



## ***THE SOUTH CAUCASUS AWAITS ITS OWN ‘IRENIC’ SPRING<sup>1</sup>***

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### ***Abstract***

The Arab Spring, or “Arab Awakening,” that began in Tunisia in early 2011 has spawned numerous developments across the region, some of them surprising in nature and perhaps in scale. One such development has been a major re-alignment of regional power relations, resulting both in new patterns of relations among countries and in complications of longstanding disputes. The regional re-alignment engendered by the Arab Awakening has reshaped the contours of possible armed conflict in the South Caucasus over the Nagorno-Karabakh region, and has also reshaped the contours of possible resolution. Among the newly emerging patterns, Russian steps towards diplomatic solution of the Syrian conflict, including forestalling a US-led military intervention, could work as an example of US-Russian cooperation in preventing an outbreak or escalation of other regional disputes. An agreement brokered largely by US Secretary of State John Kerry and Russian Foreign Minister Sergei Lavrov as a diplomatic de-escalation of the Syrian crisis might serve as a general template for de-escalating the Nagorno-Karabakh conflict. In such a scenario, however, US-Russian

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<sup>1</sup> The authors wish to thank Professor Dr. Paul Holman for helpful suggestions and commentary on an earlier draft.

cooperation would almost certainly need to include direct and heavy Turkish involvement, and given currently evolving realities, would need to account for rising Iranian influence as well.

## *Introduction*

The re-alignment of regional powers due to the Arab Spring (hereafter referred to as the ‘Arab Awakening’) has re-shaped the contours of possible armed conflict in the South Caucasus, namely over the Nagorno-Karabakh region, and has also re-shaped the contours of possible resolution. A key element in this altered picture is the decade-long *rapprochement* in Turkish-Russian relations, which along with the turmoil of the Arab Awakening, may ironically present not only new opportunities for prevention of armed conflict, but also the possibility for a durable resolution to smoldering ones. Dmitri Trenin recently referred to the Russian-Turkish relation, correctly in our view, as “one of the pillars of security in Europe.”<sup>2</sup> If so, it will be critical for the resolution of the Nagorno-Karabakh dispute, and especially if supported by the US. Below we explore why this is so.

War over the disputed enclave initially erupted in 1988, even before Armenia and Azerbaijan gained independence as a result of the Soviet Union’s unexpected collapse in late 1991. The question of Nagorno-Karabakh has remained central to political discourse in both Armenia and Azerbaijan, shaping every dimension of political life either directly or indirectly.<sup>3</sup> For both Azerbaijan and Armenia, presenting its neighbor as the “enemy-other” has played a major role in the process of constructing national identity; the conflict over Nagorno-Karabakh plays a crucial, defining role in the politics of both countries. It is thus a territorial dispute made particularly complex by domestic factors that create exceptionally difficult obstacles to resolution.<sup>4</sup> The conflict itself remains stalemated and in a technical state of ‘cease-fire’, although at least several combatants have been killed each month, on average, for the past several years. The approximately 600,000 internally displaced persons (IDPs) within Azerbaijan, and Armenia’s continued and determined military occupation of over 20 percent of Azerbaijan’s internationally recognized territory, ensure that the dispute will persist as a

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<sup>2</sup> Dmitri Trenin, “From Kabul to Damascus: Any Common Ground Between Turkey and Russia?”, *Insight Turkey*, vol. 15, no. 1 (Winter 2013), pp. 37-49.

<sup>3</sup> For example, see “Azerbaijani flag to wave in Nagorno-Karabakh, says Aliyev”, *Today’s Zaman*, (April 17, 2012). Accessed March 28, 2013 at [http://www.todayszaman.com/newsDetail\\_getNewsById.action?load=detay&newsId=277791&link=277791](http://www.todayszaman.com/newsDetail_getNewsById.action?load=detay&newsId=277791&link=277791); Tracey German, “The Nagorno-Karabakh Conflict between Azerbaijan and Armenia: Security Issues in the Caucasus”, *Journal of Muslim Minority Affairs*, Vol. 32, No. 2 (July 2012), pp. 216-229.

<sup>4</sup> James W. Warhola and Egemen B. Bezci, “War and Peace: Russia, Turkey, and the Domestic Dimension of Conflict Perpetuation, Cessation, and Resolution in the Caucasus,” *Journal of Eurasian Studies* (AVID: Avrasya İncelemeleri Dergisi; Istanbul University, Istanbul) II: 1 (2013), 1 – 37.

major issue in both countries' internal politics, in their foreign relations, and as a grave concern for regional security.<sup>5</sup> The fact that Russia has allied itself militarily with Armenia, and Turkey with Azerbaijan, only further solidifies the status quo in a manner that makes significant change very difficult. How does the Arab Awakening complicate this already complex regional dilemma, yet also present possible new avenues for resolution? To understand that, it is essential to grasp why efforts at definitive resolution up to this point have failed.

### *Commentary on the Minsk Group*

The Minsk Group, co-chaired by Russia, France, and the United States under the auspices of the Organization for Security and Cooperation in Europe (OSCE), has sought an enduring settlement since 1994. To date, however, it has proven unable to either impose its own solution or to succeed in bringing Armenia and Azerbaijan together for a mutual agreement; the so-called "Key West agreement" of 2001 came perhaps closest, but was scuttled by domestic forces in each country. More recently, a June 2012 joint statement by the Minsk Group co-chairs partially admitted their own ineffectiveness: "We regret that the Presidents of Azerbaijan and Armenia did not take decisive steps that our countries called for . . . ."<sup>6</sup> Despite valiant efforts, the Minsk Group has not provided an agreeable solution for the main parties to the conflict nor is it likely to do so given the calculus of forces involved. A primary reason is Azerbaijan's persisting belief that the Minsk Group favors Armenia in its quest for a solution; President Aliyev's chief foreign policy adviser, Novruz Mammadov, has conveyed this viewpoint to the Minsk Group several times.<sup>7</sup> The Minsk Group has arguably undervalued Turkey's efforts at resolution of Nagorno-Karabakh and marginalized Turkey as a prominent actor. Further, the Minsk Group co-chairing countries appear to have significantly shifted their international focus to the Middle East and North Africa due to the Arab Awakening, thereby compounding their ineffectiveness in resolving the Nagorno-Karabakh knot. Why is this so?

The Minsk Group co-chair countries have re-focused their foreign policy goals on coping with the consequences of the Arab Awakening in part out of concern over its spill-over effects, and particularly over the prospects of ignition or escalation of conflicts in Middle East and North

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<sup>5</sup> For more information on this matter, <http://www.internal-displacement.org/countries/azerbaijan>.

<sup>6</sup> "Joint statement by the Presidents of the United States, the Russian Federation and France on Nagorno-Karabakh", *OSCE* (June 19, 2012); accessed January 13, 2013 at <http://www.osce.org/mg/91393>.

<sup>7</sup> "Azerbaijani Official: Minsk Group Favors Armenia In Karabakh Dispute", *RFE/RL*, (May 13, 2009). Accessed December 12, 2010 at <http://www.rferl.org/content/article/1731148.html>.

Africa, and the spread of Islamic radicalism. This is understandable given the exceptional volatility in the region. The ironic result is that the Nagorno-Karabakh dispute has arguably been pushed to a lower place on their agenda (Russia excepted), despite being perhaps the most dangerous regional flashpoint.<sup>8</sup> In turn, this situation has enabled other actors in the regional drama to play a more influential role in the conflict. These actors are namely Turkey, Iran, and Israel, each of which has recently gained more leverage on either Azerbaijan or Armenia.

### *Realignment of Regional Powers: Turkey and Russia*

There can be little doubt that Russia is the single, key player in any prospective transformation of the Nagorno-Karabakh dispute.<sup>9</sup> The collective defense agreement between Russia and Armenia under the Collective Security Treaty Organization (CSTO) and the existence of the 102<sup>nd</sup> Russian military base in Gyumri Armenia just 125 kilometers outside of Yerevan act as balancing agents against Azerbaijan, even despite Azerbaijan's significantly increased military might over the past decade (much of the equipment for which has come from – Russia!). In addition, increased energy cooperation between Russia and Azerbaijan has been augmented, oddly enough, by arms deals between them. These points of Russian-Azerbaijani cooperation demonstrate that Russia seeks to preserve the general status quo in the region by maintaining and even increasing Russian influence on both parties.

Significantly, Russia has pursued a parallel path since 2008, independent from the Minsk Group, in seeking a solution. In fact a generally increasing trend of cooperation between Russia and Azerbaijan has been in evidence; the motive appears to have been to dissuade the Azeri government from forging strategic bonds with Western powers to resolve the Nagorno-Karabakh dispute, and for two important reasons: (1) Russia seeks to preserve or even increase its general influence in the Caucasus, and (2) Azerbaijan plays an important role as both an energy supplier itself and as an important center for Caspian energy relations. Thus for Russia, preserving good relations with Azerbaijan is critical.

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<sup>8</sup> Thomas DeWaal, perhaps the most consistently informed and learned observer of the dispute, offered in June 2013 that, although “the risk of new conflict is relatively low... maybe the most dangerous conflict is the one you were not anticipating.” “The Two NKs”, *Carnegie Moscow Center*, July 24, 2013; accessed 3 October 3, 2013 at: <http://carnegie.ru/eurasiaoutlook/?fa=52483>.

<sup>9</sup> As offered by Ohannes Geukjian, it is more useful to speak of “transformation” of the dispute rather than ‘resolution, cf. “Necessary Transformations for Conflict Resolution in Nagorno-Karabakh,” paper presented at the Association for the Study of Nationalities 2013 World Convention (NYC: Columbia University), April 19, 2013.

Since the early 2000s, as a result of the Turkish-Russian *rapprochement* and subsequent pursuit of a ‘strategic partnership’ between Russia and Turkey, Russia has engaged Turkey to be a stronger partner in sustaining regional stability and security, despite their differences about the Syrian uprising. Thus their cooperation affects the quest for a Nagorno-Karabakh solution. In turn, Turkey’s position regarding the dispute holds great implications for all the parties’ decision-making. At the same time, Turkey has endeavored to diversify its foreign relations since the early 2000s, consistent with Foreign Minister Davutoğlu’s stated “zero-problem with neighbors” policy. While critics have claimed that this approach has led to “zero solutions” instead of zero problems, the fact remains that Dr. Davutoğlu’s approach has opened doors for possible solutions that might otherwise never have materialized.<sup>10</sup> The Turkish-Armenian reconciliation protocols, signed in 2008 but never ratified, are a case in point. In fact, Turkey and Russia have come to share a similar vision for the region, but only up to a point; and here is where the Arab Awakening enters the picture in a complicating fashion.

The developments and recently re-structured power relations from the Arab Awakening unquestionably affected Turkey and Russia’s vision for the Middle East. Even before it erupted in early 2011, the partially-shared vision of Russia and Turkey concerning harmony for the Caucasus region became unsettled as Russia established a military pact with Armenia in August 2010; very soon thereafter Turkey signed a strategic cooperation agreement with Azerbaijan. This latter agreement, ratified on 10 March 2011 at the very time of the escalation of the Arab Awakening, obliges both countries to aid each other militarily when a third party attacks either of the two countries. This collective defense pact and other military agreements between Turkey and Azerbaijan reveal Turkey’s leverage over Azerbaijan.<sup>11</sup> Furthermore, as the civil war in Syria escalated, Turkey and Russia initially appeared to have lost ground for effective cooperation in solving regional problems. The recent agreement for the establishment of NATO Patriot anti-ballistic missile systems on Turkish territory and Turkey’s support for Syrian opposition groups to overthrow the Assad regime further suggest a souring of prospects for a shared Turkish-Russian strategy for settling the conflicts plaguing the South Caucasus. Things are not that simple, however; the Turkish-Russian *rapprochement* arguably provides a more comprehensive ground for prospective resolution of Nagorno-

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<sup>10</sup> Abdulgani Bozkurt, “Sıfır Sorun’dan Sıfır Çözüm’e: Türkiye, Suriye Politikasından Dolayı Bölgede Dostsuz mu Kalıyor?” *Orta Doğu Analiz* Vol. 4, No. 42 (June 2012), pp. 35-45. (“From Zero Problems to Zero Solutions: Does Turkey Remain Friendless in the Region because of its Syria Policy?”).

<sup>11</sup> “Putin’s visit to Turkey to keep bilateral relations strong”, *Today’s Zaman*, (December 9, 2012). Accessed January 11, 2013 at <http://www.todayszaman.com/news-300580-putins-visit-to-turkey-to-keep-bilateral-relations-strong.html>.

Karabakh than previously existed. There are four reasons why this is so.

First, even though the Arab Awakening tends to be interpreted very differently by Turkey and by Russia in terms of the dangers and opportunities it presents, their respective interpretations of the *origins* are both very similar to each other (i.e., Arabs rising against Western hegemonic control over the region) and distinctively different from the standard Western interpretation, which is that of Arabs rising up against illiberal, non-democratic regimes and attempting to install liberal democracy.<sup>12</sup>

Second, the Russian-Turkish *rapprochement* that began in the early 2000s has re-shaped the entire geo-political landscape of western Eurasia, and has several important traits: *pragmatism; multi-dimensionality; commonalities between Russia and Turkey despite asymmetries*; and deliberately cultivated *durability and deepening commitment* to continue building the bilateral relation.<sup>13</sup> The Arab Awakening has doubtless engendered strains in the Russian-Turkish relation, with the differences over the Syrian civil war being the most glaring. Even here, however, the outworking of the above four traits is clearly evident: at the third meeting of the Russian-Turkish *High Level Cooperation Council* (ÜDIK) in Istanbul in December 2012, President Putin answered a reporter's question about Russian-Turkish differences over Syria by stating that *the differences were over finding a "common approach to the method" of achieving the shared goals of humanitarianism and conflict resolution, rather than being at odds over the Syrian civil war per se*. This is crucial. President Putin also noted that the foreign ministries of Russia and Turkey had been tasked with finding that hitherto elusive "common approach."<sup>14</sup> The fact that this episode occurred even despite the serious row over the "jet crisis" several months earlier is very revealing of the capacity of the Russian-Turkish *rapprochement* to rise above serious differences.<sup>15</sup>

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<sup>12</sup> The differences in interpretation of the origins and meaning of the Arab Awakening in Turkey and the West, for example, were clearly and repeatedly articulated at the *Istanbul Kurusel Forumu* (Istanbul World Forum), Oct. 13-14, 2012 by Prime Minister Erdoğan and by Foreign Minister Davutoğlu; authors' observance.

<sup>13</sup> James W. Warhola and Egemen B. Bezci, "The Return of President Putin and Russian-Turkish Relations: Where Are They Headed?" *Sage Open Publications*, July-September 2013: 1-15, DOI: 10.1177/2158244013503165.

<sup>14</sup> In the original Russian: Мы пока не можем найти общего подхода к методам достижения этих целей, к методам урегулирования проблемы. Но, как уже было сказано, мы сегодня поручили министрам иностранных дел – а в ходе переговоров возникли и некоторые новые, свежие идеи (пока просто я считаю преждевременным об этом говорить) – провести дополнительные консультации. "Working Visit in Turkey", (December 3, 2012) accessed February 14, 2013 at <http://www.kremlin.ru/news/17019>.

<sup>15</sup> In the summer of 2012 Turkey intercepted a Russian jet, forcing it to land in Turkey; the Turkish government claimed the jet was carrying military equipment to Syria in support of the Assad regime. Russia denied the claim, and Russian-Turkish relations quickly resumed their cooperative nature. See Oytun Orhan, "Suriye ile Jet Krizi, Rusya'nın Rolü ve Türk Dış Politikası" *OrtadoguAnaliz*, Vol.4, No.44 (August 2012), pp. 9 – 15. ("Syria

Third, the Arab Awakening arguably underscores the pressing imperative to find “fresh ideas” (Putin’s phrase, uttered in Istanbul in December 2012) for conflict resolution. The previous ideas behind the Nagorno-Karabakh resolution process have clearly not worked as evidenced by the escalation of tensions and deaths from skirmishes in the past few years. Armenia has been accused of re-settling into Nagorno-Karabakh Syrian refugees who are ethnically Armenian; Turkey and especially Azerbaijan understandably regard this as a provocation.<sup>16</sup> Regardless of the validity of the accusations, they demonstrate that the Arab Awakening has direct consequences for the prospective resolution of the Nagorno-Karabakh dispute. *Thus, the Arab Awakening in general and specifically the Syrian conflict underscore the grave danger of localized conflict escalating far beyond the place of origin and pulling in disputants who otherwise would have remained at peace --- and all parties in the region clearly understand this.*

As noted above, in December 2012 Russian President Putin visited Istanbul to confer with Turkish Prime Minister Erdoğan at the *High Level Cooperation Council* (ÜDIK), giving hope for closer cooperation on Syria. Thus far little has materialized, however, even despite their signing 11 bi-lateral agreements on other issues. Nonetheless the overall pattern of relations in the Russian-Turkish *rapprochement* indicates that Turkey would not likely risk its relations with Russia by unquestionably supporting Azerbaijan over Nagorno-Karabakh. There is recent precedent for Turkey even retreating from an unequivocally pro-Azeri orientation.<sup>17</sup> The turmoil in Syria demonstrates that although Turkey and Russia do not necessarily share a common vision for the solution of each particular regional problem, they have each expressed keen awareness of the need to cooperate and compromise to solve general regional security issues, especially to avoid suffering political and economic fallout from further regional instability.<sup>18</sup>

Finally, Russia and Turkey have both experienced an identity shift vis-à-vis Europe, and specifically in their patterns of reactions to European hegemony as reflected in a EU-centric

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and the Jet Crisis in Russia’s Role in Turkish Foreign Policy”).

<sup>16</sup> “Sovereignty Lost for Armenian People – French MP”, *Today.Az*, (February 20 2013), accessed February 20, 2013 at: <http://www.today.az/news/politics/119331.html>.

<sup>17</sup> E. Isleri and O. Dilek, “The Limitations of Turkey’s New Foreign Policy Activism in the Caucasian Regional Security Complexity,” *Turkish Studies*, vol. 12, no. 1 (March 2011), p. 49.

<sup>18</sup> “Putin’s visit to Turkey to keep bilateral relations strong”, *Today’s Zaman*, (December 9, 2012) accessed December 28, 2012, at <http://www.todayszaman.com/news-300580-putins-visit-to-turkey-to-keep-bilateral-relations-strong.html>.

image of Europe.<sup>19</sup> *This is crucial in that both Turkey and Russia tend strongly to view the Arab Awakening as an essentially anti-Western reaction among the various Arab publics.* While this identity shift in Russia and in Turkey in terms of their disposition to Europe may not directly lead to closer Russian-Turkish cooperation on the Nagorno-Karabakh dispute, it has already led to a grand-scale re-imaging of themselves in a manner that underscores their roles as regional leaders in various domains, with conflict resolution assuming a larger role as their pragmatic, multi-vectored and durable relationship matures and proceeds. The ramifications of such an identity shift for the Nagorno-Karabakh dispute are clear, and suggest at least three points: (1) a critical, joint role for Russia and Turkey; (2) a diminished role for the hitherto-constituted Minsk Group; (3) a possibly heightened role for Iran, for reasons we explore below. Again, we view the Russian-Turkish rapprochement as critical.

What do Russia and Turkey aim to gain from their relationship? All evidence indicates that Turkey perceives the relation with Russia not as an alternative for its western commitment but rather as a complement to it, and particularly in order to achieve its vision of “zero-problems with neighbors.”<sup>20</sup> Turkey’s heavy reliance on Russia for energy resources, its increasing need for Caspian energy, and its vision for a viable and peaceful solution of various regional problems only further entrench the durability of its rapprochement with Russia. Especially in the case of Nagorno-Karabakh, Washington appears to clearly understand that collaboration between Russia and Turkey is crucial for preventing large-scale armed conflict.<sup>21</sup> Washington may therefore work even more actively in the near future to help foster a greater role for Turkey in seeking a resolution. The fundamentally pragmatic nature of the Russian-Turkish rapprochement would certainly allow for this even despite the present frostiness between Washington and Moscow.

### ***Iran and Israel: New Actors to the Conflict***

Iran’s overall profile in the South Caucasus has clearly been increasing in the past few years. Moreover, decision-makers in Tehran recently reiterated with vigor their long-standing

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<sup>19</sup> Viatcheslav Morozov and Bahar Rumelili, “The external constitution of European identity: Russia and Turkey as Europe-makers,” *Cooperation and Conflict* Vol.47, No. 1 (March 2012), pp. 28-48. For more on the Eurasianist shift in both, see Marlene Laruelle, *Russo-Turkish Rapprochement through the Idea of Eurasia: Alexander Dugin's Networks in Turkey*, (Washington, DC, The Jamestown Foundation: Occasional Paper, 2008), p. 7; accessed September 17, 2009 at: <http://www.jamestown.org/uploads/media/Jamestown-LaruelleRussoTurkish.pdf>.

<sup>20</sup> James Warhola and Egemen Bezci, “The Return of President Putin and Russian–Turkish Relations: Where Are They Headed?” *Sage Open*, July-September 2013 (DOI: 10.1177/2158244013503165), 3-5.

<sup>21</sup> For Washington’s rising concerns and prospects of Turkey and Russian relations on the Nagorno-Karabakh conflict, see E. Wayne Merry, “Another Regional War in the Wings”, *The National Interest*, (January 31, 2013); <http://nationalinterest.org/commentary/another-regional-war-the-wings-8042> .

interest in having a mediating role in the Nagorno-Karabakh issue.<sup>22</sup> However, Iran's role in the conflict offers little promise of being the decisive factor in mediation, let alone resolution, as long as the USA remains a key actor. But Iran will certainly play a role, and perhaps an increasingly significant one. There are numerous aspects to its role, however, and these warrant consideration, particularly in light of the possible continuation of US-Iranian dialogue initiated in late summer 2103, not long after the election of Hassan Rouhani to the Iranian presidency in June.

First, it is noteworthy that Iran, a conservatively Shi'ite Islamic Republic, has forged strong economic and strategic ties with Christian-majority Armenia rather than with Shi'ite-populated Azerbaijan. The immediate reason for Iran's support for Armenia is strongly tied to the *realpolitik* concerns of Tehran; the deeper roots of the Iranian-Armenian condominium, however, go back to the early 1990s, when various national leaders in Azerbaijan attempted to bolster their political power by appealing to Iran's sizeable ethnic Azeri population in fanning irredentist claims. Iran predictably balked at those attempts, and began to support Armenia in the Karabakh conflict. More recently, the Iran-Armenian relation has again become salient to prospective transformation of the Nagorno-Karabakh impasse: Iran perceives Azerbaijan as a future rival in the region with its increasing energy trade and arms capabilities; Armenia can help Tehran counterbalance such power.

Second, Tehran is aware that if Azerbaijan solves the Nagorno-Karabakh conflict in its own favor, Baku's next grand ambition could very well be the Azeri population living in Iran – and their territory – adjacent to the Azeri border. Considering that approximately 16 percent of Iranian citizens have Azeri ethnicity, a powerful Azerbaijan to the north of Iran could act as a secessionist trigger for Iran's Azeri minority. Accordingly, up to this point Iran has focused more efforts on preserving the status quo regarding Nagorno-Karabakh, which presently favors Armenia, than on exploring novel solutions potentially favorable to Azerbaijan.<sup>23</sup>

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<sup>22</sup> "Iran ready to mediate in Nagorno-Karabakh dispute": Lawmaker, PressTv, June 22, 2013. URL: <http://presstv.com/detail/2013/06/22/310246/iran-ready-to-settle-karabakh-dispute/>. See also "Iran Seeks A Role in Nagorno-Karabakh Conflict," (no author indicated) *Caspian Research*, January 11, 2013; accessed October 1, 2013 at: <http://caspiaresearch.com/2013/01/11/iran-seeks-a-role-in-nagorno-karabakh-conflict/>. Regarding Iran's longstanding interest in serving as mediator, see Abdollah Ramezanzadeh, "Iran's Role as Mediator in the Nagorno-Karabakh Crisis", in Bruno Coppetiers, editor, *Contested Borders in the Caucasus* (Brussels: VUBPRESS, 1996); accessed October 2, 2013 at: <http://poli.vub.ac.be/publi/ContBorders/eng/ch0701.htm>.

<sup>23</sup> "Armenia and Azerbaijan: A Season of Risks", International Crisis Group Europe Briefing N° 71, 26 September 2013; accessed 1 October 2013 at: [http://www.crisisgroup.org/~media/Files/europe/caucasus/b071-armenia-and-azerbaijan-a-season-of-risks.pdf?utm\\_source=armenia-briefing&utm\\_medium=3&utm\\_campaign=mremail](http://www.crisisgroup.org/~/media/Files/europe/caucasus/b071-armenia-and-azerbaijan-a-season-of-risks.pdf?utm_source=armenia-briefing&utm_medium=3&utm_campaign=mremail).

Third, Iran earnestly seeks to avoid being contained by countries which have favorable relations with the West. In this regard, and as a result of the tenuousness of the Assad regime in Syria, Iran is concerned about further containment. Accordingly, Azerbaijan's increasingly cooperative relations with Israel and with Western countries have come to represent a serious and mounting concern to Iran. Finally, the Russian-Iranian connection is sufficiently ambiguous and fluid so as to allow both parties room for considerable flexibility in seeking possible resolutions to the Nagorno-Karabakh knot; in any case, both Russia and Iran keenly understand that the outbreak and escalation of broad-scale armed conflict is in no country's short, medium, or long-term interests. The International Crisis group's September 2013 report on the conflict perhaps expressed it best, in terms of Iran's role in the complex of inter-relations among countries in the region: "Iran is a wild card."<sup>24</sup>

Israel is also emerging as an important country for the South Caucasus due to its expanded security cooperation with Azerbaijan. After Turkey and Israel froze all diplomatic relations in 2010, Israel sought new partners in the region due to Israel's longstanding doctrine of building relations with periphery countries. This doctrine impels Israeli leaders to develop cooperation with non-Arab countries in order to break through surrounding Arab countries perceived by Israel as hostile. Azerbaijan thus emerges as a suitable partner for Israel as a replacement for the erstwhile Turkish partnership. Moreover, the ambiguous security environment surrounding Israel due to the unrest and upheaval in numerous Arab countries appears to have pushed Israeli decision makers toward closer cooperation with Azerbaijan. Especially in terms of energy cooperation Israel has developed solid ties with the Azeri government by dealing with Azerbaijan's State Oil Company of the Azerbaijan Republic (SOCAR). This cooperation enables Israel to develop deeper *economic* ties with Azerbaijan and also reinforces and stabilizes Azeri-Israeli *strategic* relations. Israel has thereby become one of the top economic partners of Baku.

However, the evolving Azeri-Israeli relationship has two important aspects that pertain to prospective conflict resolution in the region, including Nagorno-Karabakh. First, indications in August 2013 from newly elected Iranian leader Rouhani to soften the rhetoric towards the US and Israel could possibly loosen Israeli-Azeri ties, to the extent that such ties are based on common threat perception. Second, Baku appears to harbor some degree of hesitation out of fear that Muslim countries might disfavor Azeri claims on the Nagorno-Karabakh issue in the

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<sup>24</sup> "Armenia and Azerbaijan: A Season of Risks", p. 5.

United Nations, if Baku were to establish a diplomatic representation in Israel.<sup>25</sup> On the other hand, given Israel's regional preponderance of military power, such cooperation also enables Azerbaijan to keep the military option for Nagorno-Karabakh on the table.<sup>26</sup>

### *Conclusion*

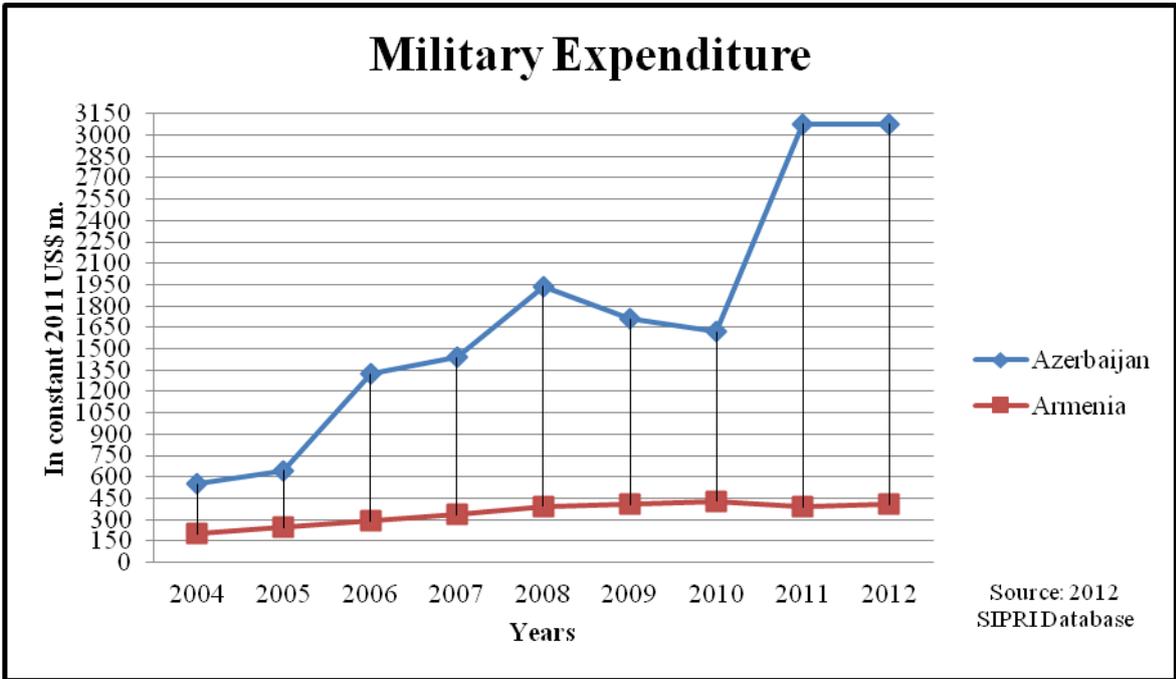
With the Nagorno-Karabakh dispute continuing to dangerously simmer, the South Caucasus awaits its own political and 'Irenic' Spring. Ongoing, mortally dangerous tensions between Armenia and Azerbaijan combined with increasing *realpolitik* re-alignments in the region make a peaceful resolution of the Nagorno-Karabakh conflict even more complex to achieve than previously. At the same time, however, *the grand-scale consequence of the Arab Awakening may ironically give rise to circumstances in which transformation toward novel resolutions may be more likely to be considered, both in the domestic and international fronts of the countries involved.* This complex, variegated, and resource-rich region of the Caucasus and Caspian Sea will continue to draw the attention of major actors, with their varied agendas. Among them, Russia and Turkey – hopefully conjoined with cooperation from Washington in a different configuration than the ineffective Minsk Group process -- appear to us key for successful conflict resolution. Such cooperation may open the door for possibilities to cut the Nagorno-Karabakh knot in a way that leaves the entire region more stable, prosperous, and at peace.

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<sup>25</sup> Brenda Shaffer, "Azerbaijan's Cooperation with Israel Goes Beyond Iran Tensions", The Washington Institute for Near East Affairs, Policy Watch 2067, April 16, 2013. URL: <http://www.washingtoninstitute.org/policy-analysis/view/azerbajjans-cooperation-with-israel-goes-beyond-iran-tensions>

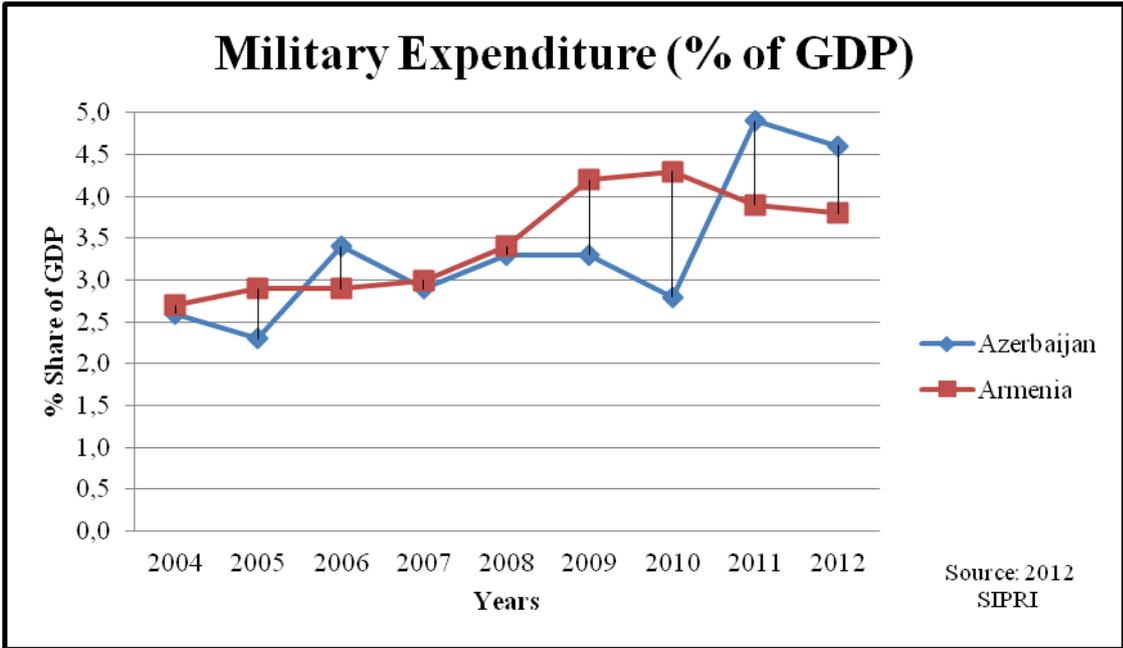
<sup>26</sup> See also James Reynolds, "Why Azerbaijan is closer to Israel than to Iran," BBC News, 12 August 2012.

Graph.1. (Military expenditure)



Note to Graph 1: Azerbaijan has been devoting considerably more to military expenditures, especially after 2010, when a drastic increase in military expenditure began. This increase could signal a growing Azeri willingness to exercise a military option. However, since 2004 Armenia has also been dedicating an increasing percent of its GDP to military spending (Graph 2). These figures suggest that Armenia has been never abandoned a military solution to the conflict. However, from 2011 and 2012, Azerbaijan has also increased the *percentage* of its GDP on military spending. Graph 3 shows that the Azeri increase in military expenditure is firmly correlated with their energy production, since the Azeri economy is mainly dependent on oil and gas production and export. Thus, any fluctuation in oil and gas prices undermine Baku’s ambitions to continue their military buildup. This, in turn, underscores the significance of energy-infrastructure as a key element in the Nagorno-Karabakh dispute. Most of the pipelines carrying Azeri oil and gas to the European markets (Baku-Supsa, the South Caucasus pipeline, and the BTC pipelines) pass through the conflict sensitive areas near Nagorno-Karabakh and the Armenian borders with Azerbaijan. (Cf. map: [http://www.azerbaijan.az/\\_Economy/\\_OilStrategy/pipelines/btc.html](http://www.azerbaijan.az/_Economy/_OilStrategy/pipelines/btc.html)).

Graph.2. (Military Expenditure % of GDP)



Graph.3. (Energy Production and military expenditure)

