

Political Economy in Armenia and the NKR: Impact on the Security of the Caucasus

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Description: Today, in different parts of the world, one can see many active local ethnic conflicts and stagnant conflicts, though unsolved, ones. Ethnic wars, which arise in different parts of the world, become a permanent generator of international strain and one of the destabilizing forces on the planet.^[1]

Keywords: Armenia, Azerbaijan, Baku, Britain, Caspian Sea, Caucasus, Chechnya, conflict, Central Asia, Collective Security Agreement, cooperation, economic security, ethnic conflict, EU, France, Georgia, Germany, human rights, international community, international studies, Iran, Kazakhstan, Ministry of Foreign Affairs of NKR, Muslims, Nagorno-Karabakh, NKR, oil, oil pipeline, Ottoman Empire, OSCE, Russia, stability pact, Soviet Union, Turkey, USA

1. M.Ju.Martynova, "Kultura mira i mežetničeskije otnošenija", Mir i soglasije, Informacionnyj bjulleten' N8, str. 39.

One such conflict in Nagorno Karabakh became synonymous with conflict without end; it was one of the longest and most difficult wars in the former Soviet Union. Both factions used a wide variety of modern military technology, which has caused many to become refugees. Efforts by the international community to avert war remains with little positive result, thus far. Several proposals for a political solution to the war during long years were inconvenient for some of the participants every time. Official data from the Organization of Security and Cooperation in Europe: OSCE talk about 350,000 dead during the thirteen years of military conflict.^[2] In reality, this number is most likely much higher.

It is important to look at the interests of powers in the Caucasus in the recent past in order to understand the background of the current situation. In the beginning of the last century, European countries wanted to change their common economic and political relations as well as their relations with the small states. Britain wanted to widen the area of its impact by land as well as by the seas it had long dominated. Vast Asia—from the West to the East—was not accessible by land. Britain and Germany set the goal to capture Central Asia via Turkey, Armenia, and the Caspian Sea, which would ensure the capture of the old East: China and India by land. The economic criteria here played their role: Central Asia had vast economic resources, which China could use in case Western countries were to come later. Western Armenia (under Turkey), Iran, and Eastern Armenia (under Russia) were barriers on the way to the Caspian and the Central Asia. Turkish and Russian parts of Armenia were fighting for their independence all the time. Turkey had to become a militarily political instrument, which would help Britain to clear the way. Germany had the same efforts.

The question of a competition among powers at the close of the 19th, start of the 20th century was that of the building of the railways going through the Ottoman Empire. Germany tried to reach a control over the Ottoman Empire and to complicate the English positions in India and Egypt as well as Russian positions in Caucasus and Central Asia. During 1888-1899, Germany got from Turkey a concession for the construction and use of a main part of the Baghdadi Railway (the railway, which connects Bosphorus strait with the Persian Sea is 400 km long). German diplomacy tried to reach a compromise in talks with other countries in order to overcome their dissents. France and Britain received a permission to take part in the construction of some parts of the Baghdadi Railway, which finished in the years 1934-1941. German side was connecting the question of Baghdadi railway with German political plans based on economics and military in connection with Western Armenia. The German political scientist Paul Rarbach concluded in his research the importance of moving Armenians to several areas along the Baghdadi Railway after creation of Turkish units in Eastern and North Anatolia. That would solve 1) having enough 2. Nagorno - Karabakh talks, Reuters, 29 March" OSCE Newsletter, April 2001, Vol. VIII No. 4.

workers to build the railway, and 2) excess Russian power in Western Armenia.^[3]

The so-called Armenian question became a part of the international diplomacy several times from the beginning of 19th century. An avid interest in Armenia from the Russians, Germans, French, and British formed through their efforts to capture the energy resources of the Middle East through Armenian transport and communications crossroads. At that time, Rarbach commented the importance of Western Armenia for Germany. His book, *The Railway to Baghdad*,^[4] shows the importance of railway from the position of German politics towards the Middle East; it underlines the advantage of going through the Western Armenia, which would cede more power to Germany in the region. Rarbach wrote, for example—Who captures Armenia, will, by default, capture the Eastern part of Asia Minor, as well as Mesopotamia.^[5]

Rarbach underscored the importance of Armenia for the Ottoman Empire, writing that: Turkey will lose its political and military importance if it loses Armenia.^[6] Rarbach, therefore, was against of the independence of Western Armenia and, thus, he suggested driving out Armenians from Western Armenia replaced with Muslims from Turkey and Russia. In accordance to the Russia's agreement with Turkey from May 16, 1921, the Armenian crossroad again split up between several states: Russia, Azerbaijan, and Georgia. About this, the German ambassador to Turkey, Hans von Vangengeim, wrote:

Germany, Austro-Hungary, and Turkey tried to create an indivisible three-part unit, which would not let Russia to push Turkey, because Germany will never agree to sacrifice its interests in Anatolia.^[7]

The influence of Russia in Western Armenia would mean a strong Russian influence in the Asia Minor and the whole area from the Persian Gulf to Mediterranean as well as control over the Caucasus, Northern Iran, and Eastern Anatolia. Nagorno Karabakh is located in the Northern area of Armenian Highlands. Historically, it has been a province of Armenia governed by hereditary feudal lords (so-called *meliks*) and, thus, was able to maintain real autonomy. Together, the Gulistan Treaty of 1813 and the Turkmenchaj Treaty of 1828 signed between Persia and Russia ratified the fact that Nagorno Karabakh, along with other territories of Eastern Trans-Caucasia, became under the rule of Russian Empire. The peaceful period lasted until 1917. In 1918, the newly independent Republic of Armenia and the Democratic Republic of Azerbaijan formed. From the moment of its formation, Azerbaijan made territorial demands regarding significant Armenian lands. Turkish forces joined with Azerbaijani military units from 1918-1920 in order to

3. Encyclopaedia, "Hajkakan harts" (the Armenian Question), Yerevan 1996, p. 75.

4. P. Rarbach, *Die Bagdadbahn*, Berlin, 1902.

5. P. Rarbach *Vojna i Germanskaja Politika.*, Moskva, 1915, p. 63.

6. Ibid p. 62.

7. M. Pavlovič, *Borba za Aziju i Afriku*. Leningrad, 1924, p. 78.

destroy hundreds of Armenian villages, after the genocide of Armenians by Turkey in 1915.

On December 1, 1920, the League of Nations declared its refusal to admit the Azerbaijani Democratic Republic into the League. Therefore, in the time of the formation of the Azerbaijani Democratic Republic, neither Nagorno Karabakh, nor Nakhichevan^[8] were parts of it. The international community defined the region as a disputed territory until the international conference can take place, at the end of the World War I. At the end of the day, the Azerbaijani Democratic Republic left the political scene without having recognized state borders.

In December of 1920, Soviet Azerbaijan declared the passing of Nagorno Karabakh, Zangezur and Nakhichevan to Soviet Armenia. However, in July 1921, in accordance to the decision of Caucasian Bureau headed by Stalin gave a part of Nagorno Karabakh to Azerbaijan.

The Caucasian Bureau reasoned its decision via the peace between Armenians and Muslims as well as through the economic link between the parts of Karabakh. In talking about the peace between Armenians and Muslims, should one suppose that this peace would work only by giving Karabakh to Azerbaijan? To answer this, it would help to look at the ethnic composition in the region. It is important to note here that the documents from 1920 did not show Azerbaijan as an independent national state. It formed as an international Soviet republic of Muslims and Armenians, which is why we can see the term peace between Armenians and Muslims in the decision of the Caucasian Bureau. Azerbaijani, as a separate nation, did not appear in the census until 1930; before 1930 they were known as the Caucasian Tatars.

Moreover, economics played role in this decision; however, the question is whether it was a valid or contrived reason, and which of the economic criteria were important. At that time, all of Nagorno Karabakh and the whole of the Caucasus were linked economically to Baku, which was a big industrial and petroleum center in the Caucasus. The 20th century became a time of major social, economic, political, and cultural changes in Azerbaijan. Baku became one of the world's oil centers, which produced more than half of the world and 95% of Russian oil.^[9] The oil industry built the Baku–Batumi pipeline in the years 1897–1907. This was important in the Western politics: at that time, European powers were trying to take Baku from Russia. But, today the situation is different: Baku has little oil. During the second phase of the military conflict in Nagorno Karabakh in 1990, Armenians began to gain a strong and winning position; thus, the world politicians started to talk about the oil in Baku again. So, in reality, is the issue one of forming a better economic link between parts of Karabakh and Azerbaijan, or is the issue one of address-

8. Armenian Nakhichevan was given to Azerbaijan according to the Russian-Turkish agreement from 1921.

9. Istorija – kratkij obzor“: <http://www.azeri-info.com/history.htm>

ing the economic ambitions of powers in the region?

At the start of the 20th century, 94% of inhabitants of Nagorno Karabakh were Armenian. In 1979, the number had decreased to 75%.^[10] At the close of 20th century, Nagorno Karabakh had 180,000 inhabitants of which 75% were Armenian. The Azerbaijani minority was 35,000 people.

^[11] According to the data from the year 2000, 95% of inhabitants of Nagorno Karabakh are Armenian. The rest, 5%, are Russian, Greek, Azerbaijani, and Tatar minorities.^[12]

During the Soviet history, the Armenian population of Nagorno Karabakh tried several times to join Armenia again. Those efforts ended in the bloody war at the end of the 1980s. Military conflict ended in May 1994, when the cease–fire began:

Today the army of Nagorno Karabakh has 85% of the territory of Azerbaijan under its control. Azerbaijan however still has 15% of the territory of Nagorno Karabakh under its control. I underline these numbers because the information about 20% of occupied territories and millions of refugees are the result of Azerbaijani propaganda.^[13]

In reality, the NKR has under its control only the part of the territory, which the Caucasian Bureau gave to Azerbaijan as an autonomous territory: AONK.^[14] The Azerbaijani government broke this decision and left a big part of Nagorno Karabakh out of the territory of the autonomy. However, the international community does not look at those juridical aspects today, and, thus, defines those territories as Azerbaijani. Large territories, which were included in AONK, stayed out of NKAO^[15] in 1923: Kubatlu, Zangelan, Fizuli, Dzhabrail in the South, Lachin, Kelbadzhar in the West, Khanlar, Shahumian in the middle and Dashkesan/Karkhat, Getabek, Shamkhor in the North of Nagorno Karabakh. AONK was renamed as the NKAO in 1936.^[16]

In the Soviet era, nearly 160 thousand Azerbaijanis lived in Armenia. About 500,000 Armenians lived in Azerbaijan. Important to note is that Azerbaijanis were a national minority in Armenia, which was one of nations of the International Soviet Azerbaijan.

10. Spravka o demografičeskom Razvitii Nagorno-Karabachskoj AO, Nachičevanskoj ASSR i Drugix Armjanskich rajonov, Nachodjashichsja v Predelach Azerbajdžanskoj SSR (za period 1921–1986 gg.).

11. “A Stability Pact for the Caucasus in Theory and Practice: a Supplementary Note“, Michael Emerson, Nathalie Tocci, Elena Prokhorova, An International Conference on Prospects for Regional and Transregional Cooperation and the Resolution of Conflicts, September 27-28, 2000, Yerevan, Armenia.

12. “The Nagorno-Karabagh Crisis: a Blueprint for Resolution“, a memorandum prepared by the Public International Law & Policy Group and the New England Center for International Law & Policy, June 2000, p. 23.

13. “Nagornij Karabach na Poroge 21st Veka“, sérech of the president of NKR, Arkadij Gukasyan in the Council for International Questions. Los Angeles, March 1, 1999.

14. AONK – The Autonomous Region of Nagorno Karabakh

15. Nagorno Karabakh Autonomous Region

16. Manasyan A.S., *Karabachskij Konflikt v Ključevych Ponjatijach & Izbrannye temy v Rasširennom Formate*, Yerevan 2002, p. 15.

The main mediators in the conflict in Nagorno Karabakh in 90th were Russia and the OSCE;^[17] Iran and Turkey played important roles as well. However, they often had very different opinions in the process of mediation; they accused each other of having neo-imperial ambitions in the Caucasus region, the fact of which brought elements of competition to the process of mediation.

Today, from the economic point of view, Nagorno Karabakh has created, de–facto, an economic and monetary union with Armenia. It uses the Armenian currency: the dram. The region connects to Armenia by the newly built highway from Goris (south of Armenia) to Stepanakert (the capital of Nagorno Karabakh). Armenian Diaspora financed this, as well as the reconstruction of some cultural monuments. The Diaspora is starting to return to Armenia and Nagorno Karabakh. The population of Armenia is 3.8 million; however, twice that many Armenians live in the Diaspora, with the biggest concentration in Russia, the USA, Canada, Georgia, France, Iran and Lebanon. The Diaspora influences the Armenian Ministry of Foreign Affairs and its policy as well.

Today when one talks about the Armenian versus Azerbaijani war, one sees only the name of Nagorno Karabakh in the news media and literature. Nonetheless, the part of the conflict included regions of Nakhichevan and Zangezur, a fact of which often forgotten or overlooked.

Legal statutes in the Soviet Union gave the autonomous area an opportunity to choose its status in the event that the main republic would cease its status as Soviet republic. In accordance with that, on September 2, 1991 Nagorno Karabakh created an independent republic: the NKR, which would remain as a part of the Soviet Union until the final decision about its status. This decision stopped the juridical power of the declaration on the independence of Azerbaijan in the territory of Nagorno Karabakh.^[18] The NKR adopted its declaration on the independence. In December, 1991, few days after the official collapse of the Soviet Union, in presence of the international observers Nagorno Karabakh held its referendum on independence. 85% of the NKR inhabitants took part in the referendum, 95% of which favored the independence.^[19] According to the data from the Ministry of Foreign Affairs of NKR, 89% of inhabitants favored the independent republic.^[20] Independent NKR created all the attributes and institutions of the democratic state.

Major political discussions about the recognition of Nagorno Karabakh Republic took place in Armenia in January 1991. Most of Armenians favored the recognition and the creation of the po-

17. „Minsk Group of the CSCE/OSCE created in Helsinki in March 1992 with these member states: Armenia, Azerbaijan, Belarus, Germany, Italy, Russia, USA, Turkey, France, at that time, Czechoslovakia as one state, and Sweden.

18. Grajr Baljan, *Nagornij Karabach*. Tesaket, Yerevan 1994, p. 14.

19. Ibid. p.15.

20. “Nagorno Karabachskaja Respublika Put’ k Veršinam“, Ministry of Foreign Affairs of NKR, Stepanakert 2001, p. 91.

litical and economic unit within it. In that situation, Armenia had to take the compromise, which was to wait for the recognition of the independent republic as it urged other countries to recognize the new NKR.

In October, 1991, Azerbaijan accepted its independence, declared a revival of the Azerbaijani Democratic Republic from the years 1918 -1920, and refused to be juridical successor of the Azeri Soviet Republic. Today's Azerbaijan became an heir of the Democratic Republic, which did not have de facto recognized borders. Neither Nagorno Karabakh, nor Nakhichevan, at that time, were part of Azeri Democratic Republic. The act on creation of the independent Azerbaijan from 1991 is about the territory of the Azerbaijani Republic and how it formed in its historical borders, but lacks any definition of those borders.^[21]

In January 1992, Armenia and Azerbaijan became members of the Conference on Security and Cooperation in Europe (CSCE). This brought an optimism and hopes to solve the problem as soon as possible. In August 1992, the United States Senate passed SR#907, which opposed the policy of Azerbaijan toward the NKR. This resolution forbade the US to provide Azerbaijan with any type of economic aid because Azerbaijan, together with Turkey, was realizing the blockade of Armenia and Nagorno Karabakh.^[22] In October 2001, the US Congress stopped this resolution as a part of its fight against terrorism.

The fact is that the great effort of Russia achieved the two real agreements on the cease-fire (1993-'94). Plans of Russia and the OSCE were similar, though their rivalry was too strong to be of much help in the real process of mediation. During the last years, NKR, which had not been recognized de facto, had no relationship with Azerbaijan, made its own domestic and foreign policy, and had its own statutory bodies and organs, which are the attributes of democratic state.

Presidential elections took place in Stepanakert, NKR in August, 2002. International observers were present to qualify the elections as free and democratic. 79% of inhabitants voted in the presidential election in 2002. NKR officials gave much attention to each detail of the process.

We would like to congratulate the people of Artsakh ^[23] for the atmosphere of elections, for democratic principles, which they used there and for their pride in the progress, which toward building of their state.^[24]

21. Manasyan A.S., *Karabachskij Konflikt v Ključevych Ponjatijach & Izbrannie temy v Rasširenno Formate*. Yerevan 2002, p. 31.

22. "Nagorno Karabachskaja Respublika puť k Veršinam", Ministry of Foreign Affairs of NKR, Stepanakert 2001, p.15.

23. *Artsakh* is the Armenian name of Karabakh.

24. "Otčet meždunarodnyh nabljudatelej za vyborami v Nagornom Karabache 11 avgusta 2002 g.", from the official web page of the Ministry of Foreign Affairs of NKR.

Stepanakert does not want to compromise without keeping its three main conditions:

- positive and broad relations with Armenia,
- a bona fide guarantee of security of its inhabitants, and
- no vertical subordination in its relations with Azerbaijan.

The situation in Nagorno Karabakh will depend on the political orientation of the new President of Azerbaijan Ilham Alijev, the son of the former President, Heidar Alijev. The USA signified Azerbaijan as a *pseudo-democratic state* with the autocratic leadership.^[25] In 2003, the NKR celebrated two dates; 1)February, it celebrated fifteen years from the beginning of the Karabakh national movement towards self-recognition; 2) July, it celebrated ten years of their diplomacy and the state. The main current role of the foreign policy of NKR is to achieve the international recognition of its independence in accordance with juridical, historical, and moral facts and proof. Today, the NKR is a de-facto working state with all the attributes of the democratic state, including its military forces.^[26] NKR now has its representative offices in Yerevan, Moscow, Washington, Paris, Beirut, and Sydney. Unbound by the political goals, these representative offices work on foreign investments, which come to Karabakh as well as on relationship with big Armenian Diaspora. According to the official statistics from the NKR, population is on the rise in the republic. In the year 2002, 1,186 people immigrated to NKR, while 511 left the country. 33% of migrants live in bigger towns while 66% live in villages. 80% of migrants came from Armenia; others came from other republics in the former Soviet Union.^[27]

Arkadij Gukasyan, at a meeting, told US House Rep Radanivich of California and NKR President Puchikyan that during the last years Karabakh had about forty million USD in personal foreign investments to the economy.

Today, the NKR meets all the requirements of statehood as specified in the Convention of Montevideo. The NKR has its control over a certain territory—more than 5 000 sq. km. It has 150,000 inhabitants and it is bigger than some states recognized by the UN Organization such as: Andorra: 66,000 inhabitants, Liechtenstein: 32,000, The Marshal Islands: 66,000, Monaco: 32,000, and San Marino: 25,000.^[28] The NKR has an elected President and State organs, an army and negotiates with other states.

25. "Doklad Gosdepa SŠA Nazyvaet Azerbajdžan Psevdomokratičeskim gosudarstvom", newspaper *Nojev kovčeg*, February 2003.

26. From the interview with the Minister of Foreign Affairs of NKR Ašotem Guljanem, August 18, 2003.

27. "Mechanical Growth of the NKR Population has been Fixed", January 23,2003 (information from theMinistry of Foreign Affairs of NKR).

28. *The Nagorno Karabagh Crisis: A Blueprint for Resolution*. A Memorandum Prepared by the Public International Law & Policy Group and the New England Center for International Law & Policy, June 2000, p. 23.



The national flag of the NKR represents a right-angled cloth with three horizontal stripes on it: the upper-red, the middle- blue, and the lower- orange, the breadth of each of them is twenty centimeters. There is a white five-toothed stepped carpet pattern on the flag which begins from the two verges of the cloth's right side and is connected on one-third of the flag. The ratio of the flag's breadth to its length is 1:2 at 60 x 120 cm.



The State emblem of the NKR depicts an eagle with extended wings below the parting rays of the sun and the crown of Artashesids dynasty. In the centre against a background of the National flag of the NKR and mountain Kirs, is a portrayal of the sculpture "We and our Mountains." Below, in the claws of the eagle there are bunch of grapes, mulberries, and ears of wheat. In the upper semicircle there is an Armenian inscription: "The Nagorno Karabakh Republic Artsakh."

Source: Ministry of Foreign Affairs of NKR

Different stability pacts were presented in the relation to the Caucasus. European experts look at this region now from the point of view of the post-Soviet border of Russia and as a border of the widening Europe. The European experts offer more of this *soft formula* for the dialogue with Russia: the South Caucasus is a region on the border between the spheres of influence of Russia and the EU.

Russia has developed four parties and a Caucasian dialogue since the year 2000. The Russian side is presenting the rules of cooperation between the Presidents of Russia, Georgia, Armenia, and Azerbaijan. European project underlines the eight parties cooperation (3 + 3 + 2): it offered that Russia, the USA, and the EU play the role of guarantees of the peace process in the Caucasus in cooperation with Iran and Turkey (+ 2).

Turkey's President Demirel offered to sign a stability pact in the Caucasus; in January 16, 2000, Iran did not react to the offer. The 3 + 3 + 2 format is acceptable for the position of Armenia. European experts presented their additional document in September 2000 with offers on formats for the stability pact in the Caucasus:

- three—Armenia, Georgia, Azerbaijan;
- four—three South Caucasian states plus Russia;

- five—Russia, Azerbaijan, Kazakhstan, Turkmenistan, Iran;
- six—Azerbaijan, Armenia, Georgia, Russia plus USA, EU;
- seven— six plus Turkey;
- eight —seven plus Iran.

One can talk about positive and negative sides of those mechanisms, but conflicts between outsiders come to the point of the real conflict and have an impact at the instability of the Caucasus. The problem of the Caucasus is that many nations exist within a relatively small area, none of the outsiders get, in the history, 100% dominance; yet, it is hard for all internal nations to keep together against the outsiders. Today, most of the conflicts in the Caucasus are dormant but the roots of them are not still overcome.^[29]

In the stability pact, the so-called *written role of the US* is a small role. Here we can see some elements of rivalry between the EU and the US as representatives of the West in the Caucasus. The conference about regional cooperation in the Caucasus held in Yerevan in September 2000 has agreed that Caucasian countries would have to work out the main elements of the security. The political dialogue in the format of the four: Azerbaijan, Armenia, Georgia and Russia is a very important dialogue.

The Caucasian region splits into the North and South Caucasus, and is located between the Azovian Sea and the Black Sea on the one hand, and the Caspian Sea on the other hand. It has a geo-strategic importance not only because it links the East and the West (Central Asia and Europe)—one example of which is the project of TRASEKA—but also because the land corridor North-South in the South Caucasus. This creates a contact between the European part of Russia and such regional states as Turkey or Iran, which may be more important.^[30]

Since 1993, the US took more power in the South Caucasus; the relationship between Russia and the US became colder. The project with the Caspian oil and its transportation to Europe began to become important. About this question, Russia and Turkey had different positions, which also affected the mediation in Nagorno Karabakh. Each of them wanted to have a pipeline going through its own territory.

The Caucasian-Caspian region today has become a confluence of major global interests. Potential interests of the US, Western Europe, Russia, Iran, and Turkey can meet on the regional level. Historically, the Caucasus has always been a crossroad of empires and invaders, an area of competing regional powers as well as a geopolitical element in the competition of big powers. The new problems of the region as strategic assessments of security issues are closely linked

29. Suren Zolyan, *Nepriznannije Gosudarstva v Sisteme Regionalnoj Bezopasnosti*.

30. Charls Blendi, "Kavkazskij Region: Novye vyzovy Bezopasnosti" in *Formirovanie Atmosfery mira, Stabilnosti i Doverija na Južnom Kavkaze. Rol' Meždunarodnyh i Regionalnyh Organizacij Bezopasnosti*. IGORR, Ijul' 2002, ISBN 1-904423-13-2, p. 51.

to historical and current political, geographic and geopolitical realities of a globalized world. Nowadays, the way of pipelines impacts the importance of strategic players in the region.

Due to the military and economic importance of the Caucasian region, it is essential for Russia to remain as the main power therein. Russia has its military bases in Armenia and Georgia as well as strategic radar technology in Gabala, Azerbaijan. This is an investment on the order of ten million USD to monitor the air-space above China, India, Pakistan, Iran, Iraq, Turkey, and much of northern Africa. Russia strives to have 1) an economic interest in the oil and gas of the Caspian Sea region, and 2) a dominant position over the energy resources and ways of the Caspian Basin as an instrument of a global power.^[31] Russia plays a vital role for the countries of the Caucasus; peace and security in those neighboring countries is important for Russia; thus, Russia has its economic and political interest in this region. Bilateral relations between Russia and Caucasian countries are asymmetric: Russia relates well with Armenia, while its dialogue with Georgia, which has no Russian-oriented policy, is hard; Russia's relationship with Azerbaijan depends on the dialog between the respective political elites, which currently improves. Among other issues is the Russian fight against drugs, which are being exported from Azerbaijan to Russia. Georgia is the only Caucasian country, which has a visa-regime with Russia.

According to the Russian-Turkish agreement from 1921, which is still valued, Russia plays the role of the guarantee for the Southern borders of three Trans-Caucasian countries as well as the guarantee of the autonomous status of Adzharia in Georgia and Nakhichevan in Azerbaijan. Russia takes many steps toward the idea of *realization of the Collective Security Agreement within the CIS countries* from May 15, 1992. Armenia signed onto this agreement, according to which Russia would defend the border between Armenia and Turkey as well as Armenian-Iranian border, in accordance with a bilateral agreement from 1994. The agreement provides for assistance, including military, by all signatories in the event of an act of aggression against any member state. Georgia and Azerbaijan keep a careful position related to the question of military presence of Russia in their territories. In addition, in September 2000 the Agreement on Mutual Planning of Use of Military Forces in Interest of Mutual Security has been signed between Russia and Armenia. The Western-oriented Georgia, Azerbaijan and Turkey were not happy with this agreement.^[32]

Among the economic issues, one can and must talk about the huge emigration from the Caucasian states to Russia, which Russia wants to regulate. The Russian factor is the most important

31. *The Nagorno-Karabagh Crisis: A Blueprint for Resolution*. A Memorandum Prepared by the Public International Law & Policy Group and The New England Center for International Law & Policy, p. 11.

32. Russia however still keeps its military bases in Georgia (Akhalkalaki and Batumi) and Azerbaijan (Kutkashen and Gabalin radiolocation stations)

for Armenia, Georgia and Azerbaijan. They have been a part of one country for a long time—the Russian imperia and then the Soviet Union. The future economic development and democratization of Russia is very important for all those countries. However, Russia, first of all, has to define its interests in the Caucasian region. One can often see the conflict of interest and definitions within Russia.

The main interest of the US in the Caucasus is presented as its fight against terrorism. However, the US also sees this region as an important transportation corridor for the realization of its energetic projects in the Caspian Sea. The US tries to show its interests towards Turkey as its strategic partner in NATO; while the US is mindful that this region has been traditionally under the Russian control and that Russia plays a major role in the peace process. However, the role of the mediator seems to be an effort to reach strategic goals in the Caucasus. On the other hand, today, the recoverable energy reserves of the Caspian Sea have been revised downward.

By 2010, the Caspian is projected to produce 3.8 million barrels per day, roughly 60% of North Sea output or only about 8% of expected global oil demand.^[33]

The long-standing focus on energy has now been superseded by a pursuit for security and stability within the cover of the global fight against the terrorism. From the perspective of the Caucasian countries it means a challenge to each of the small states to chart a new course in their foreign policy to maximize the security dimension together with maintaining their sovereignty. For example, the Memorandum on cooperation between the parliament of Azerbaijan and the US Congress was signed in September, 2003. It defines six areas of their cooperation: security, energetic resources, finance, science and education, agriculture, and human rights.

The long-planned 1730 km ^[34] oil pipeline from Baku to the Turkish port Ceyhan is perhaps the most expensive attempt to achieve geopolitical goals in Caspian. As a neighbor of Armenia, Turkey has a major influence in the Caucasus: it offered its direct mediation in the conflict in Nagorno Karabakh, which, however, Armenia and Karabakh refused. Turkey keeps a pro-Azeri position in the conflict. Baku received a big economic and military support from Turkey, which also plays an important role in the economic blockade of Armenia. Turkey also refuses to create diplomatic relations with Armenia. Turkey's main economic interest is to build the oil pipeline from Azerbaijan to Ceyhan. Politically, Turkey tries to build a good relationship with the Turkish-speaking countries of the former Soviet Union: Azerbaijan, Turkmenistan, Kazakhstan, Uzbekistan, and Kyrgyzstan. Turkey wants a strong political position of Azerbaijan, which has strong ethnic relationship with Turkey. The Baku-Ceyhan policy attempted to secure an alternative ex-

33. Richard Giragosian, "U.S. policy in the Transcaucasus: Implications for Armenian Foreign Policy" in *Directions of the Armenian Foreign Policy*. Yerevan, Antares" 2002, p. 124.

34. 1074 miles

port route for Azerbaijan's offshore Caspian energy reserves to overcome the traditional reliance on Russian territory. The main motivation for Baku-Ceyhan is its political attempt to overcome the Russian monopoly on the region's pipeline routes together with denying the Iranian role in the region.

In Azerbaijan, oil money goes mainly to Baku while other cities go without water or heat. If nationalist democrats are pushed out of politics, radical Islam might fill the gap. Arif Yunusov, who researches political Islam in Azerbaijan, worries:

Before 1999 Islamic fundamentalism was limited to the ethnic minorities of North Caucasus origins, as Sunni Muslims. Since then, radical Islam continues to spread. 260 mosques are controlled by fundamentalist clerics. Islamists denounce oil companies as a source of corruption and complain that Western influence supports the current regime and causes moral degradation in society.^[35]

The Parliament of Azerbaijan and the US Congress signed a memorandum of cooperation between two countries in September 2003. It defines six areas of their cooperation: security, energetic resources, finance, science and education, agriculture and human rights.

The collapse of the Soviet Union had different results in Iranian foreign interests. Iran had to insure the security on the border in the situation when the importance of regional and interstate conflicts was growing. Eight from the fifteen states of the former Soviet Union had political or cultural links to Iran. It has borders with Armenia, Azerbaijan, and Turkmenistan. Any change of the situation in those states also influences Iran.

Iran has national minorities from Azerbaijan and Turkmenistan. Azerbaijanis are the second largest national minority in Iran. In the new reality, Iran formed a new strategy of the dialogue of civilizations. It opened doors for non-Islamic countries as well. Iran was one of the first states to recognize the independence of Armenia and help in the formation of the new state. For Armenia, which Azerbaijan and Turkey blockaded, and which had difficult connections with Russia because of the situation in Georgia, the bridge from river Arax was the only corridor between Armenia and the world. In the days of the war, Iran played a very important and positive role for Armenia.^[36]

For the USSR and Russia, Iran posed a barrier to having an open path to the seas in the South; for the West, this was important before and after the Cold War. Europe continues to be important trading partner with Iran. In the past, almost all land-trade passed through Turkey, which gave Turkey the opportunity to have a good position in bilateral negotiations with Iran.

35. Vichen Cheterian, "In the Shadow of Moscow. Caucasus: the Privatization Generation" in *Le Monde Diplomatique*. January 2004.

36. Eduard Kazaryan, "K voprosu ob armjano – iranskich otnošenijach," in *Directions of the Armenian Foreign Policy*, SPECTRUM Center for Strategic Analysis, Yerevan, Antares" 2002, p. 62-63.

Now Turkey is dependent on passage through Iran in transit to the Central Asia and Azerbaijan. Iran sees new independent states of this region as its big economic interest for export. Today, Armenia and Iran have strong economic relations. In December 2001, the agreement to build the gas pipeline: Iran to Armenia ended between the two.^[37] Iran played an important role as mediator in the conflict in Nagorno Karabakh.

Political dialogue among countries in the Caucasus, and good economic relationship among them will be a basis for the future development and security in the region. Perspectives of a new regional order in the Caucasus that are based on issues of regional political, economical and security cooperation, are closely connected with the multilateral security. In this context, the opening the borders to Armenia-Azerbaijan and Armeni-Turkey is a need for further development and mutual understanding of the countries in the region. In tensions between powers with national and geopolitical interests in the Caucasian region, political dimensions and security policies of Caucasian states also shape ties in different ways. While the close bilateral ties are developing between Turkey and both Georgia and Azerbaijan, Russian-Armenian cooperation irritates those three countries. Turkey and Russia have been rivals for the influence in the Caucasus in the past. Azerbaijan and Georgia have concerns about their northern neighbor; they do not support the objectives of Russia. Azerbaijan and Georgia consider each other as strategic partners. Their political imperatives go towards the West.

On the other hand, this region has also assumed a broader perspective in recent years with the geopolitical shifts in the world of post-September 11th. Russia supported the US in its fight against terrorism; however, in the beginning it did not agree to use territories of Kazakhstan and Tajikistan for bombarding Afghanistan. It is interesting that in few days after the telephone talk between the Russian and US Presidents, news broke that the US may use the airport in Kazakhstan. What caused that to change so quickly? Perhaps the Russians got a freebie in the Caucasus in exchange. Moreover, we have to keep in mind that Chechnya is a part of the Caucasus, where we now face the terrorism of Islamists and nationalists, on one hand, and Russian ultimatums to Chechnya and threats of violence upon Georgia if they aid Chechen terrorists, on the other hand. Other potential places of terrorism in the Caucasus are in Dagestan and, in part, in Azerbaijan as well as Pankisi Gorge near the Georgian border with Chechnya.

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Description: Today, in different parts of the world, one can see many active local ethnic conflicts and stagnant conflicts, though unsolved, ones. Ethnic wars, which arise in different parts of the world, become a permanent generator of international strain and one of the destabilizing forces in the planet. ^[38]

Keywords: Armenia, Azerbaijan, Baku, Britain, Caspian Sea, Caucasus, Chechnya, conflict, Central Asia, Collective Security Agreement, cooperation, economic security, ethnic conflict, EU, France, Georgia, Germany, human rights, international community, international studies, Iran, Kazakhstan, Ministry of Foreign Affairs of NKR, Muslims, Nagorno-Karabakh, NKR, oil, oil pipeline, Ottoman Empire, OSCE, Russia, stability pact, Soviet Union, Turkey, USA

³⁸ M.Ju.Martynova, *Kultura mira i mežetničeskije otnošenija*“, Mir i soglasije, Informacionnyj bjulleteň N8, str. 39.