

OP98.03

Nagorno Karabakh and the Eurasian Transport Corridor

Kalli Raptis*

| | | |
|---|----|------------|
| Introduction | | |
| <i>The Caspian Sea Area and its Significance</i> | 1 | |
| <i>Conflict in the Caucasus</i> | 3 | |
| The Nagorno Karabakh Conflict | | |
| <i>History</i> | 5 | |
| <i>Confrontation</i> | 5 | |
| <i>The Conflict Mediation Process</i> | 7 | |
| <i>Armenian-Azerbaijani Relations</i> | 9 | <i>Oil</i> |
| <i>for Peace?</i> | 10 | |
| The Eurasian Transport Corridor | | |
| <i>Oil Pipeline Routes</i> | 12 | |
| <i>Caspian Sea Regime</i> | 14 | |
| <i>Infrastructure Development</i> | 15 | |
| Regional Actors: Political and Economic Impact | | |
| <i>Russian Policy</i> | 16 | |
| <i>Turkey</i> | 17 | |
| <i>Iran</i> | 18 | |
| <i>The United States:Interests in the Caspian Basin</i> | 19 | |
| Conclusion | 21 | |

* Research Analyst, Washington D.C.

INTRODUCTION

The Caspian Sea Area and its Significance

The Caspian Basin has a long history of energy reserves that dates back to the thirteenth century. It was the center of political intrigue and struggle for control in the nineteenth century between the British Empire and the Tsars. What we see today can very well be another such game with more actors involved and more stakes at play. The five littoral states of the Caspian Sea, Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan, which make up the Caspian Basin have interests that are in conflict with one another.

The potential yield of the Caspian Basin is as much as 200 billion barrels of oil and as much as 7.89 trillion cubic meters of natural gas, according to the U.S. Department of Commerce. At this stage, however, there has not been proof that the Caspian can yield such an amount of oil. It is estimated that the Caspian Sea region will be crucial in fueling the global economy in the next century and many consider the Caspian as another North Sea. These energy resources are concentrated mainly in Azerbaijan, Kazakhstan and Turkmenistan.

The region could potentially “become the most important new player in world oil markets over the next decade.”¹ Apart from the wealth in energy resources, the Caspian region is also of strategic importance because of its geopolitical location between Asia, Europe and the Middle East.

However, development and progress in the new security environment come at a high price. The dissolution of the Soviet Union brought into play the newly independent states of the Caucasus and Central Asia along with strong political and economic competitions. Independence brought forth ethnic aspirations, political instability and military engagement. Control over these resources and their export routes are increasingly becoming an issue of ‘high’ politics. Regional and global powers are engaged in a rivalry game, vying for the exploitation and benefits of an energy-rich region since Azerbaijan, Kazakhstan and Turkmenistan are all landlocked. Georgia and Armenia, even though they have no energy resources themselves, play a key role in the export of oil and gas from Azerbaijan and Central Asia, forming the western end of the Eurasian Transport Corridor. Russia and Iran are two other routes that actually have the ability to carry the Caspian wealth to the world markets immediately. Their capability to do so though instead of simplifying the puzzle of ‘getting the oil out’, complicates the political, economic and security situations. The three regional powers – Turkey, Russia, Iran – with Russia and Iran forming two of the five littoral states of the Caspian Sea, are directly engaged in a regional power struggle that could derail the development of the region. The stakes involved are power, influence, wealth and security.

Today, as in the past, “the history of the Caucasian states has been one of regional influence, political maneuvering, shifting alliances, commercial competition and outright war.”² Apart from the regional power play, the region has also been vulnerable to external interventions from actors outside the region. The United States vies for influence that will minimize Russia’s political and economic gains in the region and, at the same time, maximize its own economic and security control over the area. Powerful interests, commercial, domestic and international policies have put a lot of pressure on

the oil development and strategic formation of the region, resulting in delaying the exploitation of the oil and gas reserves.

Finally, the world faces the risk of engaging in ruinous struggles over the natural resources that could cost a lot in human lives and capital. The conflicts in the Caucasus have already delayed the exploitation of the existing wealth to the detriment of all actors involved. Moreover, the independence and prosperity of the new states have been slowed when the oil revenues could contribute admirably to the development of democratic institutions and the increase of the standard of living for all countries involved. If compromises are not struck, the states of the Caucasus are in danger of being swallowed up by conflicts that will devastate the entire region.

Conflict in the Caucasus

After years of dependence on Moscow, the newly independent states of the Caucasus and Central Asia have had to restructure economy and institutions to acquire proper legal infrastructure in governance, economy and foreign relations in order to function effectively in the international community. The steps towards that direction have been hindered by instability and chaotic conditions, which are the result of their communist past.

Along with the lifting of the Soviet blanket, the new Caucasian states, especially in the South Caucasus, have reverted to age-old tensions and strife. The three South Caucasian states, Armenia, Azerbaijan, and Georgia, struggling for independence and international recognition, have stumbled upon ethnic conflicts internally and externally. The result has been instability and violence. The reasons for this are:

- A. **state building after the collapse of the Soviet Union;** the new political elites throughout the Caucasus had to build the shambles of communism and make their states legitimate in the eyes of the international community.

Georgia and Azerbaijan, unlike Armenia, are states with ethnic minorities inside their borders. Even within the Soviet Union, Georgia and Azerbaijan faced minority problems that kept ethnic communities apart. After declaring independence, anarchy reigned due to the power struggle among various elites in each country. Both countries' legitimately elected presidents were toppled and former KGB generals took power, Eduard Shevardnadze in Georgia and Heydar Aliyev in Azerbaijan. Armenia, on the other hand, has been the most homogeneous country in the region, and became even more so after the deportation of its Azerbaijani minority in 1988.

Many believe that the collapse of the Soviet Union and the hardship facing the people in the economic and political levels were further exacerbated by elites who wanted to maintain or obtain political power. It was easy for the disoriented and suffering people of the Caucasus to fall prey to ethno-national demagogy and to create scapegoats of neighbors within and without the existing borders.

- B. **ethnic territorial disputes;** some groups within Georgia and Azerbaijan viewed the distribution of the territories differently, resulting in ethnic conflict.

Both in Georgia and Azerbaijan, independent-minded national movements gained momentum in the late 1980s with the introduction of the *glasnost* and *perestroika* policies in the Soviet political life. Confrontations between these movements and the countries' military forces, aided by the Russians, prepared the way events would take between 1989 and 1991.³

In both countries, the first serious demonstrations by nationalist groups began in 1988. "In Georgia, the brutal military suppression of demonstrations in Tbilisi on April 9, 1989, catalyzed the strong movement for sovereignty and independence. The demonstrations, riots, and Soviet military intervention of January 1990 played a similar role in Azerbaijan."⁴

The ethnic minorities in Georgia and Azerbaijan seeking secession were, under the Soviet system, autonomous republics within the Georgian and Azerbaijani Socialist Republics. The Abkhaz, Adjara and South Ossetian republics sought independence from Georgia that refused to yield to a carving of its territory. The Nagorno Karabakh autonomous oblast voted for independence from Azerbaijan which also denied the predominantly Armenian enclave to secede from its territory. Both Georgia and Azerbaijan were plunged in ethnic conflict. The war in South Ossetia began in 1989 and ended in 1992 with a Russian-brokered cease-fire. After the South Ossetian cease-fire, war broke out between the Georgian authorities and Abkhazia. The conflict ended in the fall of 1993 when the Abkhaz with Russian assistance ejected the Georgians from their territory. Both conflicts resulted in hundreds of thousands of internally displaced people. No military conflict occurred with Adjara, but Adjara leader Abashidze keeps tight control over 'his' territory. Georgian-Adjarian relations are calm.

In Azerbaijan, the war between the Nagorno Karabakh Armenians and the Azerbaijanis began in 1988 and ended in 1994 with another Russian-mediated cease-fire. The number of refugees and internally displaced people in both Armenia and Azerbaijan have surpassed the one million mark. Today, Georgia and Azerbaijan suffer the aftereffect of the conflicts without having reached a resolution.

- C. **relations with neighbors, particularly Russia;** Russia has not been happy with the outcome of political and military changes because it has always considered the Caucasus as its "own back yard". When the South Caucasian states declared their independence, Russia continued to want to maintain control over them. Many believe that the ethnic strife witnessed in Georgia and Azerbaijan were manipulated and continue to be so by Russia. Nevertheless, Russia is one among other large powers in the region who saw the opportunity to take advantage of the chaos and anarchy created by the crumbling Soviet empire. Notably, Iran and Turkey tried to manipulate the instabilities and vulnerability of the Caucasian states and of Russia to gain influence in the region in order to control the vast energy resources in the Caspian and Central Asia. The West and, in particular, the United States may have been slow in their reaction to the new dynamics of the region, but today they are fully engaged. In fact, the United States considers the region to be very important not only to its economic interests, but also to its strategic national interests.

THE NAGORNO KARABAKH CONFLICT

The conflict between Armenia and Azerbaijan over Nagorno Karabakh is the most violent and prolonged of the ethnic conflicts in the former Soviet Union.

History

1997 marks the eighth year since the beginning of the hostilities in 1988 between the Armenians of the Nagorno Karabakh Autonomous Oblast (NKAO) and the Soviet Republic of Azerbaijan. The origins of the conflict date back to the beginning of the century and to the formation of the Soviet Union. Both Armenia and Azerbaijan formed independent republics for the brief period between 1918 and 1920.

“The Republic of Azerbaijan was the first Azerbaijani state in history.”⁵ At the time, Ottoman Turkey was aiding Azerbaijan in annexing Nagorno Karabakh. Nagorno Karabakh, a historically Armenian region, was fast becoming the “apple of discord” between Armenia and Azerbaijan. “In July 1918, the First Armenian Assembly of Nagorno Karabakh declared the region self-governing and created a National Council and government. In August 1919, the Karabakh National Council entered into a provisional treaty arrangement with the Azerbaijani government in order to avoid military conflict with a superior adversary.”⁶ Azerbaijan’s violation of the treaty culminated in March 1920 with the massacre of the Armenians of Nagorno Karabakh’s capital, Shushi (called Shusha by the Azerbaijanis). “In this light, the Ninth Karabakh Assembly nullified the treaty in whole and pronounced union with Armenia.”⁷

The rising violence between the two ethnicities ended when the Caucasian states came under Soviet rule. The sovietized Azerbaijani government recognized Nagorno Karabakh as part of Soviet Armenia in November 1920. Soviet Armenia recognized Karabakh as part of its republic in June 1921.⁸

In the 1920s, Josef Stalin reversed that decision as part of his “nationalities policy” by placing Nagorno Karabakh in the territory of Soviet Azerbaijan as an Autonomous Oblast. His “divide and reign” policy successfully kept the two ethnic groups separate and in conflict. The Armenians of Nagorno Karabakh did not fully accept the Azerbaijani government’s control over them and repeatedly appealed to Moscow to redress the political status of their homeland.

Confrontation

With Gorbachev’s *glasnost* and *perestroika* policy, ethnic tensions came back to the surface. In 1988, the Karabakh Armenians voted to break from Azerbaijan proper. This triggered the beginning of a violent conflict which culminated into ethnic cleansing for both sides.

The political rights movement in Nagorno Karabakh found strong support in Armenia and pushed for independence from Azerbaijan. The Azerbaijanis responded with massacres and deportations of ethnic Armenians in Azerbaijan, particularly in the cities of Sumgait, Ganja (previously known as Kirovabad) and Baku, the capital of Azerbaijan. The Armenians countered with the deportation of ethnic Azerbaijanis from Armenia and Nagorno Karabakh. In Nagorno Karabakh, in particular, the deportations took in many cases the form of ethnic cleansing, perpetrated by both ethnic groups. When the

Soviet Union disintegrated, the conflict was completely militarized. The war ended with a cease-fire in 1994 which found the Armenians of Nagorno Karabakh as the victors of the conflict. Furthermore, the Armenians succeeded in taking control of seven Azerbaijani provinces, used as a buffer zone around the enclave. The provinces of Shushi and Lachin provide Nagorno Karabakh with common borders with the Republic of Armenia. The Lachin corridor, situated in the Lachin province, is the only land bridge that connects the two Armenian communities and, therefore, unites them *de facto*.

The Conflict Mediation Process

On March 6, 1992, the conflict assumed international proportions when Turkey threatened to cut off land routes to Armenia to 'scare' the Armenian government into abandoning the fight for Nagorno Karabakh, and also to show solidarity with the fellow Turks^a in Azerbaijan.⁹ In the meantime, internal faction fighting in the political level destabilized Azerbaijan even further. In Armenia, the political and economic situation deteriorated after the continued Azerbaijani blockade and that year Armenia itself came under direct attack by Azerbaijani shelling of its territory.

The international community became involved after Russo-Kazakhstani (1991) and Iranian (1992) efforts met with no result. In 1992, the Council of the Conference on Security and Cooperation in Europe (CSCE) met in Helsinki and discussed intervention in the conflict. The CSCE Council "requested the Chairman-In-Office to convene as soon as possible a conference on Nagorno Karabakh under the auspices of the CSCE to provide an ongoing forum for negotiations towards a peaceful settlement of the crisis on the basis of the principles, commitments and provisions of the CSCE."¹⁰ This conference was supposed to take place in Minsk, but has not been realized to this day. 11 member states, the United States, Russia, France, Germany, Italy, the Czech Republic, Sweden, Belarus, Turkey, Armenia and Azerbaijan, were charged with the peace process. Since then, the Minsk Group, as it became known, has gone through several phases in mediating a solution. "Under the Minsk Group's mandate, Nagorno Karabakh obtained the right to participate as an interested party and with the status of 'elected and other representatives of Nagorno Karabakh.'"¹¹ However, the issue of the status of Nagorno Karabakh persisted as the enclave was represented through the different perspectives of Armenia and Azerbaijan. The Nagorno Karabakh officials raised the problem of their participation in the Minsk Group's sessions and insisted that they participate directly in the negotiations process. "By the document adopted at the CSCE Budapest Summit in December 1994, the Minsk Group's participating countries recognized Karabakh as a party to the conflict."¹² Nevertheless, Azerbaijan continues to refuse to speak directly to Nagorno Karabakh officials to determine the status of the enclave while Armenia insists that Azerbaijan and Nagorno Karabakh are the two primary actors in the conflict. Nonetheless, Armenia has been representing the interests of the enclave in all negotiations.

Between 1992 to the present, many countries have exercised initiatives within or without the Minsk Group's collective confines, but the proposals have been rejected from one party or another. Talks have broken down several times, the last of which happened in November 1996. In December 1996, during the Organization for Security and Cooperation in Europe's (OSCE, formerly CSCE) Lisbon Summit, Azerbaijan succeeded in inserting three principles by which the status of Nagorno Karabakh is pre-determined. Armenia was the only OSCE country that rejected the principles. According to the Lisbon Summit Declaration, "Three principles which should form part of the settlement of the Nagorno-Karabakh conflict were recommended by the Co-

^a In re-writing their history, Azerbaijanis portray themselves as ethnically and linguistically Turkic and as the ancient inhabitants of the land. However, the linguistic, at least, turkification of the area took place with the successive Turkic invasions that began in the eleventh century A.D. and the establishment of Turkic political power over the area. During tsarist and soviet times until 1937, the inhabitants of the area were classified as Caucasian Tatars. Since 1937, the Soviet term has been Azerbaijani. In recent years, historians in Soviet Azerbaijan suggested that "Azerbaijan Türkleri" correctly reflects ethnicity and location. Today, they are known as Azerbaijani Turks, accepted as belonging, ethnically and linguistically, in the same family as Turkey and the republics of Central Asia.

Chairmen of the Minsk Group. These principles are supported by all member States of the Minsk Group. They are:

- ◆ territorial integrity of the Republic of Armenia and the Azerbaijan Republic;
- ◆ legal status of Nagorno Karabakh defined in an agreement based on self-determination which confers on Nagorno Karabakh the highest degree of self-rule within Azerbaijan;
- ◆ guaranteed security for Nagorno Karabakh and its whole population, including mutual obligations to ensure compliance by all the Parties with the provisions of the settlement.”

Armenia objected to the principle of territorial integrity and voiced concern regarding the broad terminology of “self-determination” and “self-rule”. They maintain that the adaptation of the three principles torpedoed the negotiations process and pre-determined the solution to the conflict. Furthermore, it is important to note that Azerbaijan tends to always use the term ‘autonomy’ instead of ‘self-rule’, which complicates the matter even further. The Armenians could not and should not accept a solution that would award Nagorno Karabakh autonomy and not self-rule. Early in 1997, Robert Kocharian, then President of the self-proclaimed “Republic of Nagorno Karabakh” and now Prime Minister of the Republic of Armenia, indicated that Nagorno Karabakh would accept a solution along the same lines of the solution to the Russian-Chechen agreement.

Also in 1997, a co-presidency of three members of the Minsk Group was established, after the United States pushed for its inclusion in the chairmanship of the negotiations. Russia, France and the United States, the three new co-presidents, have already made some progress in offering a plan for a solution. The proposals seem to run along the principles of the Khasavyurt Agreement (signed in August 1996 by Russia and Chechnya). Although the proposal has not been made known completely, Heydar Aliyev, President of Azerbaijan, divulged the basis on which a solution could be made, during his speech at Georgetown University which took place while he was on an official visit to the United States.^b According to him, the basis for the resolution of the conflict is in two stages:

1. At the first stage, Armenia should withdraw from the 6 provinces surrounding Nagorno Karabakh and which are presently under Armenian occupation. International peacekeeping forces will move in to guarantee the security in the area and keep the two ethnic groups apart.
2. At the second stage, after the Nagorno Karabakh status has been decided, the Shushi and Lachin districts will be returned to Azerbaijan.

According to President Aliyev, the concern that Nagorno Karabakh will be cut off from Armenia can be rectified because Azerbaijan is willing to give a corridor that will connect the two Armenian communities under OSCE’s peacekeeping force protection.

It is unlikely that Nagorno Karabakh and Armenia will agree to hand over Shushi and Lachin since Shushi is in the strategic position of overlooking Stepanakert, capital of

^b Heydar Aliyev spoke at Georgetown University in Washington, D.C., on July 30, 1997.

Nagorno Karabakh, and it is the position from where the Azerbaijanis shelled Stepanakert before it was seized by the Karabakhis. Lachin also is too strategic a position for both Armenia and Nagorno Karabakh to let Azerbaijan place its military forces there, driving a wedge between the two Armenian communities.

However, it seems that both Washington and Moscow^c as co-chairs of the Minsk Group are determined to settle the dispute very soon. The co-chairmen will visit Nagorno Karabakh, Armenia and Azerbaijan again in September as pressure from oil interests mounts. Nevertheless, neither Armenia nor Nagorno Karabakh will ever accept anything less than self-rule for Nagorno Karabakh which already has its own government and military forces. It is interesting to remark, however, that the self-proclaimed 'Republic of Nagorno Karabakh' is not officially recognized by any country, not even Armenia.

Armenian-Azerbaijani Relations

Since the beginning of the conflict, Azerbaijan has blamed Armenian nationalists for Nagorno Karabakh's wish to secede from Azerbaijan. They continue to view Armenia as their adversary, refusing to acknowledge the enclave as a separate entity - Azerbaijan maintains that the Nagorno Karabakh Armenians are citizens of Azerbaijan. For Azerbaijan, Armenia has been the instigator and the reason that they lost the war. They maintain that Armenia supported Nagorno Karabakh with weapons and engaged directly in the war against Azerbaijan with their armed forces. Armenia, on the other hand, has insisted that they are not directly involved in the conflict and that they have not helped Karabakh in any way militarily. While Azerbaijan brands Armenia as the aggressor, Armenia blames Azerbaijan for the events that led to the conflict. While Azerbaijan claims that it defends its territorial integrity against illegal secessionist forces, Armenia justifies the violence as protecting their tradition, culture and people from another genocide at the hands of the "Turks". Denial of guilt by both sides has led to a dead-end.

Exacerbating the situation more is the loose alliance, growing stronger, between Turkey and Azerbaijan against Armenia itself. Azerbaijan was the first to impose an economic blockade on Armenia which almost brought the country to its knees. In 1993, Turkey, showing solidarity towards Azerbaijan, closed its borders with Armenia, completely isolating the country, blocking the passage of even humanitarian aid. Georgia, which would be another route for transferring goods and aid to Armenia, has been unstable and plunged itself in ethnic conflict, thus rendering the Abkhaz-Georgia-Armenia railway unusable for aid to go to Armenia. Even recently, as Georgia becomes more and more stable, the transport of goods and aid to Armenia cannot be guaranteed because the road and railway network connecting the two countries is in bad condition. Furthermore, despite repeated attempts to establish Armenian-Turkish diplomatic relations, Turkey continues to condition the realization of these relations upon the resolution of the Nagorno Karabakh conflict. Armenia advocates that because of the twin blockades by Azerbaijan and Turkey, it had to turn to Russia and Iran for survival, cooperation and trade. The United States views Armenia's ties with Russia and Iran with suspicion and talks of the North-South axis of Russia-Armenia-Iran. According

^c The United States became a co-chair of the OSCE Minsk Group (MG) in early 1997. The MG co-chairs are now three: Russia, France and the United States.

to this position, the North-South axis poses a grave threat to American and Western interests in the Caucasus and in the Caspian region.

Since the cease-fire in 1994, both Armenia and Azerbaijan have been fortifying their positions militarily. Recently, news about the one billion dollars worth of arms transfers to Armenia by Russia, the event known as “Yerevagate”, has sent everybody involved in a spin. Azerbaijan has also purchased weapons from various countries like Ukraine and Russia and they have started reorganizing their military with the help of Turkey - the first 500 Azerbaijani officers graduated from the Turkish military schools this year. All these point to the disturbing conclusion that both countries prepare themselves for a possible military solution.

To make matters worse, the economic and geostrategic interests of many countries, regional and otherwise, drive the negotiations for a solution to a gridlock. Azerbaijan with its vast reserves of oil uses “oil diplomacy” to terminate the conflict. Armenia, who has been left outside the oil deals, feels isolated, marginalized and possibly victimized against such odds. Even Russia, considered to be an ally in the region, covets Azerbaijan’s oil wealth and remains firmly in the oil game. Nevertheless, it is possible that Armenia will accept a solution that gives Karabakh autonomy within Azerbaijan and the right for self-government and defense. To avoid isolation, Armenia may opt for the “oil for peace” solution.

Oil for Peace?

Can oil be used as a weapon? It seems that in the case of the Nagorno Karabakh conflict it can. Recently, Heydar Aliyev, the President of Azerbaijan, and Vafa Guluzade, his National Security adviser, have repeatedly said that if the conflict is settled and an agreement is reached, then Armenia also will benefit from the wealth of the Caspian basin with the oil pipeline going through its territory. Robert Kocharian, the Prime Minister of Armenia, on the other hand, has threatened that no oil will reach the market unless there is a peace settlement.

Armenia believes that “the reason for Azerbaijani refusal to negotiate with Nagorno Karabakh is that it is not ready to negotiate seriously. Azerbaijan feels that it does not have to negotiate; that would mean to achieve a compromise, to make concessions. Azerbaijan feels it can have everything, because it has oil, that newly found friends in the international community will deliver Nagorno Karabakh to Azerbaijan on a plate. If that does not work, either economic strangling or profits from oil will provide, Azerbaijan believes, the military means to undertake and win another war against the Armenian side that would be weakened over the years as a consequence of the blockades. Azerbaijan does not feel that it needs to negotiate seriously, it does not need to sit and resolve the matter on the merits of the case, taking into consideration the legitimacy of the interests of all concerned. This is where the paradox is. That which the international community and our friends present us as the source of future prosperity is at the present the source and the basis for Azerbaijani intransigence, inflexibility negotiating and, in fact, its unwillingness to negotiate seriously.”¹³

Many Russian and Western analysts share the same fear with Armenia: that Azerbaijan will use its oil money for bolstering its military and, therefore, seek a military solution to the Nagorno Karabakh question. Armenians, on the other hand, fortified with more

weapons from Russia and with SCUD missiles in their possession are able to dictate their own terms as well. The SCUD missiles are allegedly located in Gyumri, Northwest Armenia, and in Shushi, in the territory of Nagorno Karabakh. With the missiles' range capability, the Armenians can control the flow or "not-flow" of oil by destroying both early oil pipeline routes, either in Azerbaijan, or Chechnya, or Georgia.

However, the latest developments within the OSCE mediation process point towards a solution. Until now, Armenia and Azerbaijan saw the postponement of a feasible agreement as a strategy that served their interests. As oil interests though have become impatient with the stalemate and the "early oil" has been postponed year after year, it seems that Armenia and Azerbaijan will reach an agreement on the Nagorno Karabakh conflict within 1997 if both countries are willing to compromise. It is important to note, however, that compromise must come from both sides. The question is whether both governments will risk public discontent in order to reach a solution, especially after vilifying one another in the eyes of their publics. Finally, one must not lose sight of the most important player in the conflict: Nagorno Karabakh and its own government. There cannot be any solution or peace without the unconditional endorsement of an OSCE peace plan by the Nagorno Karabakh government.

THE EURASIAN TRANSPORT CORRIDOR

Oil Pipeline Routes

The United States believes firmly and promotes the idea of multiple pipelines. Other countries have joined it in advocating that new transportation routes must be constructed for the oil and gas reserves to be carried to Western markets. Currently, the oil fields and possible pipelines are as follows^d:

Oil Producing Regions

Caspian Sea

Aspheron (Azerbaijan)

Tengiz, Mangyshlak, Aktyubinsk, Karachaganak, Offshore (Kazakhstan)

South Caspian (Turkmenistan)

Existing Russian Oil Pipeline

The Russian oil pipeline has two branches:

- a) the first branch originates in Turkmenbashi (Turkmenistan), connects to Tengiz (Kazakhstan), to Samara (Russia) and from then on to Belarus where it splits into three sub-pipelines which end in Slovakia, Poland, and Venstpils (Latvia) at the Baltic Sea.
- b) the second branch originates in Baku (Azerbaijan) going through Chechnya to Tikhoretsk (Russia) ending in Novorossiysk at the Black Sea with transit through the Turkish Straits.

Planned Kazakhstan-Caspian Pipeline Consortium route (for oil)

This route will connect Turkmenbashi and Tengiz on the east side of the Caspian Sea with Baku on the west side. The Baku pipeline is on a parallel course with the existing Russian pipeline going through Chechnya. From there, it goes to Tikhoretsk (Russia) ending in Novorossiysk at the Black Sea with transit with Turkish bypass alternatives.

Turkish Bypass Alternatives

- a) From Novorossiysk to Burgas (Bulgaria) ending in Alexandroupolis (Greece) on the Aegean.
- b) From Novorossiysk to Thrace (Turkey) ending in the Aegean.
- c) From Novorossiysk to a port of Turkey in the Black Sea ending in Ceyhan in the Mediterranean.

Possible Caucasus-Turkey oil pipeline route

This route will connect Tengiz (Kazakhstan) with Turkmenbashi (Turkmenistan) via the Caspian Sea to Baku (Azerbaijan). From Baku there are 3 possible outlets:

- a) Baku to Tbilisi (Georgia) ending in Pot'i (Georgia) at the Black Sea.
- b) Baku to Tbilisi (Georgia) to Ceyhan (Turkey) in the Mediterranean.
- c) Baku to Ceyhan (Turkey), bypassing Armenia.

Possible Iran Oil Pipeline route

This route will connect the Tengiz (Kazakhstan) oil field with Turkmenbashi (Turkmenistan) oil field on the one side and the Baku (Azerbaijan) oil field on the other to one pipeline through Iran ending in the Persian Gulf.

^d Also see map .

Possible Asian Oil Pipeline route

This route will originate in Tengiz (Kazakhstan) and will end to Xinjiang (China).

Pakistani-proposed oil pipeline

At the moment, this route will originate in Charjew (East Turkmenistan at the border with Uzbekistan), will pass through Afghanistan and will end to Sui (Pakistan). Sui is not a port. There is the possibility that Sui might connect with a pipeline ending in India.

Pakistani-proposed GAS Pipeline

This pipeline will originate at the Sovietabad (Turkmenistan) gasfield, go through Afghanistan to Pakistan and end at Karachi (Pakistan).

Azerbaijan signed an \$8 billion deal with the Azerbaijan International Operating Company (AIOC), a consortium dominated by Western oil companies, in 1994. The deal is known as the "Contract of the Century". The consortium will develop three Azerbaijani offshore fields and has been expected to transport early oil from the project for the past year. However, landlocked Azerbaijan and AIOC have been unable to do so. The two routes chosen to carry oil out of Azerbaijan have been faced with many problems.

The Northern route, which uses the existing Russian oil pipeline, has been closed because of the Chechen conflict. It seems though that a breakthrough was achieved in July 1997 with the signing of the trilateral agreement by Russia, Azerbaijan and Chechnya. The Western route, which traverses Georgia and ends in the Black Sea, is under construction. Construction of part of this pipeline, which passes a few miles north of Armenia, is expected to finish in 1998. However, the conflicts in Nagorno Karabakh and Abkhazia do not secure the flow of oil. Intense negotiations are taking place to settle both of them. Therefore, even though Azerbaijan signed many lucrative contracts - the last of which were contacts with Exxon, Mobil, Chevron and Amoco during Aliyev's official visit to the United States - no oil has flown across the Caucasus to the Black Sea.

Furthermore, the much-awaited decision on the main oil export pipeline route has been delayed again. "As expected, a meeting of the AIOC steering committee in Baku [in June] deferred a decision on the route for main exports from the consortium's \$8 billion offshore development project. AIOC vice-president John Hollis told a press conference that the chosen route would be made public at the start of the third quarter of 1998, just over a year from now. [He] said that the two main routes under consideration were Baku-Novorossiysk-Burgas-Alexandroupolis, and Baku-Supsa-Ceyhan."¹⁴ Considering that AIOC has narrowed down the choices for the main export route to the Baku-Alexandroupolis versus the Baku-Ceyhan one, it is not difficult to predict which one will be finally chosen if pressure from the United States mounts.

Caspian Sea Regime

The conflicts in the Caucasus are not the only obstacle. The five littoral states of the Caspian have not agreed on a legal regime for the Caspian Sea. At the current juncture, the legal regime of the Caspian Sea is based on two treaties that were signed between the Soviet Union and Iran. The Treaty of Friendship dates back to February 21,

1921 and the Treaty of Commerce and Navigation was signed on March 25, 1940. There are two options that dominate the disagreement.

Option “Closed Basin” is advocated by Russia, Iran and Turkmenistan. According to this, 20 sea miles are the territorial waters of the coastal states with full sovereignty over sea territory, air space, sea bottom and its entrails. Another 20 sea miles are considered as the exceptional economic zone where the littoral state has sovereign rights for the purpose of prospecting, exploitation and preserving of natural resources and where all the states enjoy the right of free navigation and overflight, laying underwater cables and pipelines and other rights. The remaining middle part of the Caspian Sea beyond the 40 mile zone is the common wealth of all Caspian Sea states and is under their general control and management.¹⁵

Option “Open Sea” is based on the United Nations Convention on the Law of the Sea. According to this, 12 sea miles are the territorial waters, while the economic zone is 200 miles of the littoral state only and only that state has the right to exploit the natural resources within the area.¹⁶

The Russians argue that neither the Law of the Sea nor the precedents applying to an open waterway apply to the Caspian because it is an enclosed water body without any outlet to the open sea. Thus, “Russia has proposed a regime which includes joint navigation, joint management of fisheries and environmental protection, and establishment of an interstate committee of all the littoral states to license oil and gas exploration in a joint-use zone in the center of the Caspian beyond the 45-nautical-mile exclusive national zones, and a joint corporation of interested littoral states to exploit energy resources.”¹⁷

Azerbaijan, on the other hand, would stand to lose if it accepted this kind of regime for the Caspian. Instead it believes that a system should be set up that would award “rights to oil and gas development via a median line division. Azerbaijan further believes that the Law of the Sea Convention should be applied to the Caspian and therefore advocates the establishment of full maritime boundaries based on the equidistant division of the sea and undersea resources into national sectors.”¹⁸ Kazakhstan supports the Azerbaijani view, but believes there should be cooperation for fishing, navigation and environment issues. Turkmenistan, on the other hand, supports the Russian proposal as does Iran. The United States is in favor of a resolution to the Caspian Sea regime and pushes for the “Open Sea” option. The United States would not support an agreement which would disadvantage American interests in the region, especially when Iran is an active participant.

Infrastructure Development

The term Eurasian Transport Corridor (ETC) has entered the vocabulary of all who are involved in the region. Energy development in the Caspian region presupposes that a transportation and communication corridor be established. “In May 1995, the presidents of six Caucasian and Central Asian countries signed an agreement to refurbish and expand the rail lines which connect the countries of the region to the Black Sea. In 1996, Uzbekistan sent a test shipment of cotton successfully along this route. Chevron and Mobil have shipped oil from Tengiz across the Caspian by barge and then by rail from Azerbaijan to Batumi, Georgia.”¹⁹ Establishing a Eurasian Transport Corri-

dor is an enormous endeavor. It requires investment. At present time, the existing infrastructure is minimal and faulty. Existing rail and pipelines need repairs and further development. Apart from the technical considerations, investors and governments have to fight corruption at every stage. Azerbaijan and Georgia have sixty police points between them covering the route, not because they are needed but because they support police salaries. This way of life is accepted - it is not exactly considered corruption - and it is an issue that needs to be addressed if there will be developments.

During the Soviet Union years, the Central Asian rail links were controlled by Moscow. "The organizational functions were strongly centralized and integrated and bore the well-known characteristics of uneconomic pricing, inadequate handling and transfer facilities, old rolling-stock and locomotives, and antiquated communications and management systems."²⁰ From the early 1980s there were no more funds to maintain or modernize the systems and, since the demise of the Soviet Union, the condition of the rail systems has deteriorated even more. In the Caucasus, the two major railways have not fared any better. Apart from the natural deterioration and limitation of funds for repairs and maintenance, the conflicts in the North and South Caucasus have rendered the railways useless. The North Caucasus railway, which connects Russia to Baku, was blocked due to the war in Chechnya. The Western Caucasus railway - from Azerbaijan through Georgia, connecting with Armenia to the southwest and to the north along the Black Sea coast through Sukhumi and ending on to the main Russian system - has also been disrupted. "There are difficulties in arranging supplies of spares, maintenance, services and other materials. Although the situation is now much calmer, strategic rail links have been badly disrupted. Armenia has been cut off from Azerbaijan and Turkey and even on the main lines in the Caucasus services are still insecure."²¹ The line through Abkhazia in Georgia has been blocked and Russia had closed its borders with Azerbaijan during the Chechen war, which even today are not totally open for operation.

The balancing system that existed during Soviet times regarding oil and gas and which made the various republics of the Caucasus and Central Asia interdependent on one another is now in disarray. What worked well in an integrated Union has now ceased to exist and the old economic arrangements between the republics, especially for oil and gas, have been hindered by the lack of regional cooperation.

REGIONAL ACTORS: POLITICAL AND ECONOMIC IMPACT

The disintegration of the Soviet Union created the desire for independence and economic prosperity for the republics of Central Asia and the Caucasus. Simultaneously, it inspired fear for their political and economic viability. Russia, as previously the Soviet Union and before that tsarist Russia, is considered with resentment and with the genuine belief that Moscow will not willingly release the republics from its figurative hold. As the republics themselves, the West, and primarily the United States, regard Russia as a rival in the exploitation of the region's wealth and as a fomenter of regional instability and conflict. Until now, this regional instability has hindered unlimited investing and even the flow of 'early oil' has been postponed.

As one of the major powers in the region, Russia has had to contend with Turkey and Iran. How does that translate for the peaceful co-existence of the small countries of the Caucasus and for the resolution to the conflicts that have been plaguing the area?

Russian Policy

Russia is a complex society with two interests in the area, political-military and economic. On the political-military level, Russia wishes to retain as much influence as possible over the new republics. Doing so enables Russia to affect the decisions on oil transportation routes, therefore it has leverage over the new republics themselves but also over the Western markets and the West's foreign policy. The strategic-oriented environment thinks in Soviet terms and is determined to keep the Caucasian states and the Caspian Sea under its influence, excluding other interests from participating in the exploitation of the Caspian wealth.

On the economic level, Russia cannot afford to stay uninvolved. The Russian oil-industry officials and some of the government officials support that Western participation in the development of the Caspian ensures access to capital and advanced technology.²² For that reason, LUKoil is a member of the Azerbaijan International Operating Company (AIOC) side by side with western oil companies. Russia has the resources to be a very active participant with an existing infrastructure at its disposal, but the Russian economic interests are undermined by the political decisions. A recent example of the conflicting Russian policies is the agreement that was signed by the Azerbaijani State oil company (SOCAR) with the Russian LUKoil and Rosneft on July 4, 1997. According to the agreement, the consortium of the three companies (50% of the stakes belong to the Azerbaijani oil company, while the stakes of the two Russian companies LUKoil and Rosneft are 30% and 20% respectively) would invest in the Kyapaz offshore oil field in the Caspian. One month later, President Yeltsin announced that this agreement was annulled after the Turkmen president protested that the Kyapaz oilfield (called Serdar by Turkmenistan) is situated in the Turkmen territorial sector of the Caspian Sea.

This erratic policy shows not only that the Russian foreign policy is not consistent with its economic policy, but that also political decisions outweigh economic considerations. It is a disturbing pattern which discredits Russia in the eyes of its neighbors and which increases the probability of destabilization of the region.

Furthermore, neither the new republics nor the United States want to be captives of Russian policy if the oil pipeline goes through Russia alone. That's why the "multiple pipeline" concept agrees with all involved in the Caspian Game.

According to the Western school of thought, Russia has alienated and continues to alienate the region's governments by putting obstacles to the transportation of oil. Western analysts and government officials believe that the ethnic conflicts and coups d'état in the South Caucasus have been instigated by Moscow which intervenes in an underhanded way in order to keep its control over the new states. Many of these new states are of the same opinion, but the ties with Moscow have not been severed yet and are not likely to be severed in the near future. The interdependency that exists between all the newly independent states and Russia could develop in cooperation and co-existence and not revert to the Soviet model of dependence. In order for that to happen, all parties involved must be willing, first among them Russia.

Furthermore, Russia has shown that as a littoral state of the Caspian Sea, it wants to exploit the natural resources as much as it will be able to. It also warns that the question of the Caspian regime must be resolved because the danger of conflict over territorial waters and economic zones is real. At the same breath, it denies that Russia will be the one to incite friction regarding the regime. Undeniably though, Russia can use the unresolved Caspian regime issue as a weapon to block any development that threatens its interests in the region and results in Russia losing control over the Caspian energy resources and their transportation outside the Caspian region.

Finally, Russia denies that it is in any way involved in the ethnic strife that has crippled the development of the South Caucasus. It is annoyed with the way its intentions are portrayed in the West and with the willingness of the Caucasian states to put the blame on Russia, accusing it for expansionist and imperialist designs. Nevertheless, Russia has succeeded in getting the pipeline to carry early oil out of Azerbaijan to the Black Sea and from there on to the Western markets, by manipulating the instability of the Caucasian states. The settlement of the conflict with Chechnya and the signing of the trilateral agreement with Chechnya and Azerbaijan guarantee the three entities cooperation, and most importantly, they guarantee the security of the pipeline that goes through Chechen territory.

Turkey

With the dissolution of the Soviet Union, Turkey lost its strategic position as the NATO country bordering the Soviet Union. However, the emergence of the Muslim and mostly ethnically Turkic Central Asian states, including Azerbaijan, presented Turkey with a new role to exercise its influence over the newly independent states. Consequently, Turkey and the United States found a new basis for a new strategic cooperation.

In the early 1990s, Turkey's increasing activism and revival of the pan-Turkic ideas, aimed at gaining influence in the Muslim republics of the former Soviet Union, alerted Russia to the danger from the south. However, the United States supported Turkey in becoming the bridge between these republics and the west. Turkey's involvement guaranteed that no other state could dominate the region to the detriment of the American interests.

Turgut Özal's foreign policy became more activist and interventionist. He engaged Turkey in the Caucasus, Central Asia, the Persian Gulf, the Middle East and the Balkans. "The West in its turn, seeing Moscow's grip over its periphery slipping and concerned about the possible spread of militant Islam, supported Turkey in its new role. A greater role for Turkey in this region was also seen as good compensation to Turkey for Europe's refusal to admit it to the European Union."²³ Furthermore, Turkey looked specifically towards Azerbaijan as an alternative solution to Iraq and Iran for its energy needs. Moreover, Turkey saw that Azerbaijan, a fellow Muslim and Turkic state and physically bordering Turkey, could potentially become the bridge between Turkey and the Muslim Central Asian states. Azerbaijan and consequently Central Asian oil and gas would free Turkey from its dependence on Iraq and Iran.²⁴

Turkey's ambition for the new region did not stop at the wish to only satisfy its energy needs. Turkey saw the potential to become an active participant in the exploitation of oil and its transport. Thus, the Turkish Petroleum Company (TPAO) was part of the Azerbaijan International Operating Company (AIOC) which signed the "Contract of the Century" on September 20, 1994. The Turkish involvement in the extraction of oil increased Turkey's stakes in the region and in particular in Azerbaijan. Therefore, the conflict in Nagorno Karabakh impeded Turkey not only from the oil deal, but also from making itself more attractive to be awarded a pipeline route through its territory. Since 1996, Turkey has been bargaining for a pipeline that would go to the Turkish port of Ceyhan either directly via Azerbaijan, bypassing Armenia, or via Georgia. At the beginning of 1997, a pipeline via Georgia to Ceyhan seemed to be on everybody's agenda. Turkey has been lobbying the AIOC and the companies' respective governments quite successfully. Today, the United States, Azerbaijan and Georgia support and promote the Azerbaijan-Georgia-Turkey (Ceyhan) pipeline route wholeheartedly.

However, the Nagorno Karabakh conflict endangers the pipeline in Azerbaijan and in Georgia. The Abkhazian conflict can lead to attacks on the pipeline within Georgian territory and the Kurdish problem in Turkey can potentially create problems for pipeline viability within Turkey.

Iran

The most obvious, shortest and most commercially viable route to transport the energy wealth of the Caspian Sea and Central Asia is Iran. Iran, however, is also labeled by the United States as one of the "rogue" states. As such, the western-led Azerbaijani Oil Consortium and much-hindered American oil companies cannot use Iranian pipelines for export and are still looking for other commercially viable pipeline routes. American officials and legislators consider Iranian militancy a danger equal to that of Russian interests. They fear that Shiite Iran with its fifteen million Azerbaijani minority can influence neighboring Azerbaijan with which they share the same religion, a common border and interests regarding the Iranian Azerbaijanis. The fear of Islamic Iran and the influence it might gain, especially in Muslim Azerbaijan and Central Asian states, worries the West that all these states might turn away from pro-western regimes. An Islamic orientation, with Iran as its champion, will harm Western interests in the regions of both the Caucasus and Central Asia.

American oil interests in the region, badly hurt by U.S. sanctions against Iran, have been relentlessly lobbying the American Administration to rethink its policy towards Iran. For the past one year and a half, American oil company officials, think tanks and former government officials have been clamoring about the difficulty to pursue their own and American interests in the region when foreign policy decisions and legislation puts such limits on them. It seems though that their efforts to change the odds against them were successful.

In August of 1997, the United States announced that Turkmen gas can be transported via Iran to Turkey. The decision was seen as a breakthrough on the part of the United States. Even though, Madeleine Albright, the American Secretary of State, said that this decision does not change American policy towards Iran, many analysts characterized it as a softening in the previously intransigent American position. There is the hope that the United States might pursue a policy of a rapprochement with Iran to break the deadlock of oil and gas transport created by the ethnic conflicts in the Caucasus.

The United States: Interests in the Caspian Basin

The American Secretary of Defense, William Cohen, aptly expressed what the American interests in the region are, "The United States has a unique opportunity to provide leadership, funding and technical assistance to a region that is important for long-term US interests. The new silk road strategy for the US policy in the south Caucasus and Central Asia is needed. The time to act is now."²⁵

The United States wants to ensure that **free** access to the Caspian energy reserves, primarily oil, is not hindered by rival interests. It sees Russia and Iran as its principal rivals in the region for influence. The United States needs to insure that neither Russia nor Iran controls the only viable pipeline route to the West. Also, the United States wants the states of the Caucasus and Central Asia to become economically and politically independent, at least economically and politically independent from Russia. That would guarantee that Moscow will not have the influence of the past or of the present. An oil pipeline from Azerbaijan to Georgia will make these two countries not depend on Russia for their economy or for their security.

Moreover, the United States wants to see the withdrawal of Russian military forces from all the newly independent states. The United States firmly believes that the conflicts in the Caucasus must be resolved, not only for dampening Russia's military presence, but also for making the pipeline routes really viable. Until now, the oil pipeline routes exist only on paper.

The United States has been very concerned over regional power plays in the Caucasus. Many current and former American government officials are afraid that Russia's goal is to retain undisputed control over the Transcaucasian states for political reasons. The method Russians are using is to foment conflict. Thus, Abkhazia and Nagorno Karabakh are seen as the results of Russian instigation to weaken the new states and, therefore, make them dependent to their 'big' neighbor and keep them in the Russian sphere of influence. It also creates political instability in the Caucasus which makes the operation of oil pipelines practically unrealistic. The scenario gets even more alarming when Iran enters the stage. The United States considers that Iran can harm American

interests either by fomenting terrorism or by gaining influence due to the ties of sharing the same religion. If Iran is not satisfied with the role it can ultimately play in the region, extremist elements could render pipeline routes inoperable even after the conflicts in the area have been resolved.

The United States considers Turkey as its most strategic partner in the region to contain Russia and Iran and to prevent a Russian takeover of the Caucasus. Also, the Turkish involvement gives the United States the reassurance that oil transportation, via Turkey, can be controlled by the United States as long as hostilities do not resume in the Caucasus.

CONCLUSION

The negotiations for the settlement of the Nagorno Karabakh conflict intensify. Both sides have shown that they are ready for peace. However optimistic the reports are though, one must keep in mind that neither side has really given in. They remain true to their positions as before. Although compromise is a word often used by both, no real steps have been taken to reach a satisfactory settlement to the dispute.

Azerbaijan denies the Nagorno Karabakh Armenians their right under Soviet law to secede from their republic and continues to refuse to recognize them as an equal negotiating entity. Azerbaijan further maintains that Nagorno Karabakh must remain under Azerbaijani sovereignty. Also, Azerbaijan insists that the Armenians return all the districts and provinces they have captured and that now serve as a buffer zone between the two peoples. Furthermore, they ask for the relinquishment of control of the districts of Sushu and Lachin, on the border with Armenia, which are of vital importance to the survival of the Armenian enclave.

Armenia and Nagorno Karabakh, on the other hand, although willing to relinquish control of the six provinces that separate the enclave with Azerbaijan, are not willing to give up Sushu and Lachin. Moreover, the question of the status of the enclave has not yet been clarified. It is clear that Azerbaijan will never accept the status of independence for Nagorno Karabakh and neither will the international community represented by the OSCE and the Minsk Group. However, Nagorno Karabakh was the victor of the war between the Armenians and the Azerbaijanis and given the experience of the Armenians in the hands of the Azerbaijanis, it is unthinkable that they will give up the vital for them connection to the 'mother' country, Armenia. Finally, if the Nagorno Karabakh Armenians do not get 'self-rule' which will give them the right to their own government and defense forces, it is highly unlikely that any settlement will be achieved.

It is up to the Minsk Group to try and reach a solution that will eventually satisfy both parties. As indicated above, Nagorno Karabakh is willing to accept an agreement similar to the one reached by Russia and Chechnya. Such settlement though would imply that the borders of Azerbaijan could alter in the future and that Nagorno Karabakh could eventually gain independence at a future time. In the meantime, Azerbaijan does not seem in any hurry to settle the conflict as it considers it to their benefit to let time pass. Azerbaijani leaders "appear willing to sit back and allow the republic's increased importance to Western governments gradually translate into increased pressure on the Armenian side."²⁶

Why is the Nagorno Karabakh settlement imperative and how is it connected to the Eurasian transport corridor? The transport of oil through the Northern route, via Chechnya and Russia, and the Western route, via Georgia, can only be feasible if the conflicts in the region are resolved. Considering that agreements have been signed, the Northern route has been temporarily secured. However, neither the AIOC nor the West nor Azerbaijan can rely on Russia to carry the energy wealth to the West. By transporting early oil through Georgia, it was calculated that sole Russian monopoly over the resources would be denied. Even though negotiations between Abkhazia and Georgia are resuming to reach a settlement, it does not by any means imply that the

Western route will be inviolable; the settlement of Nagorno Karabakh is needed to secure that route. The threat of the use of force by the Armenians or by the Azerbaijanis must be taken into account to insure that oil will flow. Moreover, even though the American Administration has accepted that gas will be transported via Iran, American companies and their subsidiaries are still banned from doing business with it. That automatically rules out the possibility of an oil pipeline, carrying Azerbaijani or Kazak oil, traversing Iran. A route for main oil must flow to the West. Considering AIOC's announcement that two routes are considered, one through Russia to the Aegean and one through Georgia and Turkey to the Mediterranean, it is obvious that the settlement of the Nagorno Karabakh conflict is of strategic importance. AIOC, the Western-controlled consortium, could never award Russia exclusive control of the main oil pipeline route. Turkey, a NATO country with close ties to the United States, is the obvious choice. The Nagorno Karabakh settlement can insure that the Georgia-Turkey pipeline route will traverse peaceful territories without fear of destruction.

However, the other side of the coin is indeed alarming. If negotiations fail and Azerbaijan uses its oil revenues to build up its military further to address the conflict militarily, hostilities may resume. It is to no one's interest for that to happen. International investment in the region and, in particular, in Azerbaijan will cool. Even worse than the cessation of economic development is the possibility of the renewed hostilities drawing in the regional powers, Russia, Turkey and Iran. There are far too many military agreements that have been signed not only among the Caucasian and regional states, but also among Caucasian and European states. Armenia has signed military agreements with Russia, Greece and Bulgaria to counter the Azerbaijan-Turkey axis and its implications. Azerbaijan signed military agreements with Turkey, Georgia and Ukraine. If war breaks out, one cannot rule out the possibility of it becoming internationalized.

Both Turkey and Iran were uneasy during the Karabakh war. Although neither state engaged directly in the war, their military forces were mobilized on the borders of Armenia and Azerbaijan. Iran's immediate security concern is that "the growth of nationalistic feelings among its Azerbaijani populace - possibly prompted by renewed warfare in Azerbaijan - could lead to an Azerbaijani separatist movement and the dismemberment of Iran."²⁷ Even though Turkey does not face such a security threat as Iran, it has far too much at stake to remain neutral to a war. And neither will Turkey accept Russia to gain influence again in Azerbaijan.

Russia likewise will not accept any outside power to actively participate in the hostilities. It considers the region as its sphere of influence and any outside participation is a threat to its vital national interests. "Moreover, Russia is bound under the terms of the 1992 Tashkent Collective Security Treaty to come to Armenia's defense if attacked by a third party. Thus, Moscow would no doubt oppose Turkey militarily in an expanded Karabakh clash."²⁸

The implications of a NATO member engaged in conflict against a nuclear-armed state are difficult to calculate. It is unthinkable though that the West will remain uninvolved, especially when there are such immense economic and political interests involved. The Gulf war was fought to protect the West's supply of energy resources. The internalization of the Nagorno Karabakh conflict could trigger a similar response.

ENDNOTES

-
- ¹ Caspian Region Energy Development Report, U.S. Department of State, 1997, p. 1.
- ² Forsythe, Rosemarie. The Politics of Oil in the Caucasus and Central Asia. Adelphi Paper 300. Oxford: Oxford University Press for The International Institute for Strategic Studies, 1996, p.13.
- ³ Hunter, Shireen T. The Transcaucasus in Transition: Nation-Building and Conflict. Washington, DC: The Center for Strategic and International Studies, 1994, p.116.
- ⁴ Henze, Paul B. The Transcaucasus in Transition, prepared for the Under Secretary of Defense for Policy. Washington, DC: RAND, 1991, p. 8.
- ⁵ Nagorno Karabakh: A White Paper, 2nd edition. Yerevan, Armenia: The Armenian Center for National and International Studies, 1997, p. 5.
- ⁶ *Ibid*, p.5.
- ⁷ *Ibid*.
- ⁸ *Ibid*.
- ⁹ "Report on Ethnic Conflict in the Russian Federation and Transcaucasia." Harvard University, Strengthening Democratic Institutions Project: 1993, p. 77.
- ¹⁰ N.A. "The Conflict in the Area Dealt with by the Minsk Conference." *Organization for Security and Cooperation in Europe*: <http://194.108.154.175/info/facts/nagorno.htm>, August 1997.
- ¹¹ Nagorno Karabakh: A White Paper, 2nd edition. Yerevan, Armenia: The Armenian Center for National and International Studies, 1997, p. 10.
- ¹² *Ibid*, p. 12.
- ¹³ "The Politics of Promises", Remarks by Gerard J. Libaridian, Senior Advisor to the President of the Republic of Armenia, at the Conference titled THE TRANSCAUCASUS TODAY: PROSPECTS FOR REGIONAL INTEGRATION, Yerevan, Armenia, June 23, 1997.
- ¹⁴ Platt's Oilgram News, "Decision on Azeri export route delayed by a year," vol. 75, No. 115, June 16, 1997.
- ¹⁵ Ministry of Foreign Affairs of Azerbaijan, 1994-1995.
- ¹⁶ *Ibid*.
- ¹⁷ Caspian Region Energy Development Report, U.S. Department of State, 1997, p. 8.
- ¹⁸ *Ibid*, p. 8-9.
- ¹⁹ Caspian Region Energy Development Report, U.S. Department of State, 1997, p. 7.
- ²⁰ McDonell, Gavan. The Euro-Asian Corridor: Freight and Energy Transport for Central Asia and the Caspian Region. London: EBRD, 1995, p. 11.
- ²¹ *Ibid*, p. 12.
- ²² Forsythe, Rosemarie. The Politics of Oil in the Caucasus and Central Asia. Adelphi Paper 300. Oxford: Oxford University Press for The International Institute for Strategic Studies, 1996, p. 16.
- ²³ Hunter, Shireen T. The Transcaucasus in Transition: Nation-Building and Conflict. Washington, DC: The Center for Strategic and International Studies, 1994, p.164.
- ²⁴ *Ibid*, p. 164.
- ²⁵ Turkish Daily News, August 6, 1997.
- ²⁶ Croissant, Michael, "Tensions renewed in Nagorno Karabakh," in Jane's Intelligence Review, vol.9, No. 7, July 1, 1997, p. 309.
- ²⁷ *Ibid*.
- ²⁸ *Ibid*.