

# BAKU DIALOGUES

POLICY PERSPECTIVES ON THE SILK ROAD REGION

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# Winning the Peace

## Azerbaijan's Karabakh Reintegration Challenges

*F. Murat Özkaleli*

The Karabakh conflict was not resolved peacefully. Decades of unfruitful negotiations held under the auspices of the Co-chairs of the OSCE Minsk Group (France, Russia, and the United States) produced no diplomatic solution. The 30-year-long stalemate ended when Azerbaijan re-gained its occupied territories with a decisive military victory after 44 days of fighting. After the Second Karabakh War, Azerbaijan restored its territorial integrity in conformity with four UN Security Council resolutions.

Formally, Azerbaijan's sovereignty over all Karabakh was restored through the signing of a trilateral settlement that was reached between Azerbaijan and Armenia on November 10th, 2020, with Russia being the facilitator and

third signatory. The settlement, which is more than a conventional truce but less than a full peace agreement, ensured the return of the remaining five occupied Azerbaijani areas immediately. A five-kilometer-wide corridor connecting Armenia to Karabakh was opened through Lachin, with control granted to a newly-established Russian peacekeeping force, which also took over control of Khan-kendi and some surrounding areas populated by ethnic-Armenians. Despite some delays, the trilateral settlement is being enforced and the Armenian occupation of 20 percent of Azerbaijani territories came to an end in early 2021. Other provisions of the settlement, such as the establishment of the free movement of all Azerbaijani persons, services, and capital to the region, is to follow.

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After winning the war, Azerbaijan now faces another big task: winning the peace. This consists in ensuring the territorial, economic, social, and political reintegration of Karabakh into Azerbaijan, while at the same time ensuring that regional peace and stability is kept intact. Peace and security in the region would allow for the flourishing of much-needed investments in infrastructure and the revitalization of Karabakh's economy. And yet, this is a particularly challenging task, for Armenians continue to reject Azerbaijan's sovereignty over Karabakh. The presence of Russian peacekeepers is generally interpreted by the Armenian leadership as a shield for the practical maintenance of their *de facto* control over the areas within the Russian peacekeeping zone, against Azerbaijan's *de jure* authority in the region.

### *Breaking the Security Dilemma*

In a 1996 *International Security* article entitled "Containing Fear: The Origins and Management of Ethnic Conflict," co-authors

*Winning the peace consists in ensuring the territorial, economic, social, and political reintegration of Karabakh into Azerbaijan, while at the same time ensuring that regional peace and stability is kept intact.*

David Lake and Donald Rothchild argue that "intense ethnic conflict is most often caused by collective fears of the future"—in particular, the prevalence of fears that the physical security of a given ethnic group is threatened.

Fear of a lack of secure future in the South Caucasus is an extension of what the past has brought. As Stuart J. Kaufman observed in his book *Modern Hatreds: The Symbolic Politics of Ethnic War* (2001), the longstanding conflict over Karabakh represents a fundamental clash between the Armenian myth-symbol complex fueled by historical fears and the corresponding Azerbaijani one that emphasizes a desire to protect its sovereignty and territorial integrity. Consequently, containing fears with respect to Azerbaijan's sovereignty and territorial integrity is the crucial component for breaking the cycle of the security dilemma in Karabakh, which requires both the effective management of information and dealing with credible commitment problems.

For three decades, Baku had refused to negotiate with Karabakh Armenians, as it would have been interpreted as having

granted quasi-political recognition to the breakaway entity, whose “independence” was both unilaterally declared prior to the breakup of the Soviet Union and remained completely unrecognized internationally in the subsequent decades. Even Armenia itself never formally recognized the entity proclaimed by the Karabakh Armenians.

The fact that Azerbaijan has ensured its territorial integrity as a result of the outcome of the Second Karabakh War suggests that Baku’s primary engaging party in the time ahead will now be the Karabakh Armenian community, whose members are citizens of Azerbaijan. Of course, crucial roles will also need to be played by Yerevan and other external stakeholders in terms of providing support in the management of “ethnic fear,” to refer to Lake and Rothchild’s terminology.

Ancient hatreds spanning centuries, the traumas associated with the First Karabakh War, the effects of nearly three decades of occupation, and the recent liberation of the occupied territories by a combination of the use of force and diplomatic brinkmanship make it extremely difficult, in the immediate term, to expect that this ethnic fear (and the myriad problems derived from it) can be overcome. Still, the gradual reintegration of Karabakh

into Azerbaijan is vital for protecting Azerbaijan’s territorial integrity and reintegrating the country’s ethnic-Armenian citizenry into the fabric of society while at the same time ensuring peace, security, and prosperity in the South Caucasus. As Azerbaijani President Ilham Aliyev has stated on numerous occasions since the Second Karabakh War came to an end, the country aims to sustain peace in the region and is ready to normalize relations with Armenia. In other words, the peace can be won with hard work, expressions of mutual tolerance, and conciliatory steps.

### *Audience Costs*

Baku’s ultimate goal is to fully reintegrate Karabakh into the rest of Azerbaijan; yet this can only be done in stages and will take years to complete. Aside from material obstacles, the Azerbaijani leadership will likely face a situation of complex “audience cost” with respect to the reintegration of Karabakh. (Generally speaking, audience costs in international relations theory are the costs that leaders pay from backing down before their opponents in interstate disputes.) The leadership in Baku will need to balance domestic audience costs against external audience costs; the latter further requires

balancing Russia against the Western powers — most importantly, the United States and France. The two-level game structure of Azerbaijan’s future Karabakh policies, along with possible signaling problems towards

the competing Minsk Group Co-chairs, adds layers of complexity to the situation. Should the Azerbaijani leadership be seen to be backing down or even making compromises, it will face domestic audience costs; likewise with respect to increasing international pressure to have ethnic-Armenians included in the governance of Karabakh, where it seems likely that Russia and the United States will have conflicting demands.

All these complex audience costs make it imperative for Baku to work on sustainable governance and power sharing structures for achieving peace and prosperity in the Karabakh of the future.

The reintegration of Karabakh into the rest of Azerbaijan, therefore, requires a multi-layer, sequential policy approach characterized by a high tolerance for contingent and adaptive alternatives.

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There are multiple factors that set the context in which Azerbaijan’s authorities will have to operate. Each of these factors should be dealt with in two ways simultaneously: distinctly on their own and as part of

an overall whole made up of the cumulation of all such factors and their effects.

Put succinctly, the territorial, social, economic, and political reintegration of Karabakh will require controlling audience costs, both domestic and external. A whole-of-government, coordinated effort will obviously be required, necessitating the need for the emergence of a highly complex matrix for policy planning.

### *Property, Reconstruction, and Resettlement*

Inevitably, the Azerbaijan government will organize the return of more than 600,000 internally displaced people to their homes. This is an evidently daunting task not only because of the sheer numbers involved (the re-mobilization of between 5 and 10 percent of the

entire population of Azerbaijan is in and of itself a logistic nightmare), but also because many of these IDPs' dwellings were destroyed by Armenian forces during the occupation.

Roughly speaking, the urban terrain of the occupied territories can be divided into three major clusters, when the pre-1989 demographics and the current situation are compared: (1) areas that had an ethnic-Armenian majority and are still populated by Armenians (e.g., Khankendi, Khojavend, Agdere); (2) areas that had an ethnic-Azerbaijani majority and were populated by ethnic-Armenians between the First and Second Karabakh Wars (e.g., Shusha, Kelbajar, Lachin, Kubatli, Zengilan, Jabrail); (3) areas that had an ethnic-Azerbaijani majority but were uninhabited or became uninhabitable (e.g., Agdam, Fuzuli).

Agdam was the center of the Karabakh region until the early 1990s, with population of more than 130,000. Its current situation can only be compared to Hiroshima, Warsaw, or Dresden after the devastations of war. Similarly, Fuzuli—a settlement once home to nearly 90,000 people—is now a complete ghost town. Ethnic-Armenians populated the Kelbajar district after the First Karabakh War but most of

the dwellings formerly inhabited by ethnic-Azerbaijanis were burned to the ground with contagious frenzy right before the district was transferred back to Azerbaijan as a part of the November 10th, 2020, agreement. Moreover, virtually all of Karabakh's cultural and religious sites, including the ones located in Azerbaijan's cultural capital of Shusha, were destroyed during the occupation. While some of these monuments of world heritage can be rebuilt, many are beyond repair.

Due to this wholesale urbicide, most cities and towns in Karabakh will need to be built back up from scratch. This is obviously a long-term and costly proposition that will pose significant economic and social challenges for Azerbaijan.

Furthermore, hundreds of thousands of anti-personnel and anti-tank mines, coupled with countless booby-traps and pieces of unexploded ordnance, were laid in these districts by the forces of Armenian occupation. Like in Afghanistan, Syria, Yemen, and elsewhere, heavy mine contamination not only prevents the immediate return of civilians but poses a threat to the resumption of normalcy for a period of decades after the guns have been silenced. The case of Vietnam is illustrative: 20 percent of the country remains contam-

inated by landmines and unexploded ordnance, and more than 100,000 people have been killed or injured due to contact with such armaments since 1975).

The return of IDPs to their homes will necessarily have to be a gradual and controlled process—one that can begin in earnest only after the cleaning of explosives has been completed and infrastructure has been rebuilt—both requiring heavy and sustained state investment.

Until then, most of the liberated Karabakh region will remain under the administration of Azerbaijani security forces, as the regeneration of civilian life may take considerable time. This may turn out to be a blessing in disguise from a public administration perspective. For instance, a new Immovable Property Administration may be introduced (or the country's existing one may be given a broader mandate) with objective of making a comprehensive assessment of assets in the Karabakh region. All the buildings must be counted and categorized, and land and property titles must be re-issued.

There will be tens of thousands of applications from Azerbaijan's IDP community to reclaim lost property. In many instances, their property will have been destroyed either by neglect, purposefully de-

molished by the forces and agents of the Armenian occupation, or resettled by ethnic-Armenian occupants. Categories need to be set carefully and cartographic inventories must be thoroughly prepared. In this context, certain decisions made by the European Court of Human Rights (ECHR) should be carefully examined. Its decisions in *Demopoulos and Others v. Turkey* (2010) may be of particular significance, as the rulings sought to balance between former and current property owners: the court indicated that returning properties to the old owners should not result in human right violations for the current owners. After a three-decades long occupation, property issues have become very complex and therefore must be dealt with diligently.

In short, Karabakh today needs a massive infrastructure overhaul, but such an effort cannot be limited to the reconstruction of demolished homes and towns. Time has been frozen since the early 1990s in many parts of the liberated region. Power, water, and sewage systems are all outdated and damaged. Existing roads and railways require major repairs and new ones will need to be built. Construction of new airports has already begun. All these efforts also face problems related to minesweeping and funding. All-

told, all of Karabakh will become one giant construction site.

### *Minefield Maps as a Key to Peace*

Unfortunately, Armenia has so far refused to provide all the minefields maps in its possession. The welcome exception, which took place as *Baku Dialogues* was going to press, was the surrender of maps for the Agdam district. But this represents only a “tiny part of the maps we have,” as the acting prime minister of Armenia, Nicol Pashinyan, admitted soon thereafter.

The demining process would gain significant pace if full Armenian cooperation were to be secured for humanitarian purposes, as the untold number of remaining explosives pose a clear and present danger to civilian lives. Neither Azerbaijan nor Armenia is a party to the Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction, which came into force in 1999. Thus, the issue requires bilateral negotiations. Georgia facilitated the handover of the Agdam maps (with the support of the United States, the European Union, the Swedish chairmanship

of the OSCE, and perhaps Russia) but there is much more work still to be done. Moscow might step up on its own; or join hands with the other two Minsk Group Co-chairs; or the actors involved in the Agdam arrangement could build on their success.

What is certain is that Yerevan did not give away these maps for nothing: they were essentially traded for 15 Armenian detainees in Azerbaijani custody. Its policy may become more flexible after the June 20th, 2021, parliamentary elections are held in Armenia. On the other hand, Yerevan’s reluctance to provide all the minefields maps it possesses may be considered a purposeful delaying tactic for Azerbaijani resettlement. But such a tactic can only slow down this process, not prevent it from proceeding.

Whatever lies behind Yerevan’s reluctance to act, Armenia will be held responsible for all the human and material loss resulting from landmine explosions covering the areas where it has refused to hand over the maps: both Azerbaijan and Armenia have been parties to the European Convention on Human Rights since 2002, which gives the ECHR jurisdiction. Other international courts can be petitioned, as well.

However that may be, providing the minefield maps to Azerbaijan would constitute an excellent gesture on the part of the Armenian side, signaling a willingness for cooperation. At the same time, of course, it could lead to considerable audience costs on the home front, making a unilateral handover nearly impossible. In this regard, some sort of bilateral Commission on Humanitarian Matters could be established under the auspices of the International Committee of the Red Cross, the International Red Cross and Red Crescent Movement, the Minsk Group, or, as discussed above, the actors involved in facilitating the Agdam landmines map arrangement. Whatever the modality, the Azerbaijani side can expect to be presented with demands from the Armenian side—humanitarian or otherwise.

### *Revitalization and Reparations*

Revitalizing the economy and putting on solid ground the public finances of the liberated areas constitute two other critical steps Azerbaijan can take to reintegrate the region successfully into the rest of the country as well as transform it into both a politically peaceful and economically gainful part of the South Caucasus.

Karabakh is rich in natural resources, including gold and coal reserves. Karabakh also contains an abundance of renewable energy sources. The Azerbaijan Energy Regulatory Agency (AREA) reports that one quarter of Azerbaijan’s water resources—about 2,56 billion cubic meters of water per annum—is generated in the Karabakh region. AREA also indicates that Karabakh’s strong streams feed not only the Tartar, Khudafarin, and Giz Galasi hydroelectric power plants but also the Sarsang/Sugovushan water reservoir, which is one of Azerbaijan’s tallest dams. In short, AREA estimates that the occupied territories were contributing as much as 30 percent to Armenia’s annual GDP.

While the Sugovushan water reservoir is likely to make a considerable contribution to Azerbaijan’s agricultural output in the time to come and the reintegration of Karabakh’s gold reserves promises to strengthen Azerbaijan’s currency, which was devaluated in 2016 due to low oil prices. And overall, the wholesale reconstruction of the liberated areas will also make a significant contribution to the country’s economy.

This revitalization is good for the Karabakh Armenians as well, increasing the likelihood for the



onset of sustainable prosperity—something that they never had during the period of occupation. Lastly, economic revitalization can establish a base for enduring peace between Karabakh Azerbaijanis and Karabakh Armenians. Like Alsace-Lorraine or South Tyrol after World War II, Karabakh has the potential to turn into a signifier of peace and cooperation instead of remaining a synonym for conflict and division.

There are, however, some outstanding issues that need to be resolved urgently. First, Azerbaijan's currency, the manat, should replace all foreign currencies in Karabakh even though foreign ones such as the Russian ruble, the U.S. dollar, or the euro may be used in the Russian peacekeeping zone during the transition period established by the November 10th, 2021, trilateral statement.

While some tax exemptions may be provided for the liberated areas during this same transition period, Azerbaijani's taxation regime should be introduced eventually in order to levy taxes on income and property. Customs should also be regulated in conformity with the rest of Azerbaijan's international borders so as to avoid creating a quasi-state within the state. A further important detail regarding

the region's financial reintegration into Azerbaijan is paying the salaries of state employees in Karabakh with the manat—especially those hired by the Armenian occupation forces (e.g., schoolteachers, medical doctors, nurses, police officers, local government employees, and so on). In short, regenerating local income streams and redistributing resources from the central budget in Baku require making serious public finance plans for Karabakh. The region's financial reintegration also requires reintroducing Azerbaijan's banking system into the region. Thus, opening branches of the Azerbaijani Central Bank as well as Azerbaijani retail and commercial banks all over Karabakh, including in places like Khankendi, may become a priority for Baku in the near future. Such moves may be crucial to revitalizing Karabakh's local economy through the provision of loans and other services.

Azerbaijan suffered extensive losses to its national earnings potential during the period of the Armenian occupation: the unilateral seizure and exploitation of natural sources (mining, electrical production, etc.) clearly constituted a breach of international law. At the same time, the forests of Karabakh were devastated during occupation, such that senior Azerbaijani officials have used the word “ecocide”

to describe the plight of countless tress over the nearly 30-year period.

All of these losses bring the necessity of compensation to the forefront. Nevertheless, the question of war and occupation reparations is a bilateral issue between Armenia and Azerbaijan; it is not directly relevant to the issue of how to reintegrate Karabakh (and the Karabakh Armenians) into Azerbaijan. In fact, the reparations issue may serve the cause of justice and satisfy the demands of the Azerbaijani public, but it may also impede the much-needed process of reconciliation.

### *Dealing With Ancient Hatreds*

One of the key distinctions to be made regarding the nature of the Karabakh conflict is that how to define and explain it. Partisans of the Armenian position tend to describe the nature of the Karabakh conflict as primordial and innate. This has even been reflected in Yerevan's official population policy, which sanctioned the expulsion of all non-ethnic-Armenians from Armenia and the occupied areas as well as initiated forced assimilation programs such as the closing of schools that follow a Russian language curriculum.

In contrast, schools and universities where the language of instruction is Azerbaijani, Russian, Georgian, Turkish, and so on operate without hindrance in Azerbaijan. More broadly, Azerbaijan is a proudly multiethnic, multiconfessional, and multicultural society made up not only of ethnic-Azerbaijanis but also many ethnic Russians, Lezgis, and Jews. There are nearly 100,000 ethnic-Armenians living in Azerbaijan. Thus, Azerbaijan is well equipped to reintegrate the Karabakh Armenians into its already diverse social, economic, and education system.

Karabakh Armenians had lived in an unrecognized entity for nearly three decades, which makes them, at best, reluctant to be reintegrated into the Republic of Azerbaijan. In this regard, reorienting the rhetoric of the Armenian elite towards coexistence and cooperation is a vital condition for reconciliation to be able to move forward. The potential for reconciliation is high, if the sides demonstrate a genuine willingness to prioritize regional development—both economic and social.

Azerbaijan's willingness to focus on the economic development of the region provides a unique opportunity for peace and prosperity for the entire South

Caucasus to take hold. Nevertheless, it requires two to tango, as the saying goes. Even though reconciliation and economic revitalization would be beneficial for the Karabakh Armenians, more than seven months after the trilateral agreement came into force the rhetoric of the Armenian elite has shown virtually no sign of reconciliatory or cooperative sentiments. Quite the contrary, for the most part it remains stuck in the past and continue to stumble into pitfalls of overextension by relying heavily on what Jack Snyder called “myths of empire” (the title of his 1993 book): an admixture of domestic politics and expansionist ambitions.

Moreover, Armenia has yet to deal with its diaspora issue. No other nation has a greater disconnect between the power of its state and the power of its organized diaspora, as a result of which the latter plays a uniquely disproportionately strong role in designing the country’s policies. The organized Armenian diaspora—especially those branches based in the United States and France—often impose their ultranationalist, even belligerent rhetoric into the country’s public discourse and policymaking process, instead of leveraging their evident influence to help establish peace and prosperity in the South Caucasus.

The point here is that the steps various steps that Azerbaijan

may take to reintegrate Karabakh Armenians through a complex institutional design will likely face resistance by the organized Armenian diaspora. Baku will need to figure out how to overcome both the challenge of its outreach initiatives being dismissed immediately and counter accusations of wanting to assimilate the Karabakh Armenian community.

Thus, the “ethnic outbidding” that Timothy D. Sisk defined in *Power Sharing and International Mediation in Ethnic Conflicts* (1996) as “extremist ethnic group leaders who decry moderation with enemies as a sellout of group interest” presents a genuine threat to Baku’s reintegration plans. In fact, one could expect to see that the more successful these have a chance of becoming, the more likely it is that they will be rejected by both the government in Yerevan and the organized Armenian diaspora coming together to pressure the Karabakh Armenian leadership to retain an uncompromising, ultranationalist stance. Moreover, other external powers that have historically supported Armenian political causes are unlikely ever to be fully satisfied with Azerbaijan’s reintegration plans to the point that—if past behavior can serve as a predictor of future action—demand after demand can be expected to be made until Baku’s effective sovereignty over Karabakh is seen as being compromised.

Last but not least, Baku’s reintegration policies are likely to face domestic opposition. Azerbaijani public opinion is also not immune to emotional stimuli: some circles are likely to attempt to frame the government’s reintegration plans as constituting concessions to the ‘enemy’.

All this carries with it the danger of turning mutual ethnic outbidding into a combative dialectic that turns into a pretext for the reemergence of yet another round of violent conflict. Hence, the process of ethnic conflict de-escalation in Karabakh should begin with identifying particular conflict triggers and precipitating events and their management through the implementation of well-designed and carefully implemented integrative policies.

### *Governance and Power Sharing*

What Karabakh’s new governance structure will look like probably represents the single most speculated topic in the knot of issues that need to dealt

with in order to achieve the full reintegration of the region into Azerbaijan.

The power sharing question—or, more broadly, the question of the political inclusion of Karabakh Armenians—may become an even more perplexing one should it be-

come a pretext for external meddling and, in turn, be seen as a challenge to Azerbaijan’s sovereignty and territorial integrity.

Even with no or at least limited outside interference, however, power sharing in a multi-ethnic setting is an evidently thorny issue: it could lead to the fragmentation of a state (e.g., Yugoslavia) or nurture democratic secessionist aspirations (e.g., Quebec, Scotland, Catalonia). Either way, power sharing is an extremely difficult but ultimately necessary subject to be discussed for ensuring the full reintegration of Karabakh into Azerbaijan.

It could be very well argued that the concern with respect to Karabakh is exclusively “governance,” not “power sharing,” since

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even if the approximately 100,000 ethnic-Armenians (no one really knows the exact population number) that resided in the region during the occupation were all to return (or remain, as the case may be) would not constitute a sufficiently sizeable minority in a country with a population of over 10 million. Obviously, a minority population that makes up more or less 1 percent of a country's total population is quite unlikely to warrant the granting of any serious form of power sharing at the central government level, except perhaps the allocation of a guaranteed number of seats to ethnic-Armenians in the country's parliament.

Nevertheless, Karabakh's particular political history adds both complexity and context to the situation. In the wake of the Second Karabakh War, virtually the entire Karabakh Armenian population is now located in a small pocket of territory in and around the city of Khankendi. Still continuing their effective control there thanks to the presence of Russian peacekeepers, the leadership of the Karabakh Armenian

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community would hardly accept any governance structure that excludes their active participation in the local administrative bodies. There is no serious question that this position will be supported by all three Minsk Group Co-chairs and other international actors like European Union.

In his aforementioned book, Timothy Sisk provides a typology for conflict-regulating practices that may provide a starting point for thinking about this issue. He argues that "the consociational and integrative approaches can be fruitfully viewed as conceptual poles in a spectrum of specific conflict-regulating institutions and practices that promote power sharing."

Sisk goes on to provide five consociational conflict-regulating practices: *one*, granting territorial autonomy and creating confederal arrangements; *two*, creating a polycommunal, or ethnic, federation; *three*, adopting group proportional representation in administration appointments, including consensus decision rules in the

executive; *four*, adopting a highly proportional electoral system in a parliamentary framework; and *five*, acknowledging group rights or corporate (nonterritorial) federalism.

He also provides five integrative conflict-regulating practices: *one*, creating a mixed, or nonethnic, federal structure; *two*, establishing an inclusive, centralized unitary state; *three*, adopting majoritarian but ethnically neutral, or nonethnic, executive, legislative, and administrative decision-making bodies; *four*, adopting a semi-majoritarian or semi-proportional electoral system that encourages the formation of pre-election coalitions (vote pooling) across ethnic divides; and *five*, devising ethnicity-blind public policies

While Sisk's two approaches may provide a general conceptual framework for conflict-regulating practices, other particular factors ought to set more practical parameters for Karabakh's political reintegration into Azerbaijan. These include: the political history of the Karabakh region, Soviet-era administrative structure, comparative examples in the post-Soviet space (especially Russia's experience), and the current public administration structure of the Republic of Azerbaijan.

## *A New Public Administration Structure*

Azerbaijan needs to establish a new political structure for Karabakh. The design of such a structure will necessarily have to be incorporated into the existing Azerbaijani political system. One alternative is to create a bicomunal public administration system in Karabakh based on the facts on the grounds, a component of which could involve the establishment of a distinct local ethnic-Armenian representation schema. There are crucial components for such a bicomunal administration. An initial task is to define the boundaries and population of Karabakh. If the boundaries of the Nagorno-Karabakh Autonomous Oblast (NKAO) from the Soviet era may be taken as a starting point, then these consisted of five administrative districts (Askaran, Hadrut, Mardakert, Martuni, and Shusha) that, taken together, correspond more or less to the operational area of the Russian peacekeeping contingent—the notable and highly symbolic exception being Shusha, which was regained by the Azerbaijani Armed Forces in the last days of the Second Karabakh War.

A single category of Azerbaijani citizenship is necessary to maintain, although a special kind of



residency status may be negotiated for those who choose to reside in (or return to) Karabakh. Soviet-era census data may be taken as the principal basis for determining residency status. Soviet-era sources indicate that around 145,000 ethnic-Armenians and nearly 41,000 ethnic-Azerbaijanis lived on the territory of the NKAO in 1989. Azerbaijan may seek to pursue policies that could reverse the region's ethnic osmosis. During the Soviet period, Karabakh was able to sustain an ethnically-mixed population: ethnic-Azerbaijanis and ethnic-Armenians coexisted for decades in relative peace. Once Shusha is repopulated with returning ethnic-Azerbaijanis, the population balance in Karabakh may be restored. In turn, ethnic-Armenians may expect to maintain ethnically-Armenian homogenous towns in Karabakh.

A new census would need to be conducted in order to determine the exact number of ethnic-Armenians still living in Karabakh—notwithstanding the risk of heightened tensions due to the fact that such a census would only include those ethnic-Armenians eligible for citizenship of the Republic of Azerbaijan. It is a commonly known fact that Yerevan pursued a settlement policy in the occupied territories: ethnic-

Armenians from Armenia and other countries (including Syria) were moved to the region. Thus, ethnic-Armenians ineligible for Azerbaijani citizenship may be asked to leave; yet this also requires a careful planning in order to prevent the onset of a new political crisis being generated on a humanitarian basis, which could serve as a pretext for foreign meddling.

In 2017, the secessionist regime operating in the occupied territories enacted a new “constitution” for their unrecognized state. A “presidential” system was established and a 33-seat unicameral “parliament” formed the legislative branch. These political bodies aimed to earn some legitimacy for the regime operating in Karabakh, notwithstanding their non-recognition by Azerbaijan and the rest of the international community. Declaring these to be illegal is one thing; abolishing them is another. Eventually, institutions formed within the constitutional and legal framework of the Republic of Azerbaijan must be established in Karabakh; in all probability, the new legal structures provided by Baku will try, as much as possible, to follow the footsteps of past and current practice by Karabakh Armenians.

Securing the consent of the Karabakh Armenians is desirable but at the same time very difficult,

as ultranationalism still prevails among the ruling elite, which considers the Russian peacekeeper contingent as their community's protector and guarantor of the status quo. Without the at least implicit consent of the Karabakh Armenians, however, peace and prosperity in the region—and in the South Caucasus in general—will be virtually impossible to achieve; its absence would increase the likelihood that bullets not ballots would again become the determining factor of political ends.

### *Three Keys to Karabakh's Reintegration*

In the Spring 2021 issue of *Baku Dialogues*, Laurence Broers argued that the Armenian-Azerbaijani conflict has yet to be resolved. Instead, he suggested it would be more accurate to state that it has been “repackaged and embedded in a new, highly complex, and unpredictable web of linkages.”

The present trajectory of the dispute is such that it may indeed come to be seen in retrospect as having constituted the continuation of the conflict, with new violent additional episodes taking place in the future. This would put the South Caucasus on a path similar to the one resulting from the protracted

conflict between Israel and the Arab states. However, there is also a chance for reversing the tide and winning the peace. This depends on three major factors: the governance and power sharing initiatives that Azerbaijan will take in the process of Karabakh's reintegration; Armenian reactions to these initiatives; and the role of, and relationship between, external actors in the overall context of determining the balance of power between Russia and the United States over the geopolitically pivotal South Caucasus region.

Once a region of contention and ongoing wars between Germany and France, today Alsace-Lorraine is a home of the European Parliament and the Council of Europe—the region is now a symbol of conflict transformation and peacebuilding. Alsace-Lorraine can become an inspiration for Karabakh. Aside from its practical effectiveness, as applied by visionary politicians like Jean Monnet, Robert Schuman, and Konrad Adenauer, the European experience can also provide a theoretical alternative, namely Ernst B. Haas's “neofunctionalism”—an eclectic yet highly influential approach to integration that combined David Mitrany's functionalist insight and Monnet's pragmatism. As pointed

out by Philippe C. Schmitter in a 2006 review article that appeared in the *Journal of European Public Policy*, Haas's neofunctionalism addresses how to use specialized experts by focusing on economically fruitful topics at the sub-national level as the basis for creating spillover effect to gradually solve other politically charged issues. In short, neofunctionalism is a theory that suggests the possibility of creating collaborative atmosphere between former belligerents.

In this regard, starting from the efficient provision of the most basic services (e.g., postal delivery, banking, electrification, gasification, potable water), an inter-communal cooperative spirit may evolve, in turn producing a spillover pattern that would increasingly spread to other public services. Instead of trying to accomplish everything at once, a step-by-step, sequential approach may be more advisable. Sensitivities to local reactions would be factored into policymaking; thus the model should be highly receptive and institutionally capable of adapting to contingencies on the ground as well as external remonstrations.

Probably more realistic alternative to the idealism of the European neofunctionalist approach is to be found in the

various writings of G. John Ikenberry, whose historically enlightened “strategic restraint” approach provides important insights applicable to winning the peace in Karabakh. In this regard, Azerbaijan, as the unequivocal victor of the Second Karabakh War, can nurture a constitutional order that “serves the weak as well as the powerful,” as Ikenberry put it in the revised edition of his book, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars* (2019).

While taking into account the importance of ensuring a regional balance of power, the new institutional design for the Karabakh region of the Republic of Azerbaijan could adopt the main principles of multiethnic governance and power sharing. Setting the administrative boundaries of the new public administration structure for Karabakh may represent an initial step for ensuring the spatial component of the new public administration. Enshrining the protection of the rights of the ethnic-Armenian population, with legal guarantees, would also constitute a crucial human component in this regard.

All told, a delicate balance between political order (i.e., sustaining Azerbaijan's sovereignty)

and securing the representation of ethnic-Armenian citizens of Azerbaijan in Karabakh's governance and power sharing bodies needs to be established. As Ikenberry emphasizes, the basic problem of order formation is coping with the “asymmetries of power.” As the victorious side, Azerbaijan now has a better chance to break the security dilemma by taking concrete steps for including ethnic-Armenians in a new governance and power sharing regime in the process of the reintegration of Karabakh. Nevertheless, the ethnic-Armenian side also has to adopt a cooperative spirit for winning the peace in Karabakh.

Here it could be instructive to examine the example of Cyprus, whereby in 2004 the United Nations put forward a comprehensive peace proposal known as the Annan Plan in which thorny issues such as property, citizenship, residency, and identity were dealt with. Of course, from a legal standpoint, there is a crucial distinction between the status of the Turkish Cypriots and the Karabakh Armenians, as the former was a constitutive community of the Republic of Cyprus (along with the Greek Cypriots). Thus, the UN had to recognize their political equality even though sovereignty had been exercised exclusively by the Greek

Cypriots since 1964 (or, as some argue, since 1974).

Still, the Annan Plan and its annexes—which was prepared by international experts in the context of bicomunal negotiations between Turkish and Greek Cypriots that had gone on for decades—includes many useful aspects for dealing with the present situation. So without losing sight of the *sui generis* nature of the Karabakh situation, casting a glance back at parts of the Annan Plan may still be helpful in developing an integrative approach to governance and power sharing.

The first key element derived from the Annan Plan is in a way the most basic: recognizing ethnic-Armenians' right to exist in Karabakh—something that has already been granted by Azerbaijan. Baku can turn this recognition into practice by including ethnic-Armenians in Karabakh's new governance and power structure. In turn, and this is the second key element, the ethnic-Armenian side needs to recognize Azerbaijan's sovereignty over Karabakh—which is something that has not been acknowledged, yet.

Unfortunately, Yerevan has renounced neither its territorial claims over Karabakh nor the political identity built upon this

refusal—what Broers calls “augmented Armenia.” All the major powers and international organizations recognize Karabakh as a part of Azerbaijan—and have done so since the country regained its independence in 1991. Thus, Armenia’s present attitude prevents it from benefiting from the main commitments of international society whilst further delaying the onset of a process to secure peace and prosperity in the South Caucasus.

The third key is the position of the relevant external actors. Turkey and Russia have become “frenemies” over the past decade, competing in various geographies such as Syria, Libya, Ukraine, and Georgia whilst simultaneously cooperating in various other domains, especially on the critical energy issue. The Turkish-Russian balance over Karabakh has been carefully sustained by Baku. Azerbaijan also maintains a careful diplomatic posture towards Iran, despite the country’s increasing level of military cooperation with Is-

rael. The United States and France, in contrast, have been largely left out of the picture. As the Biden Administration has been trying to reinstitute Washington’s posture of global hegemony—which contradicts Russia’s polycentric understanding of the world—Karabakh can easily turn into another flashpoint between these two great powers, in addition to Ukraine and Georgia. On the other hand, the Karabakh issue can become a theater in which Moscow and Washington can cooperate—or at least avoid further tension—as had notably been the case during the time of President Heydar Aliyev’s brilliantly crafted diplomatic achievement that produced the Contract of the Century that paved the way for the delivery of Azerbaijani oil to world markets.

For decades the Azerbaijani side had sought to win the war in Karabakh, and Baku succeeded. There is now an opportunity to win the peace, however elusive it may at first glance appear to be at present. **BD**

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## CASPIAN CENTER FOR ENERGY AND ENVIRONMENT



The Caspian Center for Energy and Environment (CCEE), a core institution of ADA University, provides policy relevant and academic research, teaching, and training, as well as a variety of outreach activities in the sphere of energy and environment in the wider Caspian region.

Held annually in July, in partnership with the State Oil Company of the Azerbaijan Republic (SOCAR) and BP in Azerbaijan, the Baku Summer Energy School (BSES) is our flagship two-week certificate program. It brings together world-renowned scholars, academics, and policymakers to examine and gain a better understanding of the energy and environmental issues with a particular focus on the Caspian region.

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