

SOUTH CAUCASUS: NAGORNO-KARABAKH BETWEEN A CONTESTED TERRITORY AND A SMALL STATE

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SUBJECT: Security, political and economic issues of Nagorno-Karabakh's *de facto* statehood

SIGNIFICANCE: The small, unrecognized Nagorno-Karabakh Republic, a territory contested by Armenia and Azerbaijan, has existed as a *de facto* state for more than twenty years. During this time it has managed to navigate the precarious situation that might otherwise escalate into an open conflict between Armenia and Azerbaijan, drawing in their respective allies in the politically complex South Caucasus.

ANALYSIS: Nagorno-Karabakh is becoming increasingly concerned about its security while at the same time developing state institutions and a limited foreign policy, in which it prefers to rely on Armenia and its diaspora. Through promoting its state-building and democratization efforts, it hopes to gain international recognition. However, with hopes of formal recognition becoming smaller as time goes by, it has shifted its foreign policy efforts towards short- and medium-term goals of attracting investment, aid and cooperation in other spheres.

► The map presents the actual control of territory and doesn't take any position regarding the ongoing territorial dispute.

- Nagorno-Karabakh Republic
- Claimed by the Nagorno-Karabakh Republic but controlled by Azerbaijan



The present situation

Locked in conflict and threatened with re-incorporation into Azerbaijan, Nagorno-Karabakh remains in a legal limbo – not recognized by any UN member state. However, since the start of the conflict it has managed to build state institutions so that it now functions as a *de facto* 'small state'. Led by the President elected by popular vote, Freedom House's Freedom in the World Rankings 2014 ranked it higher than its 'parent state' Azerbaijan. In foreign policy Nagorno-Karabakh has established representative offices in countries such as the US, Russia, Germany and France, and forged ties with the other non-recognized states of Abkhazia, South Ossetia and Transnistria.

The Nagorno-Karabakh conflict

An autonomous republic within SSR Azerbaijan with an overwhelming Armenian majority, Nagorno-Karabakh broke away from Azerbaijan during the collapse of the Soviet Union. *De jure* Nagorno-Karabakh is part of Azerbaijan, but most of it is *de facto* controlled by the ethnically Armenian government. No peace agreement has ever been signed between Armenia, Azerbaijan and Nagorno-Karabakh following the war, which started in 1988 and ended in 1994 with a defeat of the Azerbaijani side and a self-enforced ceasefire. A permanent solution has been sought (so far unsuccessfully) through negotiations in the 'Minsk group' consisting of the parties in conflict – Armenia and Azerbaijan – together with the US, France and Russia.

Since the signing of the ceasefire the conflict has not escalated into a new war, but sporadic incidents and border clashes have occurred, showing that the conflict is less than fully 'frozen' as some commentators have suggested. Azerbaijan's oil revenues have allowed it to increase its military budget several times and it is now bigger than the whole budget of Armenia, prompting fears of a new war over Nagorno-Karabakh. In the summer of 2014 the largest-scale eruption of violence yet took place on the line-of-contact, with several dozens of soldiers killed on both sides, and a Nagorno-Karabakh helicopter was shot down in November 2014.

Nagorno-Karabakh as a small unrecognized state

Nagorno-Karabakh has a population of around 150.000 and controls an area of 4.400 km², making it a small – if not a micro – state by international standards. Predominantly mountainous and covered by forests, it is rich in timber with deposits of minerals, such as gold, zinc and lead as well as coal. Most industry has collapsed following the disintegration of the Soviet Union and the ensuing war. As a small state, Nagorno-Karabakh possesses agency: it has the capacity to effectively control and govern its territory. Much like other small states (and even more so given the lack of recognition) it is marginalized by the media and academe, which mostly focus on the great powers.

Small states rely for their survival and integrity on balancing competing foreign interests, which usually demands a multi-vector foreign policy. Nagorno-Karabakh has pursued a different path, relying on Armenia and its diaspora for funds and investment as well as lobbying. What allows Nagorno-Karabakh to 'punch above its weight' in international relations, is the access to resources and institutions of its patron state Armenia and the large Armenian diaspora in the US, Russia and France. This raises questions about Nagorno-Karabakh's dependence on a single set of supporters. However, dismissing Nagorno-Karabakh as a puppet of Armenia (as the pro-Azerbaijani side often does) misses the two-sided nature of relations and the fact that Nagorno-Karabakh exerts a strong influence on Armenian domestic and foreign policies. A group of influential politicians coming from Nagorno-Karabakh, but based in Yerevan, have been called 'the Karabakh clan', perhaps best emblemized by Robert Kocharian, President of Nagorno-Karabakh, who went on to become the Prime Minister and then President of Armenia.

Engagement without recognition

A shift from the long-term goal of international recognition towards short- and medium-term goals of attracting investment, aid and cooperation in other spheres (culture, sports etc.) can be observed in Nagorno-Karabakh as well as in other post-Soviet entities with disputed status, such as Abkhazia and Transnistria. Receiving no positive reaction to their claims to independence, they have started to put more emphasis on many-sided engagement. This approach has been mirrored by the EU, whose own policy of 'engagement without recognition' allows it to observe current borders and territorial integrity while at the same time engaging with unrecognized states in non-political ways, and facilitating the mediation process.

For *de facto* states in their quest for recognition, the value of democratization can extend beyond an internal political process and be projected outwards, facilitating developmental assistance and investment. Nagorno-Karabakh employs democratization as part of its public diplomacy for exactly these purposes. It attempts to showcase the differences in democratic standards (as for instance measured by Freedom House) between the parent state of Azerbaijan and itself, thus legitimizing its claim to independence.

In the absence of formal recognition and political diplomacy, a non-formal cultural diplomacy also helps Nagorno-Karabakh to increase its visibility abroad. It involves everything from touring dance troupes to the recent participation at the World Cup Tournament for Unrecognized Nations that took place in June 2014 in Sweden under the framework of Confederation of Independent Football Associations (CONIFA), an 'unrecognized' alternative to FIFA.

Non-recognition as an opportunity?

Non-recognition should not only be understood as an obstacle to development, but also as an opportunity for reform. The processes of state-building, democratization, human rights protection, infrastructure and economic development - even if projected towards the international community to provide legitimacy for claims to independence - have also, and primarily, benefited the population of *de facto* states. Nagorno-Karabakh has expressed its will to use the status quo period for post-war reconstruction and state-building.

Nagorno-Karabakh has not managed to gain international recognition for more than twenty years since it declared independence. It has, however, succeeded in maintaining the status quo and holding on to its *de facto* independent status, while pursuing the strategy of international engagement in the short run. Nagorno-Karabakh seems to prefer the status quo as with every year that passes, its own state-building progresses and obstacles to re-integration into Azerbaijan grow. However, the security risks of maintaining the status quo are increasing with the progressive military imbalance favoring Azerbaijan.

Conclusions

- The Nagorno-Karabakh conflict is not fully frozen and a continued balancing act is needed to avoid escalating violence.
- Its effects are an important factor preventing regional integration in the South Caucasus.
- Small and possessing few resources, Nagorno-Karabakh relies on Armenia and its diaspora for funds, representation and lobbying abroad.
- In foreign policy it has gradually shifted from the long-term goal of gaining international recognition to attracting investment and aid in the short and medium term.
- It uses democratization, state-building and respect for human rights as strategies to legitimize its claims to statehood.
- Nagorno-Karabakh has existed as an unrecognized state for more than twenty years and prefers the status quo for the time being.

Keywords: Nagorno-Karabakh, South Caucasus, Azerbaijan, Armenia, unrecognized states, conflict, recognition, democratization, state-building

Further reading

Jaksa, Urban, *Democratisation: a foreign policy instrument of de-facto states?* In *The Analyticon*, vol. 9, no. 69, September 2014, available online (in Russian): <http://theanalyticon.com/?p=5541&lang=ru#more-5541>.

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Freedom House, *Freedom in the World Rankings 2014* (Nagorno-Karabakh section), see: <https://freedomhouse.org/report/freedom-world/2014/nagorno-karabakh#.VSGpUfnF-So>.