

Nagorno-Karabakh: New Opening, or More Peril?

Europe Report N°239 | 4 July 2016

Table of Contents

Executive Summary.....	i
Recommendations.....	iii
I. Introduction	1
II. The April Surprise	2
III. How Did it Come to This?	5
A. A Forgotten Conflict.....	7
1. Moscow in the lead.....	7
2. The EU's role	8
3. Turkey and Iran.....	9
B. Regional Arms Race.....	10
C. Ceasefire, what Ceasefire?	12
IV. After the April Fighting: Risks and Opportunities.....	14
A. War Fever.....	14
B. Russia to the Rescue?	15
C. Getting Negotiations Back on Track.....	17
V. Conclusion	20
APPENDICES	
A. Conflict Area in a Regional Context	21
B. Glossary of Terms.....	22

Executive Summary

The pattern of military escalation on the Armenia-Azerbaijan border and Line of Contact (LoC) around Nagorno-Karabakh (NK) since at least 2011 meant it should not have been the surprise it was when major fighting broke out on 2-5 April. In combat that evoked powerful nationalist emotions in both countries and included use of multiple-launch missile systems, heavy artillery, tanks, attack drones and highly trained special forces, Azerbaijan seized small but strategically important pieces of land, and up to 200 people on both sides were killed. That and the acute threat a graver escalation could draw in powerful neighbouring countries have focused the much-needed political attention of key international actors and produced an opportunity to find a peaceful solution to a generation-old conflict, often mistakenly called frozen. It is essential that the parties, urged on by France, Russia and the U.S., as co-chairs of the Minsk Group (MG) of the Organization for Security and Cooperation in Europe (OSCE), the diplomatic point body, make a decisive push for progress in peace talks.

Resumed military escalation would likely be far more destructive than the April flare-up. There is a serious risk that long-range ground-to-ground missiles would be used and casualties, particularly civilian, be much higher in the effort to gain a decisive ground advantage. In the wake of the April fighting, the publics in Armenia and Azerbaijan are more ready for military solutions than at any time in 25 years. Russia sees itself as the regional arbiter which is bound to intervene, not least because of its tight treaty relations with Armenia. Besides mutual affinity based partly on ethnic kinship, Turkey has military cooperation, a critical energy partnership and close political and economic relations with Azerbaijan. It links normalisation of relations with Armenia, including reestablishment of diplomatic ties and opening of their border, – to progress on resolution of the conflict.

The regional context has changed profoundly in the last year, increasing the potential for wide fallout if fighting resumes. Moscow's and Ankara's ties are strained. Iran is still defining its approach to the region but has flagged an interest in a greater role. Russia and the West remain at odds, with differences in Eastern Europe perhaps even greater than in Syria. Interests do align in pushing for progress on the NK conflict, but Moscow, which profiles itself as the key mediator and security guarantor, also seeks thereby to strengthen its strategic stake a region it considers a sphere of privileged interest, including by forging a closer relationship with Baku. Moreover, while Moscow has the political will and clout to drive the process, its regional role has been divisive, so it needs the other co-chairs to make the process genuinely credible. France and the U.S. should ensure this cooperation is indeed substantive.

The talks the Armenian and Azerbaijani presidents agreed to on 16 May to pave the way for negotiations on a comprehensive settlement can be a chance to get a peace process back on track. However, the statement issued after the follow-on talks in St. Petersburg on 20 June suggest momentum might already be weakening. All the Minsk Group co-chairs should engage in the mediation effort at a senior political level in order to lend it the necessary weight and sense of urgency. For progress toward an eventual comprehensive settlement to be possible, there must also be parallel movement on confidence and security building measures (CSBMs), including

the OSCE investigative mechanism agreed in Vienna to establish responsibility for ceasefire violations. The co-chairs should maintain pressure on the sides to offer concessions, specifically on Armenia to hand over occupied Azerbaijan territory, and on Azerbaijan to accept strong, internationally-backed security guarantees and an interim status for NK. They should also engage Turkey, to encourage it to use its leverage in support of the peace process.

The EU should continue to give its strong political support to the Minsk Group, including through its bilateral relations with Baku and Yerevan, and the leverage negotiation of new agreements with both can provide. It could make a special contribution, in conjunction with key European Union (EU) member states, particularly Germany – the present OSCE chairman-in-office (CiO) and the EU Minsk Group members – by putting on the table concrete offers of assistance to bolster security and other CSBMs. The EU should also plan what substantial expert and financial contribution it could make to a future post-conflict reconstruction effort, including restoration of communications, such as railway rehabilitation.

Finally, the OSCE High Level Planning Group should step up preparatory work on a future peacekeeping force, including by exploring possible contributions. There will be much politics around the composition, but discussion is needed to galvanise planning. The ultimate product could range from deploying monitors drawn from the armed forces of member states to where the opposing armies face each other and civilians from the different ethnic communities live in proximity to each other, to substantial support for the local police.

None of this would yet mean achievement of a final resolution of the Nagorno-Karabakh conflict. But if there is early and coordinated action on the return of occupied territories to Azerbaijan, establishment of credible measures to guarantee security and an interim status for Nagorno-Karabakh, a genuine possibility that the peace process could break out of its current impasse and move forward in a positive direction could take shape.

Recommendations

To the Armenian and Azerbaijani leaderships:

1. Take advantage of the renewed international attention and support for progress in the peace negotiations to make the compromises that would make war less likely and bolster the long-term security of their peoples.
2. Observe the ceasefire strictly, refrain from provocative rhetoric and create a permanent channel of communication in which to discuss the situation on the international border and the LoC and prepare meetings at head of state and foreign minister level.

To the Minsk Group co-chairs and other members, the EU and the OSCE CiO:

3. Stress to the Armenian and Azerbaijani leaderships, through high-level political engagement, the importance of seizing the opportunity before them, because a new, more serious escalation is likely if progress on CSBMs and toward comprehensive settlement is slow.
4. Prepare the sides for compromise by renewing efforts to encourage dialogue between Armenians, including in Nagorno-Karabakh, and Azerbaijanis, including internally displaced persons (IDPs), to develop ideas to promote people-to-people contacts, transparency and accountability in the mediation process and public discussion about how a solution of the conflict would be implemented; and work with officials, media and civil society groups as part of that dialogue.
5. The OSCE CiO (Germany) should assist the Minsk Group (MG) co-chairs (France, Russia, the U.S.) with offers of practical support, including assistance with an investigative mechanism and an enhanced monitoring role for the CiO's Special Representative; and press for reestablishment of a hotline between the two countries' militaries.
6. Give the work of the OSCE High Level Planning Group new impetus by considering modalities, including exploring offers of personnel for deployment of monitors, police and peacekeepers.
7. The EU should use all leverage in its bilateral relationships with Armenia and Azerbaijan, including the discussions on new agreements with both, to press for a renewed commitment to work for peace; and its High Representative for Foreign Affairs and Security Policy (HR) should continue to lend explicit political support to the efforts of the MG co-chairs, including by direct contact with the Armenian and Azerbaijani presidents in the run-up to their meetings.
8. To capitalise on the EU's traditional strength and in the event peace talks lead to progress, the HR, actively supported by France and other EU members of the MG, should commission, and the EU's Special Representative (EUSR) should lead, work on a plan of support for the reconstruction of Nagorno-Karabakh and the adjacent occupied territories and restoration of physical communications.
9. The U.S. and EU should encourage Turkey to support the efforts of the MG co-chairs to make progress in peace negotiations on NK in its statements and actions.

International actors stress Turkey should move toward normalising its relations with Armenia, including by opening the borders, without preconditions but Turkey has linked this with progress in the peace negotiations; Ankara should at least clarify what level of progress it seeks and make firm commitments accordingly.

Baku/Yerevan/Vienna/Brussels, 4 July 2016

Nagorno-Karabakh: New Opening, or More Peril?

I. Introduction

This report analyses the factors that led in April to the deadly fighting in Nagorno-Karabakh, the majority-Armenian inhabited enclave of Azerbaijan, and surrounding regions of Azerbaijan controlled by ethnic Armenian forces; highlights the opportunity for a breakthrough that has opened up in its wake if Armenia, Azerbaijan and key international actors push for progress on a comprehensive peace settlement and CSBMs; and warns of the risks of a new escalation if that does not happen. It sets the stage for further Crisis Group research on the topic, including on specific elements explored in the conflict resolution process and considerations in each of the conflict-affected constituencies. Research was conducted in Baku, Yerevan, Vienna, Brussels and London in March-June 2016.

II. The April Surprise

When the calls reporting serious fighting in Nagorno-Karabakh (NK) began to come in during the early hours of 2 April, many foreign ministry duty officers around the world probably grabbed their atlases to work out the locale. By spring 2016, the world had all but forgotten this post-Soviet, allegedly frozen conflict, though ceasefire violations were occurring constantly. Suddenly, it was back on the international agenda, threatening to destabilise a region where powerful, nationalistic neighbours glowered at each other. The fighting emerged out of the volatile situation on the Line of Contact, where ceasefire violations were constant and suddenly escalated when Azerbaijan put into effect a carefully prepared major offensive that took the Armenians by surprise. Armenia's defence ministry was uncertain how to respond to first reports. The de facto Nagorno-Karabakh's ministry also initially underestimated the seriousness of what was happening.

The April assault was concentrated in two places that had been centres of fighting during the war in the early 1990s and seen clashes in subsequent years. The first was the north-east corner of the Line of Contact (LoC), around the town of Martakert, close to the strategically important Sarsang Reservoir and the focus of relatively serious fighting in 2008 and 2010. The second was the easternmost tip of the Jabrayil district in the LOC's far south, close to Iran's border. Both were Armenian-controlled territory in and around NK that included strategically important roads but jutted into lowland areas, so were vulnerable.

While the offensive was focused on these two points, there was activity all along the LOC. The initial assault targeted villages in NK with artillery and rockets, probably to spread chaos and hinder the Armenian response. That close to the front line it was difficult to draw a clear distinction between civilian and military targets, not least because both fixed and mobile military assets were often in areas inhabited by civilians. Armenia retaliated with bombardments of civilian centres in Azerbaijan.¹

The offensive around Martakert and Jabrayil, which coordinated artillery, multiple launch rocket systems, armoured units and combat helicopters with infantry in a swift and powerful blow, broke through the Armenian defences. Special forces led the assault at key points. Drones were also important. In their initial assault, the Azerbaijanis were able to seize a number of strategically important heights. In the north east, it entered the village of Talish, about 3km from the LoC. In anticipation of a further advance, most civilians left Martakert a few kilometres further away. In the south, they captured the strategically important height of Lalatapa.

On 3 April, Azerbaijan President Ilham Aliyev announced a unilateral cessation of hostilities. The attack had lost momentum in more difficult terrain, and the Armenians were regrouping along secondary defensive lines. Politically, Azerbaijan had already achieved important objectives. It had taken back a sliver of territory for the first time since 1994, and though the Armenian counter-attack pushed its forces back somewhat, they were holding on to a number of strategically important heights and fortified positions.

However, fighting continued, and large numbers of tanks, helicopters and drones were destroyed on both sides. Azerbaijan made first use in combat of an Israeli-manufactured "suicide" drone, which crashed with deadly effect into a bus carrying Armenian

¹ "Armenian army shells 3 villages in Azerbaijan's Aghdam", Trend News Agency, 4 April 2016; Tom Burridge, "Nagorno-Karabakh: BBC visits Azerbaijan's Side of Frontline", BBC News, 3 May 2016.

volunteers to the front. When Azerbaijan threatened to bombard Stepanakert, the de facto NK capital, with rockets on 4 April, and Armenia responded with threats to attack targets deep inside Azerbaijan, it briefly appeared the fighting might escalate into a full-scale war.²

International pressure to end the fighting was strong. The OSCE, including the current CiO, Germany, and the EU, issued statements and made calls to both leaders, while Russia engaged more decisively. On 2 April, President Vladimir Putin called on the parties to restore the ceasefire, and Russian foreign and defence ministers contacted their Armenian and Azerbaijani counterparts, urging them to stabilise the situation.³ On 4 April, Russia held military exercise in the North Caucasus, not far from the Azerbaijan border. On 5 April, Putin called the two presidents, and the chiefs of staff from Armenia and Azerbaijan agreed in Moscow to end the fighting, which quickly died down, though ceasefire violations continued. Credible casualty figures are not available, but fatalities on both sides were at least around 60 and perhaps as high as 200.

The renewed fighting raised regional and wider international tensions as actors jostled for position. Immediately after the outbreak, Russia took the initiative to establish itself as the arbiter in a region where it had long staked a claim to special interests, through a particularly close relationship with Armenia via a Treaty of Friendship, Cooperation and Mutual Aid, signed in 1997 and updated in 2010. For its part the Turkish President Tayip Erdoğan, called Aliyev shortly after fighting began to express solidarity and say that he prayed “our Azerbaijani brothers will prevail ...” and Turkey would “support Azerbaijan to the end”. On 6 April, Erdoğan accused Russia of backing Armenia. According to their 2010 Agreement on Strategic Partnership and Mutual Support, Turkey and Azerbaijan are to support each other “using all possibilities” in case of a military attack or “aggression” against one of them.⁴

Both Armenia and Azerbaijan stepped back from actions that might have widened the conflict. The Armenians did not formally intervene to support the NK army, though many Armenian conscripts serve in it, and there are close links between the two militaries. On 2 April, probably searching for a strong response to the surprise offensive, President Serzh Sargsyan raised the possibility of signing a defence pact with NK, but the idea was quietly dropped.⁵ Any move implying official recognition would have opened Armenia to accusations it sought to annex internationally recognised Azerbaijan territory, greatly damaged its international standing and made resumption of peace negotiations practically impossible.

² Armenia may have missiles that can reach targets deep inside Azerbaijan, including the pipeline exporting its oil to the West. Russia, according to credible reports, has deployed long-range, surface-to-surface Iskander missiles to Armenia.

³ “Russia ‘deeply concerned’ about Karabakh fighting”, Armenian service, RFE/RL, 2 April 2016.

⁴ “Erdoğan backs Baku, blames mediators for Karabakh fighting”, *ibid*, 3 April 2016. Shahin Abbasov, “Azerbaijan-Turkey military pact signals impatience with Minsk Talks – analysts”, EurasiaNet.org, 18 January 2011. That treaty was signed after Turkey, under pressure from Baku, backed away from establishing diplomatic relations with Armenia in 2009.

⁵ Karlen Aslanian and Tatevik Lazarian, “Armenia plans new defense pact with Karabakh”, Armenian service, RFE/RL, 2 April 2016.

The Azerbaijani offensive was directed at areas of the LoC and avoided the recognised international border with Armenia, an attack on which would have given Yerevan the pretext to call for Russian assistance.⁶

⁶ Crucially, Russia is only obliged to come to Armenia's aid if an attack is on the internationally recognised Republic of Armenia, not on NK.

III. How Did it Come to This?

The April fighting brought into stark relief the failure of the more than twenty-year international mediation effort to put the ceasefire regime on a firm footing, let alone produce a breakthrough in negotiations toward a peaceful resolution of the conflict. As the OSCE Minsk Group (MG) mediation process began to run out of energy and ideas in the previous decade, Russia, while still observing the proprieties of its format, increasingly became the diplomatic leader. Meanwhile, Baku and Yerevan dug in and showed little inclination to compromise.⁷

The conflict's roots go back decades, arguably centuries, but the parameters of the current dispute were formed during the Soviet Union's break-up. By 1992, moves by the majority Armenian population of the NK Autonomous Region (NKAO) to break away from Azerbaijan had taken on the character of a full war between Armenia and Azerbaijan. In March 1992, the Conference on Security and Cooperation in Europe (CSCE, later the OSCE) Council convened a conference in Minsk to seek a peaceful solution. Eight countries agreed to take part, and the conference became known as the Minsk Group.⁸

In 1993, the UN Security Council passed four resolutions calling on the parties to observe a ceasefire and Armenian forces to withdraw unilaterally from "recently occupied areas of Azerbaijan".⁹ By the time a Russian-brokered ceasefire was agreed in May 1994, Armenian forces controlled almost the entire former NKAO and all or large parts of seven adjacent districts.

After the ceasefire was put into effect, the parties faced each other across the LoC, which, in practice, they policed themselves in the absence of an effective monitoring mission. Meanwhile, the MG co-chairs, France, Russia and the U.S., sought to broker peace talks.¹⁰ They emphasised the need to conduct negotiations in confidence, and the wider MG ceased to be actively engaged. In 1995, the OSCE CiO appointed a Personal Representative (PR) for all matters relating to the conflict and to support the

⁷ The Nagorno-Karabakh Armenians participated in the peace talks between 1994 and 1997 as a "party to the conflict", while the Azerbaijan community of Nagorno-Karabakh was "an interested party". The NK leadership was removed from the talks in 1997 upon Azerbaijani request. This configuration has held, but if serious peace talks start, direct consultations with the NK leadership will quickly become necessary.

⁸ For further background, see Crisis Group Europe Reports N°s 166, *Nagorno-Karabakh: Viewing the Conflict from the Ground*, 14 May 2005; 187, *Nagorno-Karabakh: Risking War*, 14 November 2007; 55, *Nagorno-Karabakh: Getting to a Breakthrough*, 7 October 2009; and Briefing N°60, *Armenia and Azerbaijan: Preventing War*, 8 February 2011. A detailed historical account of the conflict is Thomas de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War*, 10th year anniversary edition, revised and updated, (New York, 2013). The eight MG members are Belarus, Germany, Italy, Sweden, Finland, Turkey, Armenia and Azerbaijan, as well as the OSCE Troika, ex officio. "Who we are", Minsk Group, OSCE, the OSCE website.

⁹ Resolutions 822, 30 April; 853, 29 July; 874, 14 October; and 884, 12 November, all 1993.

¹⁰ The mandate of the co-chairs reads: "Following the Budapest Summit decision, on 23 March 1995, the Chairman-in-Office mandated the co-chairs of the MG to provide an appropriate framework for conflict resolution in the way of assuring the negotiation process; to obtain conclusion by the Parties of an agreement on the cessation of the armed conflict in order to permit the convening of the Minsk Conference; and to promote the peace process by deploying OSCE multinational peacekeeping forces. The Minsk Process can be considered to be successfully concluded if these objectives are fully met". Minsk Group, "Mandate", OSCE. From 1994-1995, Sweden was co-chair with Russia and from 1995-1996, Finland. In 1996, the Finns stood down and the U.S. and France joined Russia.

co-chairs with a particular focus on measures to maintain the ceasefire and prepare for a peacekeeping force. The current PR, a former Polish diplomat, has been in office since 1997. In practice, he has worked to defuse tension through his contacts with key decision-makers in the region developed over nearly two decades. He also heads a small team based in Tbilisi which conducts some basic ceasefire monitoring activities.

In addition to NK, Armenian military gains included over 7,500 sq. km of territory that had never been part of the NKAO. Over time, the way the Armenians viewed this land evolved from a negotiating counter to a vital security buffer and finally to “liberated territory”, increasingly claimed to be an integral part of the de facto NK Republic. Some 724,000 Azerbaijanis from NK and adjacent territories and 413,000 Armenians, mainly from Azerbaijan proper, became refugees and internally displaced persons (IDPs).¹¹ Their high numbers and suffering were constant reminders of the conflict, especially in Azerbaijan. The military results fuelled feelings of overconfidence among the Armenians and humiliation among the Azerbaijanis, both of which hampered talks. The conflict led to closure of the Armenia-Azerbaijan border and the failure to reopen the border between Armenia and Turkey, Azerbaijan’s ally.

The MG co-chairs put a series of proposals on the table. Meeting in the OSCE, the G8 and other international forums, they called at the highest political level on the Armenian and Azerbaijan presidents to make the compromises necessary for peace, arguing that over the long run these would be less costly than a protracted conflict that undermined regional development. In an atmosphere of deep mistrust and hostility, however, no formula reconciled the two apparently mutually exclusive propositions of preserving Azerbaijan’s territorial integrity and recognising an NK Armenian right to self-determination outside Azerbaijan.¹²

In the absence of progress between the parties, the co-chairs worked from 2005 on drafting a framework to form the basis for a peace agreement. This attempted to get over the self-determination question by proposing that NK be granted an “interim status”, with final status to be decided at an undetermined future point. The Basic Principles (also known as the Madrid Principles) were presented to the two presidents at the 2007 Madrid OSCE Ministerial.

The Basic Principles, which have never been formally made public, remain the only viable framework for peace negotiations. The co-chair foreign ministers published a “preliminary version” at the July 2009 G8 Summit that included six points: return of the territories surrounding NK to Azerbaijan control; an interim status for NK, with guarantees for security and self-governance; a corridor linking Armenia to NK; future determination of NK’s final legal status via a legally binding expression of will; the right of all IDPs and refugees to return to former places of residence; and international security guarantees, including a peacekeeping operation to which, a

¹¹ Crisis Group Europe Report N°166, *Nagorno-Karabakh: Viewing the Conflict from the Ground*, 14 September 2005, p. 2.

¹² The Security Council resolutions reaffirmed Azerbaijan’s territorial integrity but, in practice, it was impossible for any solution to the conflict to be imposed against the will of the NK Armenians. This became clear after the OSCE Lisbon Summit in December 1996, when Armenia in effect vetoed a statement that confirmed NK’s future status would be “the highest degree of self-rule within Azerbaijan”.

gentlemen's agreement stipulates, neither the co-chairs nor countries bordering the region can contribute.¹³

In the late 2000s, co-chair energy flagged, as the parties increasingly opposed any compromise-based solution. MG engagement at the highest political level tailed off, and the initiative devolved to co-chair ambassadors, whose efforts were more technical than political. French and U.S. leaders ceased to intervene actively. Only the Russians appeared to have the stamina to keep going. The Basic Principles remained the basis for settlement, but the parties disagreed on the interpretation of these quite general ideas, let alone on elaboration of the practicalities of their implementation. As the number and seriousness of ceasefire violations grew, insistence on all talks being held in confidence undermined process credibility with publics and accountability to the wider MG. It also focused attention on the lack of an effective ceasefire monitoring on the LoC and international border.

A. *A Forgotten Conflict*

1. Moscow in the lead

From 2008, the then Russian president, Dmitri Medvedev, made strenuous efforts for a breakthrough as part of an attempt to demonstrate his own distinctive foreign policy. This culminated in a failed last-ditch effort to get the two presidents to sign off on a revised version of the Basic Principles at a June 2011 Summit in Kazan. He chaired one more formalistic summit in Sochi in January 2012, but it produced neither concrete results nor a coherent dialogue.

In the run-up to Kazan, the French and U.S. co-chairs in effect ceded the leading role in mediation to Russia. The French and U.S. presidents called their Armenian and Azerbaijan counterparts to underline support for Medvedev's efforts, which, strictly speaking, were not a MG initiative. With Putin's return to the Russian presidency in May 2012, however, Moscow's effort eased off and neither Paris nor Washington showed much appetite to step up theirs. A November 2013 Armenia-Azerbaijan summit seemed to presage a new impetus, but the atmosphere had sufficiently soured by the next meeting, in March 2014, that the presidents met separately with the co-chairs and did not speak directly. The December 2015 summit exemplified the trend: the two presidents barely acknowledged the other's presence and parted without talking.¹⁴

In 2015, Russia, acting on its own, stepped into this political vacuum and brought new energy to the mediation process in order to stake out its arbiter role in a region where it claims to have special interests. Over the summer and autumn, Foreign Minister Sergey Lavrov engaged in intense diplomacy, speaking by phone with his Armenian and Azerbaijan counterparts and visiting the capitals. After meeting Foreign Minister Edward Nalbandian in Yerevan in November, he called settlement of the conflict one of Russia's "foreign policy priorities" and "directly supervised" by Putin.¹⁵ France and the U.S. gave their public support, even if there were doubts about the

¹³ In May 2015, an Armenian think-tank published what appeared to be the full text of the original 2007 version of the Basic Principles. However, the authenticity cannot be fully established. www.anarc.am/2015/05/13/madrid-document-text-of-main-6-principles.

¹⁴ Crisis Group interviews, Yerevan, February/March 2016; Baku, April 2016.

¹⁵ Putin himself visited both countries during 2015, though the NK conflict was not the purpose of his travel. "Foreign Minister Sergey Lavrov's comments and answers to media questions during a joint news conference following talks with Foreign Minister of Armenia Edward Nalbandian", Russia's foreign ministry, 9 November 2015.

degree of actual coordination and whether the Russians regarded them as real partners.¹⁶ The Kremlin may have preferred to act alone but was possibly constrained to pay lip service at least to the Minsk Group format to give its proposals greater legitimacy, as well as to project the image of an indispensable partner in crisis resolution also on a wider international stage.

Moscow submitted draft proposals in autumn 2015, which observers began to refer to as the Lavrov Plan. They have not been made public, but their objective reportedly was to re-energise the peace process by an Armenian withdrawal from two or three of the occupied districts around the former NKAO, with two more then to follow in exchange for an NK interim status and deployment of a peacekeeping force; in return, Azerbaijan would move to restore communications, including railways.¹⁷ There was some suspicion Russia meant to dominate the peacekeeping force so as to extend its military presence in the region, but both sides made clear their opposition to such a military presence, and Moscow played down the possibility.¹⁸ By the beginning of 2016, and until the April fighting, momentum had somewhat ebbed from Russian efforts.

2. The EU's role

The EU has stepped up attempts to support the co-chairs but has not made full use of either its political prestige or its potential to put resources into a possible peace agreement. In 2003, the European Council appointed a Special Representative (EUSR) to prevent conflicts and assist their resolution in the South Caucasus. However, Brussels has no formal place in the mediation process, and space for track II activities has been shrinking since 2010. Successive EUSRs have struggled to define the EU's role in the increasingly stalemated NK crisis.

There has been suspicion that the co-chairs were resisting an EU role in the mediation effort; France acts in the MG in its own right, not as an EU member, and guards that privilege; any changes in the MG format would in any event require an unlikely OSCE consensus. Track II diplomacy has become an important element of EU efforts to support the mediation which is also furthered by the EUSR's regular meetings with leaderships in Yerevan and Baku. The European Partnership for the Peaceful Settlement of the Conflict over NK (EPNK), begun in 2010, seeks to engage principally non-governmental actors in Armenia and Azerbaijan to build public support for peaceful resolution of the conflict. It has potential to increase the transparency and accountability of the co-chairs' work and prepare publics for peace, but the parties' political polarisation, retreat into nationalist rhetoric and military solutions and, after 2012, a crackdown on civil society in Azerbaijan have made Track II efforts increasingly difficult.¹⁹

EU political engagement with the parties has been both bilateral and in the context of the Eastern Partnership, whose main aim is to support an area of prosperity

¹⁶ Crisis Group interviews, Vienna, Yerevan, February/March 2016; Baku April 2016; EU official, Brussels, March 2016.

¹⁷ Such a move might also pave the way for Turkey to reopen its border with Armenia, though after its break in relations with Russia in autumn 2015, and despite Ankara's overtures toward Russia in late June, Turkey may not be sympathetic to a Russian-led initiative.

¹⁸ Crisis Group interviews, Vienna, February 2016.

¹⁹ "Joint Statement by the Spokespersons of [the] EU High Representative and European Commissioner for Neighbourhood Policy on the intensifying clampdown on human rights defenders in Azerbaijan", European External Action Service/European Commission, 5 May 2014.

and good neighbourliness, based on democracy, rule of law and respect for human rights. The NK conflict was not a key focus of this cooperation, though it tended to overshadow many issues, including negotiation of preambles for the Armenian and Azerbaijan draft Association Agreements until 2013 and of Eastern Partnership summit declarations. For Azerbaijan, it was essential the EU recognise its territorial integrity, irrespective of the Minsk Group principles for resolution of the conflict, which put territorial integrity on a par with self-determination and non-use of force; Armenia insisted on the equality of the three principles.²⁰ Debate became starker after Russia's annexation of Crimea. Azerbaijan's frustration with the EU grew also because of Brussels' insistence on political conditionality and human rights in the bilateral relationship.²¹

Currently, however, both countries' relations with the EU are re-energised. Armenia is negotiating a new agreement that, though it lacks the comprehensive free trade area, draws heavily on the text of the Association Agreement Russia prompted it to back away from three years ago. Baku is also discussing a new agreement. Both will, at least in the preambles, likely address the conflict issue. The EU should not give in to pressure by Baku and Yerevan to include in these new contractual arrangements references to only those principles each prefers. There is a real risk doing so would undercut the Minsk Group conflict resolution process. The EU should also commit political, administrative and financial resources to implement the mandate for greater engagement on conflict resolution and security issues the revised European Neighbourhood Policy has given it.²²

3. Turkey and Iran

Despite an effort in 2008-2010 to enhance its role in the South Caucasus and conflict resolution processes there, Ankara's engagement in the NK process has been minimal and largely indirect. Turkish authorities have been frustrated that Minsk Group co-chairs do not engage sufficiently with them in devising initiatives. They also share Baku's suspicion that the co-chairs favour Armenia. Ankara insists on keeping its border with Armenia closed until progress is made toward the resolution of the NK conflict; in particular it conditions normalisation of ties to Armenia's withdrawal from a number of the occupied districts outside of the NK enclave. Turkey's resources are stretched thin by a multitude of domestic and regional crises, the PKK conflict, refugees and Syria, as well as, since November 2015, friction with Russia. Feeling sidelined on NK, its leadership has little opportunity or incentive to use its leverage in support of Minsk Group initiatives, while President Erdoğan has been vocal in his support of Azerbaijan.

Iran's increasing re-entry into the region's politics brings a new dimension. It borders Armenia and Azerbaijan, as well as the conflict territories ethnic Armenian forces occupy. In January, its deputy foreign minister announced Iran's readiness to mediate in the conflict, and it called on Baku and Yerevan to de-escalate the April

²⁰ Armenia executed a surprise u-turn in September 2013, breaking off its negotiations on an Association Agreement under Russian pressure.

²¹ Crisis Group interviews, former EU official, expert, both Brussels, June 2016.

²² "Review of the European Neighbourhood Policy", Joint Communication to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions, High Representative for Foreign Affairs and Security Policy/European Commission, Brussels, 18 November 2015.

fighting after several shells landed on its territory. Iran traditionally has had warm links and substantive trade and energy cooperation with Armenia. It has had multiple rivalries with Azerbaijan over Caspian Sea energy, its proselytising among (mostly nominally) Shia Azerbaijanis and Azerbaijan's influence on ethnic Azeris, who are at least one fifth of the Iranian population. But Tehran has also stressed the importance of a strategic relationship with Azerbaijan, especially in recent months. Just days after the April fighting subsided, the Russian, Azerbaijan and Iranian foreign ministers met in Baku to discuss energy and transport cooperation. However, Iran's involvement with NK could inject an element of unpredictability into the situation, especially from Moscow's perspective.

B. *Regional Arms Race*

As the international community relegated the NK conflict to the list of problems filed under "too difficult", the leaders of Armenia and Azerbaijan became less focused on thinking and talking about peace. Azerbaijan, emboldened by its economic and demographic strength, massively built-up its military. Both parties, believing time was on their side, fell back on nationalist poses and fundamentalist claims to exclusive possession of NK while making statements that implied wider territorial claims and reliance on military power to achieve their goals. There were practically no channels for official contacts, as even the ad hoc exchanges between commanders on the LoC died away.²³

One of the most impressive developments in the South Caucasus in the 2000s was Azerbaijan's oil-powered economic boom. By some accounts, it had the world's fastest growing economy. GDP increased by 26.4 per cent in 2005 and 34.5 per cent in 2006. Thanks to high oil prices, the economy recovered quickly from the 2008-2009 downturn, regaining strong, 5.8 per cent growth in 2013.²⁴

Many Azerbaijanis believed that a fundamental shift in the balance of power with Armenia had occurred. By 2014, the economy was nearly seven times that of Armenia, with a population more than three times larger.²⁵ Despite high levels of corruption and inequality that went with the boom, the achievements inspired growing national pride. Armenia had taken advantage of Azerbaijan's temporary weakness, it seemed, but with independence firmly established and traditional links to the Muslim and Turkic world reconnected, it appeared that the country's fundamental strengths were being restored. Azerbaijanis became increasingly frustrated that the international community ignored their deep sense of injustice and their country's importance as a pillar of security and energy links in the South Caucasus that had come to rely on cooperation with Western-leaning Georgia and NATO member Turkey.²⁶

²³ The U.S. reportedly tried but failed to open lines of communication by sponsoring a regular exchange at deputy defence minister level. Crisis Group email exchange, expert, spring 2016.

²⁴ "Boom and gloom", *The Economist*, 8 March 2007; "Republic of Azerbaijan", Country Report no. 14/159, International Monetary Fund, June 2014.

²⁵ Azerbaijan's GDP was \$75.2 billion and Armenia's \$11.6 billion in 2014; their populations were 9.5 million and three million respectively. "Azerbaijan", country at a glance, World Bank; "Armenia", *ibid.*

²⁶ See President Aliyev's speech to his cabinet, July 2012, in which he described Azerbaijan's growing population and military strength and predicted its flag would be raised in NK. "We will raise the flag of Azerbaijan in Khankendi [Stepanakert] – President", *News.Az*, 12 July 2012.

Pumped up by its new wealth, Azerbaijan devoted ever larger sums to its armed forces. In 2015, it spent \$3 billion on the military, up 165 per cent compared to 2006. President Aliyev boasted that Azerbaijan's defence budget was bigger than Armenia's national budget. According to SIPRI, 85 per cent of Azerbaijan's arms imports came from Russia and, after receiving Putin in Baku in 2013, Aliyev said the value of the "military-technical cooperation" was \$4 billion.²⁷ It also imported high tech weaponry, such as drones, from Israel. A new defence minister and continuing Turkish military cooperation, including special forces training, steadily raised the army's capabilities.

By the end of 2014, a steep decline in the oil price on international markets raised the prospect that Azerbaijan's moment of maximum leverage had peaked. Revenue plummeted as did the funds available to spend on weapons. The 2016 defence budget reportedly was cut.²⁸ Time was now less obviously on Azerbaijan's side. The economic situation also affected living standards. A roughly 40 per cent devaluation of the Manat in December 2015 hit the population hard. In January, spontaneous protests broke out around the country. Though they petered out, dissatisfaction remained high. Some observers warned that the leadership might consider a military adventure to distract from everyday problems.²⁹

Armenia's economy was never as bad as Azerbaijan believed. It grew rapidly until it crashed in the global financial crisis, partly due to Russia's deep recession, but it recovered quickly, and growth peaked at 7.2 per cent in 2012, though it fell back to just over 2 per cent by 2015. Crucially, Armenians ceased to regard resolution of the conflict as a prerequisite for development. Particularly after the failure of the 2009 protocol with Turkey, they argued that they could develop their economy even in blockade conditions. A more worrying problem was emigration, particularly to Russia, in search of better opportunities. Reliable figures are difficult to acquire, but, in contrast to Azerbaijan's strong growth, Armenia's population fell from 3.6 million at independence to some three million in 2016.

Armenia expressed concern about Azerbaijan's build-up but did not believe the power balance had fundamentally shifted. Its defence budget, \$447 million in 2015, was much lower than Azerbaijan's but still up 71 per cent from 2006.³⁰ It acquired almost all its weapons from Russia. As a member of the Moscow-led Collective Security Treaty Organisation (CSTO), it could buy these at so-called domestic prices, which mitigated to an extent the enormous difference in overall expenditure with Azerbaijan. In any case, Armenians felt secure defending the high ground along the LoC from heavily-fortified lines. They believed Azerbaijanis were poor soldiers, with low morale and basically indifferent to NK's fate.

²⁷ "Trends in World Military Expenditure, 2015", SIPRI, April 2016. Zulfugar Agayev, "Azeri-Russian arms trade \$4 billion amid tension with Armenia", Bloomberg, 14 August 2013. Russia's policy of promoting arms sales in the region contravenes a 1992 OSCE embargo. It defends the sales as designed to maintain a military balance.

²⁸ www.janes.com/article/57500/azerbaijan-to-cut-defence-spending-by-40. Joshua Kucera, "Azerbaijan facing large cuts in defense budget", EurasiaNet.org, 4 February 2016.

²⁹ Some observers, pointing to protests in January-February, have suggested the offensive's main objective was to distract from economic difficulties. Its timing, carefully planned nature and rapid conclusion do not support the contention that was a prime motive, but the leadership probably saw it as a possible benefit. Crisis Group interview, Baku, May 2016.

³⁰ "Trends in World Military Expenditure, 2015", op. cit.

Both parties increasingly used narratives that assumed victory was possible and compromise unacceptable. By stressing territorial integrity when possible and focusing on activities like a campaign to have a massacre of Azerbaijanis outside the town of Khojali during the 1992 war recognised as a genocide, Baku's diplomacy implied concessions could not be contemplated. It stepped up historical claims to the region by emphasising the role of the ancient Caucasian Albanian state and church in NK history and the Azerbaijan character of the Persian Yerevan Khanate. No effort was made to formulate an autonomy offer and benefits of restored ties to the NK Armenian population.

Armenians increasingly seemed to rely on facts on the ground to back up claims to NK. Though the government did not recognise it, the *de facto* NK Republic more and more took on the trappings of a state. In reality, it was increasingly integrated with Armenia politically, militarily and economically. There was a ready exchange of personnel in senior military posts, for example. NK citizens carried Armenian passports and travelled abroad like regular Armenians.

NK adopted a *de facto* constitution in 2006 that, as well as entrenching its claims to independence and statehood, redrew internal administrative boundaries to create seven new districts that blurred the distinction between the former NKAO and the surrounding occupied districts. There were efforts, often sponsored by the diaspora, to settle Armenians, in some cases refugees from Syria, in the occupied territories. Historical arguments had always been a strong element in the Armenian claim on NK. There was now a tendency to extend the claim to the occupied territory, making use, for example, of the 2005 discovery of the remains of the ancient Armenian capital of Tigranakert and the 2010 opening of a museum in the occupied Azerbaijani town of Aghdam.³¹

C. Ceasefire, what Ceasefire?

The atrophy of international mediation efforts, the arms build-up and polarisation resulted in an escalation of ceasefire violations on the LoC in terms of numbers, intensity and type of weaponry. Accusations and counter-accusations flew each time about who fired the first shot, but such arguments were futile. With no effective monitoring system and daily shootings, there was always a pretext to escalate. In 2012, the situation was characterised by increased deployment of snipers, particularly along the northern sector of the border, where a major route linked Armenia and Georgia, and Armenian villages were close to the front. The U.S. State Department and other foreign ministries advised against using the route. 2013-2014 witnessed the increased deployment of special forces "diversionary groups", which attempted to cross the enemy's lines. This was seen as a test of new tactics and equipment and preparation for a larger offensive.

There was greater use of larger mortars from 2014 and from 2015 of artillery and eventually tanks. Azerbaijan, especially, increasingly used drones for reconnaissance and to guide and coordinate attacks. The artillery, particularly since many Armenian installations were in civilian centres, raised the possibility of larger civilian casualties. In December 2015, Armenia's deputy defence minister, Davit Tonoyan, announced a

³¹ Since all peace proposals (including the Basic Principles) had as their starting point the hand-over of occupied districts in return for Baku's recognition of a special status for the ex-NKAO, such a blurring of the distinction on the ground created a major obstacle for a peace agreement.

shift from “static defence to active deterrence”. Azerbaijan spoke about Armenia preparing a pre-emptive strike.³²

Most observers agree that the escalation was driven by Azerbaijan, which had the strongest motive for altering the status quo on the ground and in the frozen diplomatic process. Its confidence in the political process, which it had long tried to reshape, had run out and it had new weapons and tactics to try out. The escalation had clear political objectives and was tightly controlled. Observers often expressed concerns about miscalculation, but there was rarely much sign that incidents were getting out of control.³³ The objectives were to focus international attention on the conflict and persuade Armenia to adopt a more flexible attitude in negotiations. Outbreaks were generally seasonal, concentrated from spring to autumn, and often coincided with moments of political tension such as elections or the arrival of senior international figures in the region.

The 2014-2015 escalation spikes failed to achieve their political objectives. Though, after each outbreak, the co-chairs would seek (and frequently get) meetings between the parties, mostly at foreign minister but also at presidential level to reconfirm commitment to the ceasefire, there was no move toward serious talks. A switch from attacks along the international border toward the LoC also had no effect. Armenia responded not by showing more flexibility, but by digging in and expressing indignation at Azerbaijan’s behaviour and the mediators’ failure to point a finger at Azerbaijan for initiating the escalation. Armenia said it reserved the right to respond disproportionately but did not provoke wider fighting, though casualties rose. According to its defence ministry, it had 26 front-line deaths in 2014 and 38 in 2015.³⁴ There is no reason to think Azerbaijan’s casualties were not proportional.

This does not mean the escalation was not risky. The world was preoccupied with crises in Syria and Ukraine, and Azerbaijan’s response to indifference was more escalation. Tactics at times appeared designed to provoke an excessive response or remind the West of the risk of Russia being drawn in. However, central political control of the forces was effective, and the problem of rogue commanders fighting their own war, common in the early 1990s, did not re-appear.

The situation on the LoC became extremely tense. The parties and influential internationals warned in the months leading to April of a new escalation. The co-chair foreign ministers noted: “With the significant escalation in violence along the Line of Contact and Armenia-Azerbaijan border this year [2015], the status quo has become unsustainable We appeal to the sides in the strongest possible terms to reduce tensions and protect lives”. By February 2016, Azerbaijan was signalling exhaustion of patience. Foreign ministry spokesman Hikmat Hajiyev said it had “the defence capabilities to take back these territories militarily. We do not want to use force, but we can be patient only up to a certain point”.³⁵

³² http://en.apa.az/nagorno_karabakh/armenia-was-first-to-launch-attack-on-april-2-azerbajani-foreign-ministry.html.

³³ See Crisis Group Europe Briefings N°s 60, *Armenia and Azerbaijan: Preventing War*, 8 February 2011; and 71, *Armenia and Azerbaijan: A Season of Risks*, 26 September 2013.

³⁴ Crisis Group correspondence, Yerevan, March 2016.

³⁵ “Joint Statement by the Heads of Delegation of the OSCE Minsk Group Co-Chair Countries”, 3 December 2015. Martin Banks, “Azerbaijan warns of potential action against Armenia”, *Defense News*, 3 February 2016. Thomas de Waal, “Losing Control in the Caucasus”, *Politico*, 10 November 2015.

IV. After the April Fighting: Risks and Opportunities

A. *War Fever*

The initial and most striking consequence of the April fighting was that it whetted the appetites of both sides for more, stoking emotions more powerfully than at any time since the early 1990s. It had become possible to live in Baku and Yerevan with only a dim awareness that World War I-style trenches, where high-calibre weaponry was used daily, were only a few hundred kilometres away. That changed dramatically, as publics became seized by prospect of victory or defeat.

Not surprisingly, the first issue the leaders faced in the aftermath was managing expectations. Azerbaijan's leadership had surely hoped military success would bring political dividends, but the scale of the nationalist upsurge probably exceeded their expectations. Despite the unprecedented level of death and destruction, the recapture of land occupied for more than a generation (though only around 800 hectares) inspired an upsurge of patriotic sentiment that spread widely, taking in government supporters and opponents alike and even some previous doves.

The nationalist upsurge came from the public without government direction. There was reportedly a run on flags, which then flew from ordinary offices, shops and flats; spontaneous demonstrations by youths were particularly notable in a tightly-controlled society. If distracting the population from a difficult economic situation had indeed been a factor in the decision to launch an offensive, this was more than achieved. Informed observers said President Aliyev's ratings soared. A widespread public belief developed that a decisive military victory and recovery from the humiliations of the early 1990s were possible. Many observers said the decision to accept a truce had been met with disappointment.

The Armenian mood was more ambivalent. There was a patriotic rallying, a feeling of the need to unite around the army, but Armenians had also been disturbed by the failure to rebuff the initial assault and only partially reassured by the counter-attack. There was anger at being the victim of a surprise attack and keenness for an opportunity for the army to show its superiority and restore confidence.

President Sargsyan was under pressure to respond robustly. Unlike Aliyev, he operates in an environment where alternative political forces have a degree of freedom.³⁶ A sign of the pressure on him was a proposal by Armenian opposition legislators in the aftermath of the fighting to submit a bill in the National Assembly for Armenia to officially recognise the de facto NK authorities. Those behind it wanted to send a signal of defiance to Azerbaijan, but it would have closed off any possibility of negotiations for the foreseeable future. Russia's Lavrov raised this repeatedly, and the proposal was eventually withdrawn.³⁷

Responding to the public mood, and reports of corruption and failure to predict or respond adequately to the Azerbaijan offensive, Sargsyan fired three senior military officials, including one responsible for procurement in the defence ministry, the

³⁶ In February 2016, Sargsyan broadened the base of his government by including three ministers from the opposition Dashnak party, to which he also gave two regional governorships.

³⁷ "Foreign Minister Sergey Lavrov's interview with Rossiya Segodnya", Russia's foreign ministry, 4 May 2016. The proposal was separate from the suggestion that emanated from the government at the beginning of the fighting that Armenia might establish a formal defence pact with the de facto NK Republic.

ministry's communications head and the general staff's head of intelligence.³⁸ He met with his most implacable opponent, ex-President Levon Ter-Petrosian, who subsequently went to Stepanakert to see the de facto NK leaders and call for national unity, saying it was not a time to criticise the government. Diplomatically, Sargsyan refused to countenance new talks with Azerbaijan until confidence and security building measures (CSBMs) had been put in place to ensure there was no new Azerbaijan offensive. Baku had rejected such CSBMs on a number of occasions, arguing they would in effect entrench the status quo.

B. *Russia to the Rescue?*

Internationally, the fighting grabbed headlines for a few days and raised awareness of the conflict, but at first only Russia showed an active interest in seeking diplomatic progress. Though its sincerity was undermined by suspicions about its ambitions to act as the region's dominant power, it used its influence to produce a ceasefire. Putin then appeared to signal a new interest in securing substantive progress in peace negotiations. In his annual televised question and answer session with the public on 14 April, he said Russia "would work, both within the framework of international structures and on a bilateral basis, on settling the Karabakh problem". It was subsequently reported that he chaired two sessions of the Russian National Security Council after the fighting to discuss the conflict. Lavrov visited the region to reaffirm Russia's leading regional role and push for a return to negotiations based on his 2015 plan.³⁹

But Moscow was unable to produce a meeting of the parties on its own. It attempted to appear even-handed, but Armenia was deeply suspicious of its motives. On 7 April, in the fighting's immediate aftermath, a pre-planned meeting of the Azerbaijan, Iranian and Russian foreign ministers in Baku to discuss a north-south transport corridor, as well as the NK conflict, highlighted a perception Russia and Azerbaijan were gradually drawing together. Moscow appeared unwilling or unable to support Armenia when Kazakhstan and Belarus opposed holding a meeting of Eurasian Economic Union prime ministers in Yerevan.⁴⁰

Armenia has a close military alliance with Russia founded both on membership in the CSTO and the bilateral treaty, but in the aftermath of the April fighting, there were protests outside the embassy in Yerevan about Moscow's attitude.⁴¹ Whether price gouging by the Russian-owned electricity utility or murder of a family in their home by a deranged Russian serviceman in Gyumri, the relationship's inequality

³⁸ Armenian soldiers on the LoC reportedly were short of ammunition and night vision and communications equipment when the offensive began. Joshua Kucera, "After 'four-day war' exposes weaknesses, heads begin to roll in Yerevan", EurasiaNet.org, 29 April 2016.

³⁹ "Putin Sees 'Solely Political' End to Karabakh Conflict", Armenian service, RFE/RL, 14 April 2016. "Putin discusses Karabakh with Russian security chiefs", *ibid*, 18 May 2016. "Foreign Minister Sergey Lavrov's interview", *op. cit*.

⁴⁰ Aliyev's visit to Tehran in February had also focused on building a north-south transport corridor through Azerbaijan, with a train link to be created from Russia to Iran. This would overshadow a previously touted north-south rail corridor through Armenia. Azerbaijani experts mention cooperation to maintain stability in the North Caucasus as another area of shared interests with Russia. Kazakhstan has consistently sided with Azerbaijan in the NK conflict. Belarus's motives were more obscure.

⁴¹ Armenia is the only South Caucasus member of the CSTO, a Russian-led military alliance of six former Soviet republics.

constantly grated on national pride. Traditional assumptions about Russia as protector were shaken, while speculation about its plans for enhancing its regional positions ran high.

The deepest cause of resentment was Russia's arms sales to Azerbaijan, including advanced systems that presented a challenge to Armenian capabilities. In mid-February, Russia announced it would give Yerevan a \$200 million credit for military equipment, including multiple-launch rocket systems, anti-tank missiles, handheld anti-aircraft missiles and tank upgrades, but this did little to assuage unhappiness. Apart from concern that the promised weapons were insufficient in numbers and sophistication to match Azerbaijan's new capabilities, senior Armenian sources complained even before the fighting about delivery delays.⁴²

There also has always been a deeper anxiety among the Armenian public that Russia might switch sides, founded on its ambivalent attitude during the early 1990s' war, when it supported Azerbaijan at times. Moscow's efforts to reinforce its position in the region since 2011 only fuelled these anxieties. Putin pressured Armenia not to sign the EU Association Agreement in 2013, not least by sealing a major arms deal in Baku, and in 2014-2015, there were frequent reports of efforts to entice Azerbaijan to join his Eurasian Economic Union. Baku, frustrated with the West, was also prone to considering closer ties with Moscow. Not without foundation, Armenians suspected that an element of any such move would be a shift by Russia toward a position on NK more sympathetic to Azerbaijan.⁴³

When Russian efforts to broker a summit of the two presidents failed to make progress, the other co-chairs did not immediately step forward. A 5 April meeting of the full MG announced no new initiatives. The co-chairs' visit to the region on 8-10 April was only at ambassador level and could not provide the impetus to restart negotiations. For a time at the beginning of May, it appeared as if the international community would wash its hands of NK.⁴⁴ At this point, Lavrov stressed in an interview that work to convene a meeting between the parties was being done in collaboration with his U.S. and French counterparts. He also expressed support for involvement of Germany in developing investigative and confidence-building mechanisms.⁴⁵ Just as the initiative appeared to be slipping from Russia's sole grip, all three co-chairs announced on 12 May that the Azerbaijan and Armenia presidents would meet in Vienna the next week.

It also appeared that some of the post-fighting nationalist upsurge had been dampened. Aliyev's public statements had avoided triumphalism and left the door to renewed negotiations open. A new offensive was not imminent, because the Armenian army was on high alert, and the element of surprise had been lost. Once Armenia had the co-chairs' commitment to CSBMs, including an investigative mechanism, the main obstacle to its participation in a meeting was removed.

⁴² Crisis Group correspondence, Yerevan, February 2016.

⁴³ Azerbaijan has remained fundamentally suspicious of Russian intentions in the region, but beneath the rhetoric, has attempted to see what it might be able to gain from engagement.

⁴⁴ On 6 April, a former U.S. co-chair published an article strongly criticising the weakness of the official U.S. response to the fighting. Matthew J. Bryza, "Obama Silent on Violence in Nagorno-Karabakh, While Putin Plans Shuttle Diplomacy", Atlantic Council, 6 April 2016.

⁴⁵ "Foreign Minister Sergey Lavrov's interview", op. cit. German Foreign Minister Frank-Walter Steinmeier had proposed a seven-point plan to support the co-chairs. Details were not made public, but the focus appeared to be on CSBMs. Anton Troianovski, "Germany steps up effort to resolve conflict in Nagorno-Karabakh", *The Wall Street Journal*, 7 April 2016.

The two presidents met in Vienna on 16 May, with the presence of Lavrov, French State Secretary for European Affairs Harlem Désir and U.S. Secretary of State John Kerry signalling a new high-level political interest. The co-chairs issued a statement that the presidents had reiterated commitment to the ceasefire and peaceful settlement of the conflict and agreed:

- ❑ to finalise as quickly as possible an OSCE investigative mechanism;
- ❑ to expansion of the OSCE CiO's Office of the Personal Representative;
- ❑ to continue exchange of data on missing persons under the auspices of the International Committee of the Red Cross; and
- ❑ to a new round of talks in June with the aim of resuming negotiations on a comprehensive settlement.⁴⁶

President Putin then resumed his direct activity, meeting bilaterally with the Azerbaijan and Armenian leaders in St Petersburg on 20 June, followed by a trilateral summit, attended by the MG co-chairs. There was nominal coordination with the MG countries, but even France and the U.S. seem not to have been fully involved in the planning. This manifested the *prima inter pares* role Russia seems to pursue in the conflict settlement process: leading on diplomatic initiatives and committing heavyweight political resources to back them up, while formally keeping to the MG format. It was also consistent with broader efforts at bridging the gap with the West, while protecting interests in what it sees as its own privileged zone. The statement issued had no substantive commitments other than to increase ceasefire monitors. It referred to further meetings of presidents in the Russia/Armenia/Azerbaijan format to supplement the co-chairs, but it was unclear whether this format would, in practice, support or undermine their efforts.

C. *Getting Negotiations Back on Track*

Building the Vienna and St. Petersburg statements into a viable, energetic peace process will require sustained, high-level engagement by the co-chairs and other sympathetic countries, such as Germany (the OSCE CiO), the wider MG membership and, crucially, the EU. Ceding Russia the leading role it seeks in the process would not only acknowledge in effect its claim that the region is its special zone of interests, but also make failure of the peace efforts more likely. The parties and other regional powers do not trust Russia sufficiently to support unilateral proposals it might make to resolve the conflict.⁴⁷ The three co-chair countries need to coordinate closely, visibly and energetically, something that should be possible, since the Minsk Group is a rare example especially of Russia-U.S. diplomatic cooperation, an example that could have additional importance at what is otherwise a difficult juncture for relations between Russia and the West.

⁴⁶ "Joint Statement", OSCE Minsk Group, 16 May 2016.

⁴⁷ Foreign Minister Lavrov suggested after the Vienna meeting that the basis for negotiations would be his Lavrov Plan. "There are possibilities of agreeing the parameters of the first phase of a settlement", he said. "They were formulated within the framework of Russian mediation that was in tune with the overall approaches of the Co-Chairs and received the backing of our American and French partners". "Armenia, Azerbaijan pledge to honor ceasefire, resume peace talks", Armenian Service, RFE/RL, 16 May 2015.

Armenia and Azerbaijan will need to take difficult steps. The former must hand over at least some of the occupied territories to Azerbaijan at an early stage, though it has invested massively to build on them a strong defence in depth for NK itself. Azerbaijan must accept CSBMs, monitoring and ultimately peacekeeping that will severely curtail its option to use military force to pressure Armenia. And while maintaining insistence on preserving its territorial integrity, it will also have to accept an interim status for NK that includes the possibility of NK's ultimate loss. This all must happen while there is massive lack of trust, greatly exacerbated by recent fighting. Clear political commitment to the process of the co-chair countries, expressed at the highest level, will be required to compensate for that lack of trust.

The political commitment will also have to be backed up with practical support, so that a promising dynamic can take hold. For Armenia, the priority is bolstering physical security, CSBMs, including the investigative mechanism, enhanced monitoring and a peacekeeping force ready to deploy.⁴⁸ For Azerbaijan, progress on the comprehensive peace plan is crucial. One priority will not move ahead without the other.

The security and peacekeeping arrangements will be hard to work out. The co-chairs are too engaged politically and have too many wider interests to be effective purveyors of security, as the gentlemen's agreement that they will not participate in a peacekeeping force recognises.⁴⁹ Parties or regional partners would be unlikely to have confidence in a Russian-led force. There is minimal political will and practically no likelihood of an EU security arrangement, and Russia would be unlikely to agree to deployment of NATO or EU soldiers. A UN arrangement, including a Security Council mandate, has been most discussed as a potential option, while many in the region have floated notions of non-European contributors. Though the politics of any future arrangement would be complicated, it is important to line up potential contributing countries early. The OSCE has not traditionally had capacity for large peacekeeping missions, but its High Level Planning Group and the German CiO should take soundings among participating states on willingness to be part of a future force.

The EU can play an important role in support of the broader process. High Representative for Foreign Affairs and Security Policy Federica Mogherini has recently stepped up her NK activity. She visited Baku and Yerevan in late winter and in April, backed also by the EUSR's efforts, was one of the first to issue a statement on the fighting and call the sides' leaderships. She also joined the co-chair foreign ministers in Vienna on 16 May and met the Armenian and Azerbaijan presidents. The EU has developed a stronger mandate to contribute to a NK peace process, with its EUSR taking the lead on specific conflict-related issues. The revamping of the European Neighbourhood Policy in 2015 included a new focus on security, stability and conflict, and, as noted above, bilateral cooperation has been gaining traction with both Armenia and Azerbaijan.

To capitalise on the EU's traditional strength in assisting post-conflict rehabilitation and reconstruction and in the event the talks produce openings, Mogherini should commission and the EUSR should lead work on a plan of support for reconstruction of NK and the occupied Azerbaijani territories and restoration of physical communications and infrastructure, including the railway link and possibly rehabilitation of

⁴⁸ It is believed Azerbaijan will accept CSBMs if they are tied closely to the handover of territory. Crisis Group interviews, Baku, May 2016.

⁴⁹ The gentlemen's agreement has not, however, been reconfirmed since the April fighting.

the Sarsang Reservoir. The EU should also capitalise on the expertise from the EPNK civil society peacebuilding initiative.

Trust between Armenia and Azerbaijan was already in short supply before the April fighting. Since then they have accused each other of many ceasefire violations, and there have been more casualties. A press spokesman for President Aliyev was quoted in the local media as saying the statement after the Vienna meeting cannot commit Baku to expand the mandate of the OSCE Cio's special representative, because it was issued only by the co-chairs. Foreign Minister Nalbandian responded that this showed Azerbaijan was trying to back away from agreements.⁵⁰

There is, however, a real chance of a breakthrough, if the co-chairs, ideally supported by the EU, can demonstrate high-level, united political commitment, and other EU countries can put a substantive, security-related offer on the table by the next round of talks. But without a breakthrough, a vicious cycle can be expected. If there is no clear sign return of at least some occupied territory is a near prospect, Azerbaijan will put obstacles in the way of CSBMs, and tension will rise on the LoC. Armenia would then resist even more strongly giving up defensive positions in the occupied territories, Azerbaijan's frustration would increase, and return to serious fighting would become nearly inevitable.

⁵⁰ Lusine Musayelian, "Yerevan questions Azeri commitment to Karabakh agreements", Armenian service, RFE/RL, 23 May 2016.

V. Conclusion

New fighting is a dangerous prospect. It would almost certainly be a major escalation, involving more troops, more long-range artillery and multiple launch missile systems, as well as greater efforts by Azerbaijan to recapture and hold occupied land, if only to satisfy the heightened expectations of its public, and by Armenia to hit targets in Azerbaijan proper. The long-range weapons could inflict serious damage on civilian and economic targets in both countries. Large civilian casualties in Azerbaijan would inflame opinion in Turkey and Iran.⁵¹ With each new escalation, the risk of third-state involvement and consequent wider international cost grows. At the least, a more serious, more extended outbreak of fighting would further raise tensions between Russia and Turkey, possibly forcing the U.S. and EU to take sides just when greater cooperation is needed with both to ameliorate major crises elsewhere. The time is past prudent to cauterise the all too long-running Nagorno-Karabakh conflict.

Baku/Yerevan/Vienna/Brussels, 4 July 2016

⁵¹ Iran could also find itself dragged into the conflict. On 4 April, three shells fell in a village on its side of the border. Its large Azerbaijani minority reportedly responded to the fighting with demonstrations of support for Baku. Crisis Group correspondence, London, May 2016.

Appendix A: Conflict Area in a Regional Context



Stepanakert is the capital of the non-recognised Nagorno-Karabakh Republic and the former Nagorno-Karabakh Autonomous Oblast. The Azerbaijanis have officially renamed the city Khankendi and refer to it by this name. This report uses the pre-1988 names for all geographical features in the area of conflict.

Appendix B: Glossary of Terms

CiO	OSCE Chair-in-Office
CSBMs	Confidence and security building measures
CSCE	Conference on Security and Cooperation in Europe (OSCE from 1995 onwards)
CSTO	Collective Security Treaty Organisation
EPNK	European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh
EUSR	European Union's Special Representative
HR	High Representative of the European Union for Foreign Affairs and Security Policy – representative of the Common Foreign and Security Policy within the European Union
IDPs	Internally Displaced Persons
LoC	Line of Contact
MG	Minsk Group
NK	Nagorno-Karabakh
NKR	Nagorno-Karabakh Republic
NKAO	Nagorno-Karabakh Autonomous Oblast (in Soviet times)
OSCE	Organization for Security and Cooperation in Europe
PR	Personal Representative of the OSCE Chair-in-Office
SR	Special Representative of the OSCE Chair-in-Office