2021 Conflict Risk Diagnostic: Nagorno-Karabakh

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EXECUTIVE SUMMARY:

Following the increased tensions and arms exports that preceded the September 2020 conflict between Armenia and Azerbaijan in Nagorno-Karabakh, a November 9 ceasefire agreement was reached to limit the violent interaction between Armenia and Azerbaijan. This follows a long history of war and disagreements over the disputed region, and has been exacerbated by increasing militarization, unmaintained basic infrastructure, ethnic strife aggravated by forced displacement, and the internationalization of the conflict by Russia and Turkey to gain influence in the region. This report analyzes available data trends using the Country Indicators for Foreign Policy methodology. Conflict indicators are utilized to assess the current situation and to predict the conflict’s future trajectory. Although the establishment of a successful peace deal between Armenia and Azerbaijan would be the best-case scenario, it is likely that threats between the two continue and the socioeconomic prospects in the Nagorno-Karabakh region remain constrained. As for the worst-case scenario, the possibility remains that the situation degrades back into violent conflict that draws in allied powers.

BACKGROUND:

A conflict that can be traced back to over a century ago, Armenia and Azerbaijan have been clashing over the territory of Nagorno-Karabakh, a region that is internationally recognized as part of Azerbaijan but is inhabited mostly by ethnic Armenians. The First Nagorno-Karabakh War (1988-1994) concluded with a Russia-brokered ceasefire agreement, in which Armenia acquired significant territorial gains, resulting in a frozen conflict as tensions remained. In late September 2020, heavy fighting broke out again along the borders, in which over a thousand soldiers and civilians on both sides were killed, with hundreds more wounded. Following three failed cease-fire attempts, a November 9th, 2020 Russia-brokered ceasefire agreement was signed, in which Azerbaijan retained control over the disputed territories it had recaptured in the fighting.

PRIMARY STAKEHOLDER ANALYSIS:

Azerbaijan

Azerbaijan seeks the complete territorial integration of Nagorno-Karabakh. This has led to a long history of conflict with Armenia, as well as against the self-declared Artsakh government which seeks separation from Azerbaijan. Azerbaijan is mainly supported by Turkey with whom they share strong cultural and economic ties. During the 2020 war, it was also supported by the Sultan Murad Division and the Al Hamza Division, armed rebel groups from the Syrian Civil War. While Azerbaijan has entered into peace negotiations during past conflicts, its oil wealth coupled with its fierce Turkish military backing grants it less impetus to compromise in peace negotiations regarding the fate of the disputed region.

Armenia

Armenia seeks ownership of the Nagorno-Karabakh region, acting primarily as Artsakh’s main financial and military backer. While this objective seems to run against Artsakh’s independence movement, historic Artsakh acceptance to join Armenia coupled Azerbaijan being perceived as the larger threat facilitates cooperation between the two. Following the clashes in 2020, Armenia agreed to withdraw their troops and relinquish control of the disputed territory to Azerbaijan on November 9th. Armenia has ruptured diplomatic relations with Turkey (Azerbaijan’s main ally) since 1993, and borders with both Azerbaijan and Turkey are closed, leaving only the Georgian and Iranian borders to access the rest of the world. As a result, the economic consequences have been devastating, making Armenia further dependent on Russia and complicating its shift to a more democratic regime. This has also led to a hardening of their position in the dispute. Furthermore, Armenians view the Nagorno-Karabakh conflict as one against the Turks; if they begin giving in on their position, they would be perceived as just as vulnerable as they were during the 1915 Armenian Genocide. For these reasons, Armenians perceive their security to be threatened by Azerbaijan and Turkey, and feel justified in taking measures that are viewed as aggressive by others.

Republic of Artsakh (Nagorno-Karabakh Republic)

The self-proclaimed Republic of Artsakh, supported by Armenia, is a breakaway state with an Armenian ethnic majority that de facto governs the Nagorno-Karabakh region. The leaders of the region have declared independence, though this status has not been recognized by any state. Artsakh’s primary objective is international recognition of their independence, and they have used the conflict to justify this need. The Artsakh government may be incentivized, despite the possibility of their homelands being destroyed, to prolong the settlement of a permanent resolution until their independence is recognized. Nonetheless, they face diminishing incentives to allow the conflict to escalate into full-scale war, effectively putting their people in unnecessary risk and pressuring them to flee to Armenia. For this reason, while Artsakh was not invited to sign the November 2020 ceasefire agreement, the President of Artsakh, Arayik Harutyunyan, also agreed to stop fighting.
Russia

Having brokered a provisional ceasefire agreement following the First Nagorno-Karabakh War (1988-1994), Russia played a similar role in November 2020 when they brokered another ceasefire, effectively halting the conflict. It is also providing peacekeepers to guard the region until 2025. Yet, it remains unclear if Russia has a genuine interest in establishing real peace between the two countries. Aside from Russia selling arms to both countries, the launch of Azerbaijan’s offensive in 2020 was facilitated by Russia’s acquiescence given that Armenia is part of Russia’s 1992 Common Security Treaty Organization (CSTO). This is considering that Russia has made its displeasure known regarding the increasingly pro-Western leaning Armenian government. Even during the conflict, Russia announced that the CSTO would not apply unless Armenia proper was threatened. In this regard, Russia may have an interest in keeping the conflict alive in order to continue profiting from arms sales and, more importantly, to maintain its influence in the southern Caucasus region.

SECONDARY STAKEHOLDER ANALYSIS:

Turkey

As Azerbaijan’s strongest ally, Turkey supports their claim to the disputed territory, providing it with military support during violent eruptions of the conflict. The Nagorno-Karabakh conflict can be considered an indirect continuation of past disputes between Turkey and Armenia. Turkey’s involvement may be an attempt to increase its own influence all while impeding Russia’s influence over the region, as evident in its willingness to intervene militarily in other conflict contexts including Syria, Libya and Iraq in 2020, often in direct opposition to Russian interests. While Turkey has not played a significant role in the ceasefire negotiations, it has opened a joint military facility with Russia on 30 January 2021 to monitor the ceasefire.

OSCE Minsk Group

Named for an envisioned peace conference in Minsk, Belarus that was not realized, the Minsk Group - led by Russia, France and the US - has been attempting to broker a peaceful and permanent end to the conflict but has been able to make little progress in resolving it. In 2009 they adopted the Madrid principles that called for Armenia to return the territories surrounding Nagorno-Karabakh to Azerbaijan in exchange for Azerbaijan accepting a referendum on the region’s political status, but this outcome was never realized. Given that Russia has been able to make greater progress in brokering ceasefire agreements on its own, the future role of the Minsk Group is unclear.

CONFLICT INDICATORS

Population Heterogeneity - High Risk - Worsening

| Destabilizing | Nagorno-Karabakh is ethnically 99.7% Armenian. Since Azerbaijan is 96.9% Muslim whereas 94% of the population in Nagorno-Karabakh is Christian, the Armenian population of Nagorno-Karabakh is an ethnic and religious minority. The region continues to be classified as ‘high risk’ for ethnic conflict due to significant nationalist rhetoric and an unwillingness to compromise by both main belligerents in the conflict. |
| Analysis | The 2020 conflict and the subsequent ceasefire agreement has increased ethnic strife between the Armenians and Azerbaijanis. Due to the ceasefire agreement, disputed territories once occupied by Armenians are now under Azerbaijani control. Azerbaijan views Armenian villages in these regions as illegal settlements, resulting in a mass exodus of the Armenian population. Given that religious sites have historically been targeted in the region, conflict may re-escalate if these sites become targets once more. |

International Linkages - High Risk - Worsening

| Stabilizing | Nagorno-Karabakh is the internationally recognized territory of Azerbaijan. Both Armenia and Azerbaijan are members of the United Nations and the OSCE Minsk group, which aim to create peace in this conflict. |
| Destabilizing | Armenia and Azerbaijan do not currently have diplomatic relations. Azerbaijan relies predominantly on Turkey |
and other allies for much of its military procurement. Armenia is part of the Russian-led Collective Security Treaty Organization, committing members to defend other members if attacked.\textsuperscript{lix}

**Analysis**

Turkey heavily backs Azerbaijan’s military development, with arms sales increasing from $20.7 to $123 million from 2019 to 2020.\textsuperscript{l}\textsuperscript{ii} Russia has become closely involved with this conflict, brokering the current ceasefire and stationing peacekeepers along the borders between Armenia and Azerbaijan.\textsuperscript{lx} This conflict, which is ostensibly about questions of self-determination and sovereignty, has implications of a struggle for regional influence between Turkey and Russia, both of which seek control over the peace process, and could further escalate without a peace deal.\textsuperscript{lxi}

### Governance and Political Stability - High Risk - Stable

**Stabilizing**

Between 2016-2018, Azerbaijan’s regime durability score increased from 0 to 3, while its polity score (democracy level) remained low but stable at -7.\textsuperscript{lix} Its restrictions on civil and political rights remained extremely high but stable with a score of 10, and the level of press freedom improved minimally, from 59.7 (2016) to 58.5 (2020).\textsuperscript{lx} Corruption remained high and stable at -0.9.\textsuperscript{l}\textsuperscript{x}\textsuperscript{i} For the 2016-2019 period, Armenia’s regime durability score increased from 0 to 3, with the level of democracy improving from 5 to 7.\textsuperscript{lx} The restrictions on civil and political rights slightly improved from 45 to 53.\textsuperscript{lxv} Corruption level decreased from -0.6 to -0.2.\textsuperscript{lxvi} The level of press freedom improved from 29.99 in 2018 to 28.6 in 2020.\textsuperscript{lxvii}

**Analysis**

The government of Azerbaijan under Ilham Aliyev remains highly authoritarian. Corruption is rampant and civil liberties, despite having slightly improved, remain extremely low. Armenia on the other hand remains a partly free and democratic country on the global index scale. In the midst of a significant transition following mass anti-government protests, Armenia has been moving toward greater democracy. The regular ceasefire violations and ongoing threats between Armenia and Azerbaijan have negatively impacted civil liberties and political rights in Nagorno-Karabakh, but the region remains partly free on the global index scale.\textsuperscript{lxviii}

### Militarization - High Risk - Stable

**Stabilizing**

The number of military personnel in both Azerbaijan and Armenia has remained steady from 2015-2019, with ~3.7% of Armenia’s and ~1.65% of Azerbaijan’s total labour force contributing to the national militaries.\textsuperscript{lxix}

**Destabilizing**

Armenia and Azerbaijan both spend a greater percentage of their GDP on their military expenses than the Eastern European and global averages.\textsuperscript{lxx} When Russia is removed from the regional calculation, together Armenia and Azerbaijan account for over 25% of the region's military expenses since 2017.\textsuperscript{lxxi} Armenia has increased its arms imports by 415% between 2015 to 2019, 94% of which are imported from Russia.\textsuperscript{lxxii} While Azerbaijan’s arms imports have decreased by 40% over the same period, it still imported 3.3 times more arms than Armenia. Both countries predominantly imported surface to air missiles, unmanned aerial vehicles, and loitering and anti-tank missiles.\textsuperscript{lxxiii}

**Analysis**

A ceasefire was brokered on November 9th, 2020 that put an end to six weeks of armed conflict between Armenia and Azerbaijan, considering that previous ceasefires have failed to hold.\textsuperscript{lxxiv} Yet, the agreement leaves many aspects of the conflict uncertain, unresolved and at risk for further violence in the future.\textsuperscript{lxxv}

### History of Armed Conflict - High Risk - Stable

**Stabilizing**

The number of deaths has been increasing since the 2020 conflict outbreak, reaching a total of 3,439 Armenian soldiers, 2,854 Azerbaijani soldiers, 150 civilian casualties and hundreds missing in action. A ceasefire was signed between Azerbaijan, Armenia and Russia on November 9, 2020, and no deaths have been reported since.\textsuperscript{lxxvi}

**Destabilizing**

The number of displaced people due to the conflict has risen between 2016 to 2019. Roughly 40,000 Azerbaijanis have been displaced from Armenia and 100,000 Armenians have fled to Armenia from the Nagorno-Karabakh region.\textsuperscript{lxxvii}
Analysis
The statistics have reportedly been heavily underreported. Several ceasefire deals have repeatedly been broken since 2016, resulting in the displacement of many from Nagorno-Karabakh and the surrounding areas. The number of IDPs has continued to rise since the ceasefire was signed on November 9th, 2020, resulting in a stabilizing yet sensitive situation given the ceasefire agreement’s unfavourable terms towards Armenia.

Demographic Stress - Moderate Risk - Worsening

| Stabilizing | The youth bulge in Armenia, Azerbaijan as well as Nagorno-Karabakh are consistent with global averages. Population density is increasing in all regions as well.
| Destabilizing | The population growth rate for Armenia and Azerbaijan is declining and is well below global averages. The population growth rate and urban population growth rate for Nagorno-Karabakh are 5% and 16.42% respectively between 2005-2015, which is well above the global average.
| Analysis | The high rate of population growth in urban areas in Nagorno-Karabakh is of concern due to the fact that 21.6% of the population lives below the poverty line where there is relatively limited social spending (only 7% of the GDP was allocated for social programs in 2018). The increasing population could potentially place a greater burden on an already struggling social system, making resources more scarce. The destruction of infrastructure during the 2020 conflict has disrupted service delivery to residents.

Environmental Stress - Moderate Risk - Worsening

| Stabilizing | From 2008-2017, the amount of cultivated agricultural land in Nagorno-Karabakh increased by 1.8 times. In order to combat decreasing land productivity, the Artsakh government has pushed for greater knowledge and skill development among young farmers.
| Destabilizing | Damage to infrastructure by rockets could trigger an environmental disaster in the Nagorno-Karabakh region. Control over water management is a major issue in this conflict and continues to cause much animosity given that aggregate river flows in Armenia and Azerbaijan are expected to decrease by 11.9% by 2030 and by 37.8% by 2100, with climate change reducing rainfall in the region.
| Analysis | Azerbaijan has used the Nagorno-Karabakh wetlands as a natural water reserve, for whom water access is of great concern. Disagreement between Azerbaijan and Artsakh over water access is longstanding as both sides claim the other purposefully and maliciously limits water flows. This is worsening given that the major Sarsang Reservoir lacks maintenance and is thus likely to collapse, which could cause immense flooding to about 400,000 people. Soviet-era water infrastructure has fallen into disrepair and can now only service a few households. Farmers in border regions are often too fearful to farm given the inherent dangers associated with the conflict, resulting in productivity and livelihood loss.

Economic Performance - Moderate Risk - Improving

| Stabilizing | From 2016-2019, Armenia’s annual GDP Growth Rate increased from 0.2% to 7.7%, the Artsakh Republic’s increased to 9%, and Azerbaijan’s increased from -3.06% to 2.22%. Armenia’s GDP per capita (USD) increased from $3,591 to $4,622, Azerbaijan’s from $3,880 to $4,793, and Artsakh’s to $4,800. Azerbaijan’s inflation decreased from 12.4% to 2.6%. Azerbaijan’s total debt service slightly decreased from 4.99% to 4.7%. Azerbaijan’s trade openness decreased from 90.1% to 86%.
| Destabilizing | Between 2016-2019, Armenia’s inflation increased from -1.4% to 1.4%. Armenia’s FDI decreased from 3.17% to 1.9%, and Azerbaijan’s also decreased from 11.9% to 3.1%. Armenia’s total debt service increased from 13.5% to 14.9%. Armenia’s trade openness increased from 76.1% to 96%.
Analysis | Both annual GDP growth and GDP per capita increased for all parties. Armenia saw a slight increase in inflation, and Azerbaijan saw a drastic decrease. Both countries saw a decrease in FDI likely as a direct result of the armed conflict. Azerbaijan’s total debt service and trade openness both decreased while Armenia experienced the contrary, potentially reflecting their diverging systems of government.

Human Development - Low Risk - Worsening

| Stabilizing | From 2014-2019, Azerbaijan’s primary school enrolment rate remained stable with a 91-94% enrolment rate. The National programs in immunization and maternal/child healthcare have reduced maternal and infant mortality in Nagorno-Karabakh. Azerbaijan’s human development index value for 2019 was 0.756, which places it in 88th place out of 189 countries. |
| Destabilizing | Public education expenditure has been decreasing, reaching 4.8% in 2018. Nagorno-Karabakh has experienced a high dropout rate from secondary school, with lower enrolment from boys and people with disabilities, yet with overall enrolment reaching 88% in 2018. There is a large urban-rural disparity in regard to water and sanitation access, with 84.5% of urban households and only 9.5% of rural households having access in 2017. |
| Analysis | Artsakh leaders publicly blame the Azerbaijani government for their inability to increase human development standards, furthering tensions between the two. Those living in Nagorno-Karabakh have few economic prospects due to the region’s destruction and due to the constant fear of another clash breaking out. Families largely rely on remittances from young men who have sought work elsewhere, which has led to a trend of selective abortions of baby girls. The recent conflict will likely adversely impact the region’s human development indicators, including the level of living standards and access to knowledge, as a result of infrastructure destruction and deaths. |

CONFLICT RISK SCENARIOS:

**Most Likely Case:** Despite the November 2020 ceasefire and accompanying peacekeeping efforts, no significant progress is made in realizing a durable peace agreement between Azerbaijan and Armenia. To assert their influence in the region, Turkey voluntarily supplements Russian peacekeeping efforts with their own. The number of IDPs falls as peacekeepers maintain a certain degree of order in the region. Despite the frozen conflict, frictions remain, with small-scale local armed groups occasionally violating the ceasefire. Threats between Azerbaijan and Armenia continue, adversely impacting civil liberties in Nagorno-Karabakh. The Azerbaijani government replaces the former Artsakh government to reassert their control over the land. While the economy continues to grow at a gradual rate, FDI is limited due to the potential for conflict re-escalation. Due to the unresolved nature of the disputed territory, neither Azerbaijan nor Armenia take initiative to address the struggling social system and crumbling infrastructure, resulting in a rising population that faces worsening living standards and employment opportunities in the region.

**Best Case:** Sustainable peace is established in the region without the need for external intervention or enforcement of the peace deal as the parties successfully reach this agreement on their own. Historical, cultural and religious landmarks are protected from further destruction. The region’s population is no longer pressured to flee or relocate. The absence of conflict allows for increased human security and the ability to provide more consistent services to the inhabitants of the region. Diplomatic relations between Azerbaijan and Armenia are restored, thus increasing stability and cohesion in the Caucasus region. Borders reopen, increasing economic activity between Azerbaijan, Armenia and Turkey, which greatly encourages economic development, particularly in the energy sector.

**Worst Case:** Armenia perceives the current terms of the November 9, 2020 ceasefire to be unfavourable to their interests. Given its increased arms imports and allegations of cultural genocide carried out by Azerbaijan in the Nagorno-Karabakh region, Armenia is driven to violate the terms of the ceasefire deal, retriggering armed conflict that spills into neighbouring Azerbaijan. Re-escalating violence between Armenia and Azerbaijan pulls Turkey (Azerbaijan’s ally) and Armenia’s CSTO allies (including Russia) into the conflict. Consequently, Turkey’s involvement pressures other NATO members to enter the conflict, potentially triggering a larger regional conflict.
NOTES


iv CFR, “Global Conflict Tracker: Nagorno-Karabakh Conflict.”

v CFR.

vi CFR.

vii Crisis Group, “Getting from Ceasefire to Peace in Nagorno-Karabakh.”


ix CFR, “Global Conflict Tracker: Nagorno-Karabakh Conflict.”


xii Carley, “Nagorno-Karabakh: Searching for a Solution.”

xiii Carley.

xiv Britannica, “Nagorno-Karabakh.”


xvi Carley, “Nagorno-Karabakh: Searching for a Solution.”

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xviii Carley.

xix BBC, “Nagorno-Karabakh Profile.”


xxiii Britannica, “Nagorno-Karabakh.”

xxiv Kirişci and Özkan, “After Russia’s Nagorno-Karabakh Ceasefire, Could Turkey Step Up Next for a Lasting Peace?”


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*Cover image acquired from insiderpaper.com/armenia-vs-azerbaijan-clashes/*