

South Caucasus: Beyond A History of War Toward Reconciliation and Economic Integration?

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Many things have changed since the first Karabakh war (1988–1994), when Armenia emerged victorious. However, the years leading up to the Second Karabakh war in 2020 show that, in the long term, Yerevan lost out on many opportunities owing to the events that unfolded during the first war. At a time when Azerbaijan and Georgia were actively engaged in state and economy building following the fall of the Soviet Union, Armenia became sidelined from most regional economic projects. This has negatively impacted its economy, which is lagging behind those of Azerbaijan and Georgia, and resulted in significant outmigration from the country, thus reducing its population. While joint projects enabled Tbilisi and Baku to become closer and break free of Russian influence, the opposite was true for Armenia. Yerevan had to rely on Russia in many areas, including economic and military. War broke out between Armenia and Azerbaijan once again in 2020; however, this time it was Azerbaijan, using new strategies and new weapons, most notably drones that allowed it to recapture territory occupied by the Armenian armed forces. Now the war is over, there is a glimpse of hope for peace, and the United States can play the role of facilitator, as it did for Israel and Egypt during the Camp David Accords (1979). The Armenian economy needs to recover, and peace can start from there if Baku can be convinced to offer a helping hand to Yerevan and the latter to accept that help. However, there remain many other issues to be resolved before we can talk about cooperation; the most paramount being addressing Armenia's irredentist claims and the preparedness of both societies for mutual acceptance of one another.

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Introduction

In 2020 a renewed 44-day war broke out between Armenia and Azerbaijan in the [former] Karabakh conflict zone. This was the first war in which drones were used in large quantities by conventional armies; and it is arguably the first “frozen conflict” in the post-Soviet space to be won by a state through its own means. The First Karabakh War was fought in 1988–1994. In that war, Armenia emerged as the victor, even though no country recognised the “independence” of the “Nagorno-Karabakh region”. Baku regained control over its formerly occupied territories in the second war in 2020. The aim of this paper is to highlight two aspects of this conflict. First, we will show what societal changes following the first war led to the second ending with a different result. In other words, what happened in those 26 years contributed to a different outcome? Second, we will look at possible avenues for future peace between Azerbaijan and Armenia. We will see whether there is an area of interest that can serve as a roadmap to peace.

Although Armenia had won the war by 1994, in many ways it lost the peace, becoming increasingly isolated on the world stage. Armenia’s victory was, perhaps, surprising, given that none of the 15 Soviet Socialist republics was allowed a military force independent of the Red Army. Azerbaijan was, however, the first country from which the Soviet Union withdrew its military forces in the late 1980s, meaning that the Azerbaijani side had a deficit of available armaments. Nevertheless, Armenia’s overwhelming victory cannot simply be chalked up to material considerations. Azerbaijan saw political turmoil during the

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first, guerrilla phase of the war from 1988–1992 and during much of the conventional battle phase from 1992–1994. The Armenian side was comparatively politically united and motivated from the start. Many Armenians framed the conflict in the context of the earlier conflict between Azerbaijan and Armenia from 1918–1922, which can, in retrospect, be considered

the first Armenia–Azerbaijan conflict.

Armenia’s “victory” alienated it to some extent not only from its neighbors in the region throughout the 1990s, but also the wider world. Conversely, the newly independent states of Azerbaijan and Georgia developed an important political friendship and were far more

successful in leaving Moscow’s orbit. Closeness between Tbilisi and Baku developed owing, in part, to similar concerns over their respective separatist regions. In the case of Georgia these were the South Ossetia (Tskhinvali) and Abkhazia regions. These were occupied by Russia during the 2008 Russo–Georgian war.

The collapse of oil prices in the late 1980s was as important as any other factor that led to the fall of the Soviet Union. Consequently, it became of vital interest to the United States and its NATO allies to ensure that Central Asian oil and gas reserves would no longer be dominated, even indirectly, by Moscow or, to a lesser extent, the Islamic Republic of Iran. Indeed, an interview between one of the authors and former Azerbaijani national security adviser Vafa Guluzade suggests that then-U.S. President Bill Clinton played a direct and personal role in helping to “diversify” Azerbaijan’s oil exports.¹

The resulting “deal of the century” between Azerbaijan, BP, and a number of other Western oil companies paved the way for Azerbaijan to become one of the world’s most pivotal oil and gas exporters under the direction of the State Oil Company of the Azerbaijan Republic (SOCAR). Closer to home, SOCAR became the highest investor and taxpayer in Georgia, thus helping to solidify the political and economic partnership between the two countries and ultimately reduce Moscow’s control over Tbilisi and Baku. Yet, with this came shared risks as well.

On August 5, 2008, an attack, allegedly by members of the Kurdistan Workers Party (PKK), closed the pipeline. Although the attack was blamed on the PKK, two sources within BP, with inside knowledge, told one of the authors that the attack was actually initiated by Russia; a claim that has also been published in the international media.² Whatever the truth, Russia and Georgia plunged into war just three days later.

Throughout this period Azerbaijan, along with other neighbors, was reluctant to allow Yerevan to participate in regional projects. Armenia remained dependent on Russia, while its neighboring countries were more vocal in their ambition to break free of such bonds. With few options in the years since 1994,

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1 Interview with Vafa Guluzade.

2 Robertson, J. and Riley, M., “Mysterious ‘08 Turkey Pipeline Blast Opened New Cyberwar”, *Bloomberg*, December 10, 2014, Available at: <https://www.bloomberg.com/news/articles/2014-12-10/mysterious-08-turkey-pipeline-blast-opened-new-cyberwar> (Accessed: June 16, 2021).

Yerevan has been drawn into Moscow's orbit, even reluctantly joining the Russia-led Eurasian Economic Union. Armenia faithfully purchased the majority of its military equipment from Russia, despite superior systems being available, believing that such purposes helped ensure

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Russia would support its position in a crisis.

Iran, also in need of friends, became an ally of Armenia over fears that Tehran's large Azerbaijani population might soon prefer Baku's rule to Tehran's. Such policies have so far proved to be a dead end as neither country has intervened to assist Armenia in its current

war. Indeed, Russia reiterated its support for Azerbaijan's territorial integrity on the basis of international law.³ France, which is home to a large Armenian diaspora population, gave political and moral support to Armenia during the 2020 conflict. French President Emmanuel Macron's criticism of Azerbaijan not only plays to Armenia voters in France, but it also serves another domestic political purpose: It allows President Macron to play up his Muslim-bashing credentials at a time when his centrist party faces pressure from Marie Le Pen and the far right. The French National Assembly and Senate voted to "recognize Nagorno Karabakh" during the war, through the French government did not ratify this decision. Such incidents within France have led many in Azerbaijan to doubt France's neutrality as a member of the Minsk Group, created in 1992, and chaired by the trio of Russia, the United States, and France, to facilitate peace talks and lead to a peaceful resolution of the conflict.

Armenia's fate is perhaps symbolized by the Metsamor Nuclear Power Plant. It was opposition to this facility on environmental grounds that led to some of the largest protests in the history of the Soviet Union by Armenians in 1987. The Metsamor plant was built to an outdated design and was eventually deemed too dangerous to operate by Soviet authorities owing to seismological factors. The facility was shut down in 1988—not long after a 6.9-magnitude earthquake that struck just 75 km from the facility. Its closure was hailed as a victory and served as inspiration for Armenian patriots to dream of a future without communism. The role of the anti-nuclear movement as a catalyst for Armenian nationalism cannot be understated and was a relatively progressive view given the politics of the era.

³ Kremlin.ru, *Otveti na Voprosi SMI po Situatsii v Nagornom Karabakhe*, November 17, 2020, Available at: <http://kremlin.ru/events/president/news/64431> (Accessed: July 16, 2020).

Yet, Armenia was forced to reluctantly reactivate the facility just five years later. Armenia, once a cause célèbre for anti-nuclear activists, now became a cause for concern. No less a publication than National Geographic wondered aloud, in 2011, whether it is the world's most dangerous nuclear reactor, despite being just 30 km from the Armenian capital of Yerevan.⁴

By 2016, Armenia had fallen seriously behind in its rivalry with Azerbaijan, both economically and militarily. A case in point is the 2016 “April War,” which saw Azerbaijan launch a limited counter-offensive to recapture territory occupied by Armenia. The conflict was short and bloody, with hundreds killed in just four days of fighting. Azerbaijan captured a couple of strategic heights and a few hundred acres. Though it received little attention at the time, in hindsight, the conflict is noteworthy for three reasons. Of these, and the one that received the most contemporary attention, was that the conflict created the first change in the line of contact since 1994, though sniping and occasional shelling had continued off and on throughout that period. Second, it was the first time in history when two conventional armies deployed drones against each other. Given the role that drones would play in the war between the two states in 2020, the lack of attention this received at the time is telling. In contrast, Azerbaijan saw this conflict as a dress rehearsal for the reconquest of its Karabakh region.

Indeed, the most recent war saw drones used on a much larger scale. The disparity in military and economic capabilities, a stark contrast to the early 1990s, gave Azerbaijan an advantage in combat. Turkish-and Israeli-made or designed drones played an important role in Azerbaijan's war plans. Israeli political commentator Seth Frantzman has gone even further, stressing that this is how the wars of the future will be fought, and all the drone-operating countries need to closely watch and analyze the 44-days war of 2020.⁵

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4 Lavelle, M. and Garthwaite, J., “Is Armenia's Nuclear Plant the World's Most Dangerous?”, *National Geographic*, April 14, 2011, Available at: <https://www.nationalgeographic.com/science/article/110412-most-dangerous-nuclear-plant-armenia> (Accessed July 16, 2021).

5 Frantzman, R., “How Azerbaijan's Drones Show What the Future War Looks Like”, *Newsweek*, October 7, 2020, Available at: <https://www.newsweek.com/how-azerbajians-drones-show-what-future-war-looks-like-opinion-1536487> (Accessed July 16, 2021).

Many Armenians took the opposite lesson from 2016: that their military could still inflict enough cost in human lives on Azerbaijani forces in a defensive war to deny Azerbaijan an outright military victory. Russia's apparent willingness to attack the Baku–Tbilisi–Ceyhan (BTC) pipeline in 2008, which had as much impact on Azerbaijan as it did on Georgia, was also interpreted by Armenia as a sign that Russia was still willing to protect Armenia's occupation in a future conflict.

On the economic front there were additional, troubling signs for Armenia. Many Armenians, to use Lenin's famous phrase, have, in the decades since 1991, voted for peace with their feet and left the country. Although this has been a problem in other post-communist nations, it has been more acute in Armenia. Alone among the Caucasus countries since 1991, Armenia's population has actually declined. More worrying is the fact that citizens of the other countries are also now richer than Armenians in per capita terms, if international data can be trusted. Indeed, Azerbaijan's oil wealth helped to ensure the highest standard of living in the South Caucasus region according to the 2017 EU Eastern Partnership Index:

Azerbaijan scores the highest among the EaP countries on sustainable development... According to the World Bank, Azerbaijan entered the top three in the Europe and Central Asia region in the Global Doing Business 2018 rating... Azerbaijan ranked third among emerging economies in WEF's annual Inclusive Development Index 2018.⁶

According to the 2019 United Nations population census, Armenia's population is 2,957,731, Georgia's is 3,996,765, and Azerbaijan's is 10,047,718. In addition, according to the World Bank's 2019 report, Azerbaijan's GDP is calculated at US\$48.05 billion, Georgia's at US\$17.48 billion, and Armenia's at US\$13.67 billion.

Yet, Armenian leaders either failed to correctly read the nation's changing geopolitical fortunes, assumed that they held a Russian "Trump card," or believed that tough talk could compensate for their lack of military preparation. In an unfortunate irony, given the country's anti-nuclear history, as recently as 2016, a former prime minister claimed Armenia had developed its own nuclear weapons. In 2019, one year before the 2020 Second Karabakh War, Armenia's then Defense Minister, David Tonoyan, proposed a doctrine of "New Territories in the Event of New

⁶ Eastern Partnership Civil Society Forum, "Eastern Partnership Index 2017: Charting Progress in European Integration, Democratic Reforms, and Sustainable Development", December, 2018.

War” to be used as potential bartering chips. As bellicose as that might sound, inherent in that logic was the idea that Armenia would eventually have to settle for a negotiated settlement.⁷

In July 2020, about two months before the beginning of the second war, clashes erupted in the Tovuz district of Azerbaijan.⁸ That region has no relationship with the previously occupied areas and does not even share a border with them. However, it is home to critical energy and transportation routes, such as the BTC oil and Baku–Tbilisi–Erzurum (BTE) and Trans-Anatolian (TANAP) gas pipelines, and the Baku–Tbilisi–Kars (BTK) railway connecting Azerbaijan, Georgia, and Turkey to Europe and providing the latter with energy security. Two months later, on September 27, 2020, the second Karabakh war started, with each side blaming the other for being the initiator of the hostilities.

Azerbaijan won the war and liberated the bulk of its formerly occupied territories. The long-term consequences of this victory remain to be seen, but it may well pave the way for more economic integration in the region—even between Armenia and Azerbaijan. That might seem unfeasible at present, but it would have been similarly ludicrous to assume that just a few decades after World War II the European powers would reach toward a common economic platform. The European Union was forged, in part, out of concerns regarding Russia’s foreign policy. A similar situation may also develop in the Caucasus.

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Indeed, initially, the 10 November Statement leading to a complete ceasefire and cessation of all hostilities⁹ was seen as a Russian victory. Yet, the truth is far different. The conflict proved that Russian military hardware was not as effective as Israeli and Turkish weapons. Despite the lesson of the previous conflict in 2016 between the two states, and Russia’s own experience in its invasion of Ukraine, Armenia was woefully unprepared for the war.

7 Asbarez, ‘New Territories in the Event of New War’, Says Defense Minister, April 1, 2019, Available at: <https://asbarez.com/178701/new-territories-in-the-event-of-new-war-says-defense-minister/> (Accessed July 16, 2021).

8 Kucera, J., “Armenia, Azerbaijan resume Fighting”, *Eurasianet*, July 13, 2020, Available at: <https://eurasianet.org/armenia-azerbaijan-resume-fighting> (Accessed July 16, 2021).

9 President.az, *Statement by the President of the Republic of Azerbaijan, Prime Minister of the Republic of Armenia, and President of the Russian Federation*, November 10, 2020, Available at: <https://cspjournal.az/static/guideline-for-authors-26> (Accessed July 16, 2021).

Already there are murmurings in the Russian Duma that Russian President Vladimir Putin has produced little in the South Caucasus but an expensive debacle. Indeed, the new realities in the Caucasus suggest that the Russian model of generating “frozen conflicts” in the post-Soviet space may not be a foreign policy asset. Russia conspired to create the situation in Azerbaijan’s Karabakh, Moldova’s Transnistria, and Georgia’s South Ossetia and Abkhazia regions, and Ukraine’s Crimean Peninsula as a way of keeping leverage over the former Soviet Socialist Republics. In essence, frozen conflicts represent the “divide and rule” politics of the 20th century: A political approach that, historically, leads empires to ruin.

Azerbaijan is arguably the first post-Soviet country to win a “frozen conflict” through its own military and economic capabilities – albeit with the aforementioned Israeli and Turkish military-technical assistance.

In fact, given present conditions on the ground, a future Yerevan government may still find it easier to make a deal with Azerbaijan than Moscow, which proved itself a fair-weather friend when Armenia’s chips were down and Russia was the last and only card it had left to play.

Armenia’s seclusion in its own region has lasted for more than twenty-five years and negatively impacted its economic and social life. To a lesser degree, this situation has also had an impact on the general development of the region. Now the conflict is over, and Armenia’s economy needs to recover. Concerning Yerevan, it is not impossible to

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imagine a situation in which, economically speaking, Armenia can be reintegrated into the South Caucasus.

This would require incentives and hard negotiations on the part of the regional states, but it is not an unattainable goal. First of all, unlike the situation of the 1990s, Azerbaijan today has the strongest economy and military in the region. Hence, it should be relatively easier to convince Baku to reach out to

Armenia and offer it a hand of cooperation.

Armenia could be more difficult to convince, as it suffered the most from the First and Second Karabakh wars, even if it was the winner of the first. The economic and social situation was already painful owing

to the Coronavirus-related lockdown and rising unemployment. After the war, the political turmoil started, which saw protests and mass arrests. However, there is no other option in the long-term except reconciliation, which has the potential to bring economic prosperity and peace, and strengthen the independence of the South Caucasian states.

Azerbaijan and Georgia need to be persuaded about the benefits of such a partnership and reassured that Armenia would not have further territorial claims. Armenia has had historic border disputes with Georgia and many Armenian nationalist make claims to “Mount Ararat” (“Ağrı/ Aghri” in Turkish) and other sites in Turkey. Yerevan also needs to be persuaded that, as a landlocked country without natural resources or production capabilities, joining projects with neighbors is an investment in its future.

Essentially, Armenia has a chance to be reintegrated into the region, but it will take more than mere token actions in this direction. The sides have to be willing to cooperate and exchange reassurances about each other’s intentions. The trilateral 10 November statement signed between Armenian Prime Minister Nikol Pashinyan, Azerbaijani President Ilham Aliyev, and Russian President Vladimir Putin and ending the war stipulates the opening of transport and economic links, which is a good point to start from.

Much will also depend on how the Azerbaijani government treats its new, ethnically Armenian nationals. The Azerbaijani government has already acknowledged that the Karabakh region’s Armenian population are Azerbaijani citizens and promised them the same rights enjoyed by the other citizens of the country. Azerbaijani internally displaced persons (IDPs), forced out by the First Karabakh War, will also be able to go back to their territories on a voluntary basis. Formerly occupied districts lack the necessary infrastructure to provide suitable living conditions owing to years of neglect and destruction by Armenia: Baku has pledged to develop these areas and has already started building roads and attracting investment.

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require the vision and leadership to look to the future, not the past. Even excluding the Karabakh, region tens of thousands of local Armenians call Azerbaijan home. As do communities of orthodox Christians and Jews, in addition to a wide spectrum of other beliefs and ethnicities.

A moment from America's diplomatic history also can be instructive. At the Camp David Accords in 1979, then-U.S. President Jimmy Carter forged a historic agreement between Egypt and Israel. One of the terms of that agreement was energy trade between the two nations. A similar mandate in a treaty between Armenia and Azerbaijan could compel the latter to sell petroleum products to energy-poor Armenia and work to ensure that surrounding states open their borders to Armenian trade. A potential short transit of natural gas to Armenia through Azerbaijan could be a good start. Russian Gazprom and Azerbaijani SOCAR signed a short-term transit agreement in March that would allow Russian gas to flow to Armenia while the traditional route through Georgia is closed for several weeks for maintenance activities. This would be the first time since the collapse of the Soviet Union that such trade is conducted between the two countries.¹⁰

If such projects are realized on a larger scale, the dream of shutting down the Metsamor Nuclear Power Plant, envisioned by Armenians back in 1987, might today finally become a reality—as may their aspirations for a more prosperous homeland, as well as the dream of peace.

10 Agayev, Z., "Armenians to Get Gas Via Azerbaijan for First Time in 30 Years", *Bloomberg*, March 17, 2021, Available at: <https://www.bloomberg.com/news/articles/2021-03-17/armenians-to-get-gas-via-azerbaijan-for-first-time-in-30-years> (Accessed July 16, 2021).