Gayane Novikova

It is very clear that along with the increasing interest of some states of the European Union toward the Caspian oil and gas as an alternative source to the Russian ones, there are growing doubts on the regional stability **as it is** against the background of sharply aggravation of the situation in the region.

As far as all three South Caucasian states are not self-sufficient either politically, or economically (**in less extend it refers to Azerbaijan**), any change in the external environment has its reflection on their behavior models in both external and internal levels, which, in return, increases insecurity and instability of the region.

The reflex policy of Armenia, Azerbaijan and Georgia makes me regretfully point out that practically none of external threats for any state of the region has been removed or at least minimized, as for the internal level – new threats have emerged since then.

The Georgian Minister has spoken about some critical points for Georgia, and Mustafa and me have lost the pleasure to speak about the situation in this state. So I will speak about the situation in the zone of Nagorno Karabakh conflict.

As far as there are no relations between Armenia and Azerbaijan, and the only link between both states is the Nagorno Karabakh conflict, I will try to analyze external challenges and internal developments for all three sides of the conflict in parallel.

I will not to focus on the efforts of the mediators, but I would like to attract your attention to some possible developments in the area of the Nagorno Karabakh conflict, where *status quo* is extremely fragile and the sides are on the verge of resumption of the war.

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Presentation of the Nagorno Karabakh conflict by Azerbaijan as an Armenian-Azerbaijani inter-state conflict, on the one hand, allows Azerbaijan to secure support of the Muslim World to describe the conflict as a territorial dispute, meanwhile it is a conflict between Azerbaijan and Nagorno Karabakh on the issue Karabakh's self-determination.

And on the other hand, its open counteraction to the direct participation of Nagorno Karabakh in the negotiating process reduces the chances of the same Azerbaijan to settle the conflict peacefully even in the medium-term perspective. I cannot share the optimistic statement of the US State Secretary Rice made a couple of days ago (April 14) on the possibilities of the conflict resolution in the short-term perspective. Even more, I will try to prove my more pessimistic approach.

It is absolutely evident that whatever is said by the official representatives of some European states, the USA, as well as the international organizations, the Kosovo factor will be maximally used by all non-recognized states as well as all those forces, having ethno-territorial and ethno-political problems with central authorities.

So, on the background of the Kosovo cause, Azerbaijan continues its widespread campaign to minimize by all possible means any opportunity of recognition of the Nagorno Karabakh independence. And vice versa, Armenia and Nagorno Karabakh have mentioned quite a long time that Kosovo is not a precedent, because NKR has stronger historical and legislative bases and already about 20 years *de facto* exists as an independent state, but they should use all possibilities opened after Kosovo.

It is necessary also to mention that after the sadly-known events on March 1-2, 2008, which followed the presidential elections in Armenia, as well as the subsequent developments in the conflict zone on March 4-5, when Azerbaijan used (for the first time since the cease-fire agreement of 1994) heavy armament in the offensive operation not far from Martakert, Nagorno Karabakh, Azerbaijan has received an additional space for manipulation by the international public opinion and exert pressure upon Armenia.

In the established situation, for Armenia it is absolutely important to keep the *status quo* in the zone of the conflict as long as possible, using all opportunities to restore its image of the democratic and stable state.

And vice versa, for Azerbaijan it is now the best time to try to get out of existing deadlock situation by force.

As far as Azerbaijan has became a regional power, the following facts and trends made this quite obvious:

- First, Azerbaijan makes quite productive steps for securing international support in case of resumption of military actions in the zone of the Nagorno-Karabakh conflict. There are two international structures, where its position is supported by practically all members – the Islamic Conference Organization and GUAM. It can be seen by results of voting on the UN GA Resolution #10693 (March 14, 2008), as well as by the Joint Declaration on the issue of conflict settlement, adopted at the Summit of Heads of State of the Organization for Democracy and Economic Development-GUAM, on May 23, 2006 in Kyiv.

Of course, regarding such kind of efforts I could argue that the UN GA resolutions aren't obliged for the member states, or the GUAM states are free to adopt any resolutions, declarations, etc. But the fact is that after quite a long

period in 14 years Azerbaijan was able to put on the table a range of documents which is possible to use as a leverage against Armenia.

Second, for the West (as a whole) the option of using force in settlement of the Nagorno Karabakh conflict is unacceptable; it is obvious that the format of the OSCE Minsk Group for consideration of possibilities for the peaceful settlement of the conflict seems acceptable to both NATO and EU, as it was confirmed these days by the Special Representatives of both institutions in the South Caucasus. Of course, the Minsk Group co-chairmen are trying to convince that there are some positive developments and the conflict can be resolved within the current format of the negotiations. Let me remind you that France, USA and Russia voted against the mentioned UN GA resolution on reaffirming territorial integrity of Azerbaijan.

In its turn, Azerbaijan continues to force the international community to change the negotiations format and take it out of the existing frameworks of the Minsk Group, which should be considered as a very clear signal, that Azerbaijan has made tougher its approaches to the possible ways of the conflict resolution.

Here is necessary to mention its last statements about the common use of the Lachin corridor, but only in case if it will be an integral part of Azerbaijan; the status of Nagorno Karabakh should be decided, in the Azerbaijani point of view only according to the "Azerbaijani internal legislation and an agreement between the Azerbaijani and Armenian communities of Nagorno Karabakh", and not through negotiations between all three sides of the conflict. At the international conference "Basic Principles for the Settlement of the Conflicts on the Territories of the GUAM States," held by the Ministry of Foreign Affairs of Azerbaijan on April 15-16, 2008 in Baku, Araz Azimov, Deputy minister of Foreign Affairs, articulated that Azerbaijan will discuss ONLY the issue of autonomy for Nagorno Karabakh.

Third. Azerbaijan declares the figures by which it intends to increase the military budget, and they are almost equal to the defense budget of Armenia: in 2007 Azerbaijan's budget was \$1,39 billion USD, and it plans to increase it by \$250-300 million USD.

Forth. Azerbaijan and Turkey (which has its own reasons) directly impede any possible participation of Armenia in the regional economic and communicative projects. I would like also to add Georgia, which is indirectly involved into that very process.

Fifth. Against the background of the permanent statements about the steady economic growth with parallel jumps of prices for oil, gas and consumption goods, accelerating the growing gap between the living standards of various sections of population along with the lack of positive shifts in the conflict resolution and strengthening Islamist moods (by various reasons) in the socially unprotected groups of society, the Azerbaijani leadership has to resort to the aggressive rhetoric addressed to Nagorno Karabakh and Armenia.

Militarization of the country and creation of the relevant public opinion are getting quite dangerous forms. Let me note that our Center monitors the Azerbaijani mass media: very clear trends in the Azerbaijani public opinion are obvious.

Among the factors playing on the Azerbaijani side I would like also mentioned the energy supplies from the Caspian to some European states, successful isolation of Armenia from main regional energetic and communication projects, activization of Turkey in the South Caucasian direction, continuing strengthening the US-Azerbaijani military relations. *****

I would like to mention that the Nagorno Karabakh and Armenia have no reason to resume military actions in the zone of the conflict. First, the recognition of Kosovo independence as it is gives to Nagorno Karabakh an opportunity to insist on the change of current borders in the South Caucasus applying to the international law and the history. In addition, Nagorno Karabakh has already existed for more than 17 years as a non-recognized, but *de facto* state, or quasi state increasing its political potential.

Second, both – Armenia and Nagorno Karabakh – have announced many times that the NKR's independence should be achieved only by peaceful means, on the way of democratization. One of the strong arguments was comparison with the non-democratic developments in Azerbaijan. Unfortunately, the last developments in Armenia have minimized this argument.

Third, involvement into the military actions will strongly affect the economies of both Armenia and Nagorno Karabakh.

Fourth, in the Armenian society there is an approach, understanding, or attitude that the conflict around Nagorno Karabakh has already been resolved.

Fifth, the current internal developments in Armenia strongly affect its international image as the only stable state in the area of the South Caucasus, with a predictable model of the political behavior and evolutionary development. It this case the newly-elected president and his newly-appointed government should try to do their best to restore the image of the country, avoiding any additional problems on the international area. So, as you can see, there is no one reason from the both Armenian sides to aggravate instability and increase security deficit in the area of the conflict.

To the contrary, all the above-mentioned factors can provoke Azerbaijan to attempt restoring its territorial integrity in military way.

At first glance in this situation Armenia might recognized the independence of Nagorno Karabakh (we have some examples in the history, and the very obvious one is the Cyprus cause), which from my point of view will turn the situation into a complete deadlock, closing even the existing very narrow windows of opportunity for all the sides concerned. In case if there is no support from other states, Azerbaijan will use this (forced from Armenia) step for creation wide-range anti-Armenian coalition. To avoid this Armenia and Nagorno Karabakh should elaborate a common strategy of cooperation in security issues, on the inter-state basis: Nagorno Karabakh can be considered as a primary subject of the International Law, as far as according with the UN Chapter a people struggling for liberation is a legal party.