no 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, can only have an interest in bringing additional actors into the settlement process, although obviously not Minsk Group member Turkey, which 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 previously played a limited role. In the meantime, a 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 largest Armenian diasporas worldwide also constitute the three co-chairs of the Minsk Group. France and the USA had become 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.

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 neighbourhood policy, in which Armenia was once considered a certain role model as it is both a member of the Eurasian Economic Union and the signatory of a Comprehensive and Enhanced Partnership Agreement with the EU.

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 activities, are causing further disintegration of the post-Soviet space. Russia's role in reaching a ceasefire agreement and the 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

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.

conflicts rather than resolving them, however, can only work as long as Russia has sufficient resources to back it up with military force.

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. Turkey's increasing independence from Russian oil and gas imports, as well as its 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 has started to supply drones to Ukraine and is discussed in the region as a possible partner in confronting Russia if the USA withdraws further from the region and the EU remains unwilling to engage more on security issues.²⁹

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. In this context, Georgia is already playing a mediating role in the negotiations between both countries. Nonetheless, a precondition for an improvement in relations between Ankara and Yerevan remains normalization of relations between Armenia and Azerbaijan. While there is great potential for increased trade and connectivity and expectations are high following the war, without a real peace agreement there are also many remaining obstacles.³⁰

Ankara, Teheran 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 USA. It could 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, Armenia and Turkey via Azerbaijan. However, the democratic backsliding of Georgia 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 (yet) a relevant geopolitical player. Its resulting failure to act has consequences for the stability and development of its neighbours, which will now be increasingly influenced by other actors. In a multipolar world, this leads to instability. The refocus of the United States towards China and Asia Pacific region is leaving 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. Even if the

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.

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-3-3-regional-cooperation-format-in-the-south-caucasus-strengths-and-weaknesses/>. Access: 3.11.2021.

EU remains a mere onlooker, it will still face direct consequences from the conflicts, war, displacement, migration and instability that will plague nearby weak states.

At the same time, the EU is losing credibility among the neighbourhood'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 its, as it turned out, uncertain results.

Recommendations

1. 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 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 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.
2. 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 USA as co-chairs, the group will face problems 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.
3. 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. To just hand these conflicts over to Moscow and continue non-action will push Karabakh and Armenia deeper into Russia's arms 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, by, for instance, providing international peacekeeping troops and ensuring comprehensive monitoring of borders.
4. The parties to the Karabakh conflict need to be persuaded to accept that a growing role for international organizations is in their own interests. The UN should discuss how to position itself on non-UN-mandated peacekeeping forces.

5. 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 traumata, their individual fates and their tragic experiences, and to change the narratives about the other side and the conflict. This is of course also a major task for the governments and societies of both countries.

6. 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.

7. Civil society and international organizations should put more effort into challenging the current adversarial discourses and putting the conflict in the contexts of human rights protection and non-discrimination policies. All the conflict parties should actively work on a de-construction 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 It is paramount to overcome 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.



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