

EUROPEAN UNION FOR PEACE DIALOGUE AND RECONCILIATION IN THE SOUTH CAUCASUS NEW REALITIES FOR “PEACE TALKS”

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Abstract

20 years of Nagorno-Karabakh conflict has brought economic losses to the counterparts. The data from “International Policy Digest”, shows the economic loss of Armenia as 600-700 million \$ in export, international and regional projects including “One belt, One Road”, and transit capability. Today, the “peace treaty” brought the social, political, cultural, and economic restoration to the South Caucasus. Therefore, the paper serves a comprehensive analysis for the importance of economic trade in the case of Azerbaijan and Armenia as a key to sustain peace and security in the region. „One third of EU member states consider Azerbaijan a strategic partner,” insight by Charles Michel, president of the European Council, also assured the role of EU institutions as significant in fostering extensive regional cooperation. The paper aims to prove new realities in the ongoing “peace talks” and the impact on the economic reconciliation and development of the region.

Keywords: South Caucasus, EU, Azerbaijan, Armenia, security

Introduction

The Caucasus region is one of the most problematic and at the same time the most important geographies in the world due to its special geopolitical conditions, political, historical, military and sociological problems. Developments in the region affect countries significantly. All these variables in the Caucasus region shape the relations between the countries of the region and the policies towards regional problems and crises not according to the realities and necessities of the region, but according to the developments in the international system and the role and presence of extra-regional powers.

The Nagorno-Karabakh region is mostly mountainous and forested. After the cold war, the natural, geographical, economic and geopolitical situation of the

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Caucasus region and its productive and rich economic and cultural cooperation potential gave the region a strategic dimension. In the early days of 1992, the problem turned into a war and with the Armenian occupation of Karabakh and a large area around it, 20% of its territory was occupied by the Armenians, and nearly 1 million Azeri immigrants were formed in Azerbaijan (Yiğit and Gülbiten, 2018, p 2-6).

The remaining occupied territories were finally liberated by a war known as the „Second Karabakh War” or „44-Days War” that took place from September 27 to November 10, 2020. The Armenian-Azerbaijani conflict lasted for almost 30 years, and international mediators failed to achieve any real success in resolving the conflict. Restoring its territorial integrity, Azerbaijan has played a key role in launching a new era in the South Caucasus - an era of opportunity for peace and development (UNI, 2021, p. 6).

Despite the signing of a trilateral agreement on the cessation of hostilities after the 44-day war, armed incidents are still observed in the border areas of Azerbaijan and Armenia, which lead both to losses on both sides and to a negative impact on the security system of the entire region. Instead of withdrawing its armed forces from Karabakh, Armenia, on the contrary, strengthens the cohesion of its own troops, developing revanchist ideas, which is an additional effect on instability in these territories.

The Azerbaijani side repeatedly calls on Armenia to adhere to all points of the agreements, which, as a result, will not only contribute to the consolidation of peace and security in the entire Caucasus region, but will also contribute to the economic development of Armenia itself.

Although for two years the Armenian side has tried in every possible way to slow down this process, the intensive trilateral and bilateral meetings of the heads of state at various international platforms, as well as the latest statements by the leading circles of Armenia give hope for progress in the implementation of the points of the agreements.

The South Caucasus region, like other actors interested in the region, the European Union (EU), is interested in Azerbaijan's oil and natural gas. Azerbaijan is important for its role as a bridge in transporting the rich resources of the Caspian Basin to Europe. Therefore, the geopolitical struggle in the South Caucasus over energy resources and energy transportation routes has brought the region to the center of the global power struggle. In this context, the Nagorno-Karabakh issue is also a topic of local conflict for the global power struggle. The European Union for Peace Dialogue and Reconciliation in the South Caucasus has always existed and was looking for new ways to „peace talks” (Görgülü, 2012, p. 48-49).

1. Background

The Nagorno Karabakh Conflict

The Southern Caucasus has always been an active geopolitical area. Most often, the focus of regional political unrest has switched to military operations.

Tsarist policies led Armenians to immigrate to this region in 1823. The Russians described the Armenians as the most loyal ethnicity and included them in the sphere of government. Thus, more Armenians settled in the region, and the population in this region changed in favor of the Armenians. The problem centered on Nagorno-Karabakh, which is a region with the majority of Armenians and located within the territory of Azerbaijan, reappeared towards the end of the 1980s. By mid-1989, the Armenian National Movement (AHM) and the Popular Front of Azerbaijan (PFA) were established, and the crisis took on a new dimension when the Armenian Parliament announced, on December 1, 1989, the annexation of Nagorno-Karabakh to Armenia. The year 1990 went down in history as the year of bloody clashes due to the events that took place after an Azeri was killed by the Dashnaks. Then, the short independence periods of Armenia and Azerbaijan between 1918 and 1920 were another period of conflict before the USSR. The Nagorno-Karabakh Autonomous Region, which is located in Azerbaijan and has a 95 percent ethnic Armenian population, was founded by the Soviet government in the 1920s. Fighting between the two nations was kept to a minimum while they were both governed by the Bolsheviks, but when the Soviet Union started to fall apart, so did its influence over Armenia and Azerbaijan.

Despite the region's official placement within Azerbaijan's borders, the Nagorno-Karabakh legislature issued a resolution in 1988 calling for the country to join Armenia. In 1991, the autonomous territory formally proclaimed its independence as the Soviet Union began to fall apart. A war erupted between Armenia and Azerbaijan over the region, leaving roughly thirty thousand casualties and hundreds of thousands of refugees. By 1993, Armenia had taken control of Nagorno-Karabakh and occupied 20% of Azerbaijan's territory. A cease-fire that was arranged by Russia in 1994 has been in effect ever since. Following the 1994 ceasefire, the Minsk Group, under the co-chairmanship of Russia, the USA, and France, was established in order to provide a peaceful solution to the problem.

One of the dissolutions of the USSR, Russia's desire to take advantage of the tensions in the Caucasus in order to preserve its influence in the region is one of the political reasons for the conflict. Today, the Nagorno-Karabakh problem continues to be a tool in Russia's involvement in Caucasus politics. Despite the fact that Nagorno-Karabakh has been a frozen conflict for more than ten years, hundreds of people have died as a result of artillery fire and small-scale clashes between Armenian and Azerbaijani forces. The most violent combat saw in early April 2016 claimed dozens of lives and left over three hundred more injured. The two sides declared that they had reached an agreement on a new cease-fire after four days of fighting. However,

a breakdown in talks was followed by repeated cease-fire violations, and tensions have remained high (CFR, 2022).

In addition, the fact that the Nagorno-Karabakh region is indispensable for both Azerbaijan and Armenia due to its strategic location is one of the political dilemmas at the point of both the beginning and the insolubility of the conflict (Aslanli, 2013).

2. Negotiation on issue

The Nagorno-Karabakh conflict has become more of an international issue. On January 30, 1992, the Republic of Azerbaijan became a member of the Council for Security and Co-operation in Europe (CSCE) and signed its documents at the CSCE Summit in Helsinki on July 8–10 of the same year. After becoming a member of the CSCE, the Nagorno-Karabakh conflict became the focus of more attention from member states in accordance with the principles of this organization. The persistence of contradictions in the negotiations within the Minsk Group, especially Armenia's unconstructive position, as well as the lack of consensus among the major member states of the group, led to the delay of the peace process and the freezing of the conflict.

The dispute has not been resolved permanently despite the best efforts of the Minsk Group and other negotiation and mediation groups. In order to resolve the conflict, the Organization for Security and Cooperation in Europe (OSCE) established the Minsk Group, a mediation effort co-chaired by the United States, France, and Russia. The co-chairs hold one-on-one meetings in addition to planning summits for the two nations' leaders. The document adopted at the OSCE Summit in Lisbon on December 2-3, 1996, which formed the international legal basis for the settlement of the conflict, can be considered a great political achievement in the just settlement of the Armenian- Azerbaijani conflict. Following the OSCE Lisbon Summit, representatives of the United States and France, along with Russia, were appointed co-chairs of the Minsk Group. On November 9, 1998, the Co-Chairs made a third proposal that contradicted international law and was unacceptable to Azerbaijan. This proposal was based on the idea of a „common state” that does not exist in world practice. The principle of „common state” not only seriously hampered the settlement process but also deepened the contradictions between the positions of the parties on ways to resolve the conflict. As a result, there was a stalemate in the negotiation process, and no positive progress was made in resolving the conflict.

Under the auspices of the Minsk Group, the presidents of Armenia and Azerbaijan met in Geneva in October 2017 to launch a series of negotiations on a potential peace agreement. However, no results from the discussions have been made public. Although the group has been effective in negotiating cease-fires, the territorial disputes continue to be unresolvable.

3. Second Karabakh war

On September 27, 2020, after the Armenian Armed Forces subjected the Azerbaijani Army positions and settlements along the border to intense fire from large-caliber weapons, mortars, and artillery of different calibers, with a large-scale sabotage, the Armenian Army's combat effectiveness and the safety of the civilian population were prevented. In order to ensure this, the command echelon of the Azerbaijan Army decided to start a rapid counter-strike operation along the entire front line of the troops. As the conflicts continued, a state of emergency and general mobilization in Armenia, a state of emergency and curfew in Azerbaijan, and partial mobilization were declared on September. The conflict quickly flared up and turned into the Second Karabakh War. The recent war between Armenia and Azerbaijan over Nagorno-Karabakh, dubbed the „Patriotic War” by Azerbaijan, lasted for 6 weeks, from late September to November 2020.

In the following process, while Azerbaijan was liberating historical and critical cities such as Gabriel, Fuzuli, Ganja, and Zangilan and their villages from Armenian occupation, Armenia constantly targeted civilians and violated humanitarian ceasefires. For example, Azerbaijan and Armenia agreed to reach a ceasefire as of 12:00 on October 10, 2020, during the meetings held in Moscow, but Armenia broke the ceasefire within minutes. Five people died and 28 people were injured when Armenia attacked the city of Ganja with missiles on October 11, less than 24 hours after the ceasefire. 5 minutes after the humanitarian temporary ceasefire announced by the United States of America, which will come into effect at 08:00 local time on October 26, 2020, then violated it at 8:05. Again, after the liberation of the city of Fuzuli and a few villages from the occupation, Armenia, which became even more aggressive, launched a missile attack on the cities of Ganja and Mingachevir in Azerbaijan, and 13 civilians were killed, and more than 45 people were injured in the attack. On October 15, 2020, 3 people lost their lives and 3 people were injured in the attack carried out by Armenia against civilians who went to the cemetery for burial in Terter, Azerbaijan. On October 30, 2020, when Azerbaijan liberated 9 more villages from the occupation of Armenia, Armenia targeted civilians in the city of Barda with the Smerch missile system, but Azerbaijan destroyed this missile system. It is possible to give numerous examples of these attacks, which are crimes against humanity, in the 44-day period.

During the 44-day war, the Azerbaijani army made extensive use of Harop unmanned kamikazes, meanwhile, „Zerbe” drones and other UAVs produced in cooperation with Israel in Azerbaijan and Bayraktar TB2 unmanned aerial vehicles at that time. Only with Bayraktar TB2 UAVs, Azerbaijan destroyed Armenia's military equipment and equipment worth 1 billion dollars.

However, on November 7, 2020, with the successful offensive operations of the Azerbaijani army as of September 27, 4 city centers, 3 towns, more than 200 villages, and some important hills in Upper Karabakh were liberated from the

occupation of Armenia. One of the breaking points in the 44-day Second Karabakh War was the liberation of the city of Shusha from Armenian occupation on November 8. The liberation of Shusha from the occupation of Mingechevir, Xizi, Ganja, Terter, Berde, Acabedi, Beylagan, Horadiz, Fuzuli, and Gabriel was announced by President Aliyev with the words „Azan will be heard in Shusha after 28 years” and November 8 2020, was declared as „Victory Day” (Kramer, 2021).

On November 9, a Russian-brokered ceasefire declaration was signed, mandating the deployment of some 2,000 Russian peacekeepers to the region. Many countries in the world and the United Nations have called on both sides to stop military operations, reduce tensions, and resume negotiations immediately. Afghanistan, Ukraine, Turkey, and the Turkish Republic of Northern Cyprus have expressed their support for Azerbaijan.

As a result of the 44-day war, about 7000 people lost their lives on both sides. Armenia lost 10x S-300 missiles and their tactical-combat vehicles, 366 tanks, 352 cannons of various calibres, 22 unmanned aerial vehicles, 5 x Su-25 aircraft, and 50 Tor, Osa, Kub, and Krug anti-aircraft missile systems. At the same time, of particular significance was the destruction in combat operations of the following ballistic missiles: 97 Grad, 4 Smerch, 1 Tos thermobaric, 2 Hurricane, 1 Yars, and 1 Tochka-U, as well as the Elbrus missile complex. The value of military equipment destroyed or captured by the Azerbaijani army is estimated at a minimum of \$3.8 billion. During the Second Karabakh War, political and economic stability existed in Azerbaijan. People-power integration has shown itself at the highest level. After 30 years of uncertainty in Azerbaijan's Nagorno-Karabakh and surrounding territories under Armenia's occupation, the Second Karabakh war created new realities in the region after the victory of Azerbaijan, and today, the South Caucasus rebuilds itself.

4. Analysis of economic losses in Armenia

Geographically, Armenia is landlocked; it is bordered by Turkey in the west, Azerbaijan in the east, Iran in the south, and Georgia in the north. In short, Armenia, which can be defined as a „closed” country in terms of geography, has no access to the sea, and its connections to the sea and important commercial centers are not strong. Its geographical location deprives Armenia of access to European, American, and East Asian markets. The Armenian economy, whose borders have been closed by Azerbaijan and Turkey due to the occupation of Karabakh, can only reach the rest of the world via Iran and Georgia. Transportation over the 35-kilometer narrow Iranian border is frequently interrupted in winter due to the steep Zangezur mountains. Since the country does not have a self-sufficient potential in terms of natural resources, it also needs the natural resources and transportation networks of its neighbouring states.

During the Soviet period, a significant portion of the railways and highways connecting Armenia to other former USSR countries and Iran were built to pass

through other countries, particularly Azerbaijan. As a result, it had serious transportation problems with other countries for a long time after independence. These issues remain unresolved today for a variety of reasons, particularly the Karabakh issue.

As a result of the occupation policy he adopted in Karabakh and the significant effects of the 1988 earthquake, he faced great problems. has revealed. The Armenian-Azerbaijani war, which started with the occupation of Azerbaijani lands, Turkey's sensitivity to this issue, hostile smear campaigns against Turkey by Armenians, and its problems with Georgia, an Armenia that cannot find friends outside of Iran. The biggest reflection of this situation has emerged in the economy. The 60% decline in GDP between 1991 and 1993 brought the Armenian industry to the point of collapse as recently as the early 1990s. Experiencing hyperinflation in 1994 made unemployment and poverty widespread throughout Armenia. In 1994, hyperinflation reached a record level of 5273%.

Armenia succeeded in reducing inflation, stabilizing the currency, and privatizing most of the small and medium-sized enterprises within the framework of the economic liberalization program implemented between 1995 and 2006 under the sponsorship of the IMF. Equipped with new shopping malls, entertainment venues, hotels and restaurants, the capital of Armenia has experienced a remarkable economic revival in recent years. Areas such as construction, tourism, and jewellery processing have also been active in the country. However, the lack of development of heavy industry, dependency on two border gates, and easy money from the diaspora negatively affect growth. Despite the investments, the primary economic problems in the country are inequality in employment and income distribution. As a matter of fact, according to World Bank data, half of Armenia's population is below the officially determined poverty line in the country. One out of every four people in the country lives below the absolute poverty line set by the United Nations (Uğur, 2005).

Analysing the current positions, past meetings, negotiations, and statements, it becomes obvious that everyone needs peace, especially Armenia. For 30 years, the western and eastern borders of Armenia were blocked, which affected their economic development at a serious level. Due to the presence of the occupation factor, Armenia was deprived of cooperation with Azerbaijan and Turkey and, as a result, did not take part in regional projects, remaining, in fact, isolated from such strategically important oil and gas, transport, communication, and logistics projects as Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, TAP, TANAP, and other significant regional projects implemented under the leadership of Azerbaijan. The very fact that the aforementioned projects have nothing to do with the territory of Armenia means that the country is deprived of hundreds of millions of dollars of income every year.

According to the *Center for Analysis and Communication of Economic Reforms*, Armenia's military spending in 1995-2020 amounted to \$7.9 billion, and the costs of the puppet regime fell on the aggressor state, although direct investment in Armenia's own economy during this period amounted to about \$8 billion.

According to the latest figures from the *Stockholm International Peace Research Institute (SIPRI)*¹, from 2009 to 2018, Armenia's military spending amounted to about \$4 billion. According to *SIPRI*, in 2018, 21% of Armenia's government spending went to the military, which is a tangible contribution for a country where about 26% of people live in poverty. Moreover, these expenses have become tragic for Armenia, and this factor has significantly hampered the economic development of the country all these years.

The Karabakh conflict left a negative economic mark in the history of Armenia. In 2020, Armenia's military spending amounted to 4.9 percent of its gross domestic product (GDP). In addition, the country's national share was significantly higher than the average global military spending of 2.4 percent of global GDP. Along with this, according to *SIPRI*, Armenia spent 634 million US dollars in 2020. Also, the cost of Armenian military equipment destroyed and looted by the Azerbaijani army during the Second Karabakh War, according to a minimum estimate, is at least \$3.8 billion. Moreover, at the end of last year, the country's external debt rose to \$8 billion, approaching 70 percent of GDP. In addition, at the end of 2021, the state debt of Armenia amounted to 9 billion 226 million US dollars, having increased over the year by 1 billion 257 million dollars, or 15.8%. As a result of the occupation policy of Armenia, the country suffered serious economic losses. However, along with the economic crisis, the war also raised political chaos in the country.

5. The path to a peace treaty. Current Status of Conflict | European Union for Peace Dialogue

As for the *OSCE Minsk Group*, the United States, Russia and France have been jointly trying to reconcile Azerbaijan and Armenia over the past decades. The three powers became co-chairs of the OSCE Minsk Group, established to resolve the Karabakh conflict in 1992-1994, but their efforts were not crowned with success. At a press conference following a meeting with Armenian Foreign Minister Ararat Mirzoyan, the Russian Foreign Ministry himself S. Lavrov confirmed the lack of interest of the OSCE Minsk Group in resolving this issue with the following sayings: further fate, because our American and French partners are in a Russophobic strike, in an effort to cancel everything and everything, and as for Russia, they have already cancelled the three co-chairs of the OSCE Minsk Group, declaring that they will not communicate with us in this format”.

Both in Karabakh and in other occupied territories of Azerbaijan, skirmishes continued for thirty years. In 2020, Azerbaijan finally resolved this issue, and the conflict moved to another phase, where the MG automatically lost its powers.

¹ Stockholm international peace research institute (2021), Arms transfers to conflict zones: The case of Nagorno-Karabakh (retrieved from <https://www.sipri.org/commentary/topical-background/2021/arms-transfers-conflictzones-case-nagorno-karabakh>).

Azerbaijan openly ignores this group, and all attempts by Yerevan to restart negotiations on the status of Karabakh through it have failed.

Today, the signing of a peace treaty and the establishment of favourable conditions for the further development of the entire Caucasus region are among the interests of the *European Union*, the Russian Federation, Iran, Turkey, although the interest, as well as the role of Russia in this settlement, is greater than that of other countries. This is facilitated by Russia's interests regarding the South Caucasus region, the history of the conflict, as well as the very factor of the post-Soviet space.

The role of European Union is also about strengthening resilience and peace in the South Caucasus. The European Commission today contributes more than €10 million in humanitarian aid, including some very early recovery to help civilians affected by the recent conflict in and around Nagorno Karabakh. This brings EU assistance to people in need, since the start of the hostilities in September 2020, to over €17 million. Olivér Várhelyi, the Commissioner for Neighbourhood and Enlargement, highlighted one of his speeches that EU has provided all sorts of additional support to the people most affected from conflict. However, the support of EU was not limited with humanitarian aid, but also organization worked towards a more comprehensive conflict transformation and long-term socio-economic recovery and resilience in the South Caucasus in regard to his speech.

On April 6, 2022, a meeting was held in Brussels between President of Azerbaijan Ilham Aliyev, Prime Minister of Armenia Nikol Pashinyan and President of the *Council of the European Union* (EU) - Charles Michel, following which, Charles Michel announced an agreement to instruct the foreign ministers to work on the preparation future peace treaty.

It should be noted that before the *Brussels* meeting, on December 15, 2021, the EU President received the heads of state to discuss the situation in the South Caucasus region and further develop EU relations with both countries.

Following the Brussels meeting, *Armenian Prime Minister* Nikol Pashinyan delivered the following speech at a meeting of their National Assembly: “Today the international community tells us to lower the bar a little on the Karabakh issue, and that then we will have greater international consolidation.” Pashinyan also stated that the international community directly warns of the danger of being the only country in the world that does not recognize the territorial integrity of Turkey's ally Azerbaijan. Making this statement, the head of the government of Armenia, in fact, agrees to the signing of a peace treaty with Azerbaijan on the basis of the five principles previously proposed to Yerevan, probably understanding the lack of a loyal approach to the groundless demands and claims of their country.

Of course, the opposition does not agree with this course of circumstances and is trying in every possible way to impede the process of signing a peace treaty, which is to the detriment of Armenia itself. Chairman of the Republican Party of Armenia, Armen Ashotyan, speaking at a parliamentary session, expressed deep dissatisfaction with the Brussels statement, justifying this by the fact that

both the status of Karabakh and the role of the *OSCE Minsk Group* (MG) were not mentioned in the statement.

Reacting to the statement of the Armenian opposition, first of all, we should recall the points of the tripartite statement of *November 10, 2020*, signed by the President of the Republic of Azerbaijan Ilham Aliyev, the Prime Minister of the Republic of Armenia Nikol Pashinyan and the President of the Russian Federation Vladimir Putin on night. In this document, no status is mentioned, moreover, this issue is finally closed.

Taking this into account, Azerbaijan, Armenia, as well as the EU, under any circumstances consider it necessary to consult the details of the peace treaty and all related nuances with the Russian Federation, and that is why, despite the complicated relations between the West and the Russian Federation, S. Michel and V. Putin discussed by phone, questions concerning the peace treaty between Azerbaijan and Armenia, touching upon the subject of ensuring stability and security in Karabakh. The parties once again noted the importance of activating the process of delimitation of the Armenian-Azerbaijani border and negotiations on the development of a peace treaty between the two countries.

6. Draft peace treaty

On behalf of the Ministry of Foreign Affairs of the Republic of Armenia, there was an appeal to the OSCE Minsk Group with a request to organize negotiations with Azerbaijan to conclude a peace treaty based on the *UN Charter* and other international acts. The 2020 Nagorno-Karabakh Armistice Agreement is a ceasefire agreement signed between Azerbaijan and Armenia on 10 November 2020, ending the 2020 Nagorno-Karabakh War. The agreement was signed by Azerbaijani President Ilham Aliyev, Armenian Prime Minister Nikol Pashinyan and Russian President Vladimir Putin on November 9, after Armenia announced its surrender, and it was announced that all conflicts in the Nagorno-Karabakh region were ended on November 10, 2020 at 00:00 Moscow time. Arayik Harutyunyan, president of the unrecognized Nagorno-Karabakh Republic, also agreed to an end to the fighting².

President of Azerbaijan I. Aliyev, Prime Minister of Armenia N.V. Pashinyan and Russian President V.V. Putin's statement: 1) As of 00:00 Moscow time on 10 November 2020, all conflicts in the Karabakh conflict will be ended with a complete ceasefire. The Republic of Azerbaijan and the Republic of Armenia, hereinafter referred to as parties, will stand at their positions. 2) Aghdam district will be returned to the Republic of Azerbaijan until 20 November 2020. 3) Along the contactline in Nagorno-Karabakh and the Lachin Corridor, there will be 1,960 lightly armed military personnel, 90 armoured personnel carriers, 380 automotive units and a

² RIA Novosti (2020) "Президент непризнанной НКР дал согласие закончить войну" (in Russian).

specially equipped Russian peacekeeping force. 4) The Russian peacekeeping unit will be deployed in parallel with the withdrawal of the Armenian Armed Forces. The duration of the Russian peacekeeping contingent is 5 years, with automatic renewal for subsequent 5-year periods, unless neither party agrees 6 months in advance. 5) In order to increase the effectiveness of control over the implementation of the agreements by the parties, a peacekeeping force will be deployed to control the ceasefire. IDPs and refugees will return to Nagorno-Karabakh and neighbouring areas under the control of the United Nations High Commissioner for Refugees. 6) The traffic of citizens, vehicles and goods of the Azerbaijan Republic is guaranteed in both directions along the Lachin Corridor.

The Republic of Azerbaijan, in turn, put forward a proposal based on 5 principles, adhering to the UN Charter and the principles of international law for the normalization of relations, which Armenia has already accepted: 1) mutual recognition of sovereignty, territorial integrity, inviolability of borders, mutual political independence; 2) mutual confirmation of the absence of territorial claims and a legal obligation not to make such claims in the future; 3) refraining from threats to each other, as well as other measures incompatible with the UN Charter; 4) delimitation and demarcation of the state border, establishment of diplomatic relations; and 5) unblocking communications, cooperation in a field of mutual interest.

In this case, it is not surprising that on March 28, the Security Council of Armenia proposed to Baku to start peace talks immediately. Earlier, Azerbaijan offered Armenia a five-point peace agreement. At the moment, the foreign ministries of both countries are forming working groups and will start certain negotiations in the near future. Already on *April 25*, the heads of the foreign ministries exchanged views on the implementation of the agreements, as a result of which the parties agreed on the structure of the commission on delimitation and border security (in Brussels, 2022). An agreement was reached to hold a meeting regarding the commission on delimitation and border security in the near future. Additionally, discussion on the solution of humanitarian issues, as well as the preparation of peace negotiations, were touched upon.

Although the details of the talks are not known, it is possible that before the meeting in Brussels, Moscow once again wanted to emphasize to the parties that it is the main guarantor of stability in the region. This step is important for Russia in order to maintain its influence in the region and prevent the influence of the European Union.

Considering the long way to peace in the South Caucasus, multiple failed negotiations in last decade, and result of Second Karabakh War, any refusal and disagreement to the current peace treaty can finalize with unexpected negative results for countries, especially for Armenia. The region now owns new realities which require be for the peace treaty and focus on development strategies. If Armenia refuses the only way out for it, and perhaps even the last chance, the Azerbaijani

side, in this case, will officially declare unrecognized the territorial integrity for Armenia.

7. Peace in the region

As a result of the November statement signed between Azerbaijan, Armenia and the Russian Federation in 2020, Baku and Yerevan have opened a new page in diplomatic negotiations and economic integration. At present, Azerbaijan is focused on the opening of transport links, economic integration and the signing of a peace agreement. However, in the post-conflict period, there are constant challenges to stability and security in relations between the two countries. International organizations and individual interested countries have expressed their support for the signing of a peace agreement between Azerbaijan and Armenia and the demarcation of borders only in words.

Armenia's avoidance of concluding a peace agreement under various pretexts means that it does not recognize the territorial integrity and borders of Azerbaijan. This means that Armenia refuses to live peacefully with Azerbaijan in good neighbourliness and peace. The new adventures of the defeated country may lead to its complete decline. If Armenia, with its economy in a state of disrepair and without an army, refuses the peace agreement, it will be the loser³.

The economic cooperation of states will consolidate peace in the region, because such cooperation requires constant security of the territories. In addition, world practice shows that the desire to enrich the military arsenal, as well as the prolonged state of war in the country, are the main negative factors for the economic development of the country. On the contrary, the conclusion of a peace treaty and the establishment of good-neighbourly relations can contribute to a significant reduction in the military spending of both countries.

Regarding the three countries that make up the OSCE Minsk Group's co-chairs—Paris, Moscow, and Washington—Brussels is more impartial. This is made abundantly obvious in the language of Charles Michel's speech on the outcomes of the second trilateral meeting with President Ilham Aliyev and Prime Minister Nicole Pashinyan. Thus, the desire to move rapidly towards a peace agreement between Azerbaijan and Armenia and the decision to instruct the foreign ministers to work on a future peace agreement covering all necessary issues is a clear example of this. At present, on the basis of historical documents, Azerbaijan proposes to build this road, which is suitable for use.

³ APA News (2022), Armenia delays border identification and peace treaty signing without justification (retrieved from <https://apa.az/az/siyasi/ermenistan-serhedlerin-mueyyenlesdirilmesi-ve-sulh-muqavilesi-imzalanmasini-esassiz-yere-yubadir-tehlil-686007>).

In any case, the recent negotiations and the Brussels process that Armenia and Azerbaijan initiated have already set the stage for a new phase. Azerbaijan and Armenia are working on the clauses of the peace agreement. At the same time, it can be expected that a joint commission on delimitation and demarcation of borders will begin negotiations.

The international community is interested in *Transcaucasia* not only in the stability of region, but also its dramatic contribution to international economic relations. According to the forecasts of the *World and Asian Development Bank*, the unblocking of transport hubs between Azerbaijan and Armenia, as well as the restoration of communications between Armenia, Azerbaijan, and hereby Turkey will be a significant catalyst in GDP growth for South Caucasus by 30% . These changes will make the countries of the region more significant both in geopolitical and geo-economic terms, since numerous projects on the north-south and west-east lines are already being implemented into the bargain. The region will become more appealing to investors as long-term peace and stability are established among the nations.

The EU is and will continue to be a crucial partner of both Armenia and Azerbaijan for socioeconomic recovery, especially within the Eastern Partnership, in light of all recent positive developments. The EU is dedicated to taking a proactive role in forging a comprehensive and long-lasting settlement, notably by supporting initiatives for conflict transformation, confidence-building and reconciliation.

Conclusions

The Karabakh war has brought many damages to both nations and region for multiple reasons including blocked economic relations. Only Georgia became a vulnerable economic market for Georgia due to long distance with Russia and Iran. According to the data from “International Policy Digest”, Armenia lost 600-700 million \$ due to loss in export, regional projects, and transit capability. Moreover, the international project called “One belt, One Road” began from China to Europe put Armenia away and made them stay dependence on Russia. This created a huge risk for Armenia’s future socio-economic condition. Both nations began to focus on more military side of the market, and other sides stayed on dark.

Moreover, especially during 2011–2020, both countries were seeking development of their military capabilities through the establishment of broader regional security cooperation in regard to political and financial indications. In this matter, Azerbaijan and Armenia chose to expand military capacities in preparation for the next campaign for the disputed Karabakh.

Today, South Caucasus has new realities after the Second Karabakh War. A reconciliation period is now setting in after the “peace treaty”. The post-war period in the region attach a special importance to the restoration of the social, political, cultural, and economic ties. Both sides, especially, the Republic of Armenia today

realizes that, only way to rescue another undesired tragedy for next 30 years is just shutting down aggression and reacts to the call of Baku in a peaceful manner.

Thus, the analyse suggests that the peace treaty constitutes a legal precedent which can serve as a model towards long term peace and stability of region. Existence of peaceful relations in the region would allow Azerbaijan and Armenia to establish multiple satisfied solutions including economic cooperations, which can work for the best benefit of the South Caucasus. Moreover, through the same framework, the resolution of dispute will allow countries to recognize each other's respective sovereignty or sovereign rights and guaranteeing the security of the region.

The likelihood of a military clash would be reduced, at least in the next decades, if the Karabakh conflict could be resolved. This would protect not just the strategic interests of Azerbaijan and Armenia in the region but also those of their friends who support a just settlement. Restoring cordial relationships between the two nations would also support the latter's attempts to join the European Union, which would open up new opportunities for economic growth and more opportunities for bilateral collaboration. Therefore, the establishment of economic linkages with the aid of EU institutions is necessary to promote integration and foster the region's sustained economic growth. Charles Michel, president of the European Council, spoke about „one third of the world's population” on his most recent visit.

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