



Republic of Nagorno-Karabakh
Process of State Building at the Crossroad of Centuries

Yerevan
“Institute of Political Research” SNCO
2009

Republic of Nagorno-Karabakh: Process of State Building at the Crossroad of Centuries
Yerevan, “Institute of Political Research” SNCO, 2009, - 33 p.

Editorial board: H. Avetisyan, M. Aghajanyan, L. Andriasyan, A. Arshakyan, H. Asryan,
G. Boyakhchyan, A. Eghiazaryan, G. Isagulyan, A. Melkonyan, S. Minasyan, N. Panosyan,
V. Sargsyan, R. Safrastyan

The work embraces a complex analysis of political and legal aspects underlying the state-building process of the Nagorno-Karabakh Republic. It focuses both on identification and retrospective analysis of the accomplished stages underlying the Nagorno-Karabakh state-building process, the national struggle of the Nagorno-Karabakh Armenians for independence and secure existence, the key stages of the Karabakh conflict resolution process as well as the foundations of the Nagorno-Karabakh statehood. The work is intended for political analysts and state officials, both local and international, and may serve as a useful guide for those engaged or interested in the Nagorno-Karabakh peace process. Also, the work is intended for the general public interested in gleaning authentic insight regarding the accomplished stages and the current state of the Nagorno-Karabakh state-building process.

© “Institute of Political Research” SNCO, 2009

Contents

General Information.....	4
History.....	4
Present Stage of the Nagorno-Karabakh Movement.....	7
<i>Republic of Nagorno-Karabakh:</i>	9
Legal Foundations of the Nagorno-Karabakh Independence.....	9
Military Actions from 1991 to 1994.....	10
Year 1992.....	11
Year 1993.....	13
Year 1994.....	15
<i>The Post-war Period</i>	16
- Humanitarian Consequences	16
- Key Stages in the Process of Nagorno-Karabakh Conflict Resolution.....	18
<i>State Building in the Nagorno-Karabakh Republic</i>	22
-Development of Government Bodies.....	22
<i>Legislative power</i>	23
<i>Executive Power</i>	23
<i>Judicial Power</i>	25
- The Government System.....	25
- Democracy and Human Rights in the Nagorno-Karabakh Republic	26
<i>Human Rights Defender</i>	27
<i>Local Self-government</i>	27
<i>Other Democratic Institutions</i>	27
- Nagorno-Karabakh Foreign Policy	28
- Army and Regional Security	29
- Economy	30

Republic of Nagorno-Karabakh

Process of State Building at the Crossroad of Centuries

General Information

Country name: Republic of Nagorno-Karabakh
Same designation of the country: Republic of Artsakh
Area: 11500 sq km
Capital: Stepanakert
Population of the Capital: 50 405

Administrative Divisions: Capital of the republic; seven regions; 10 cities and 301 villages.

Formerly, the districts of Askeran, Hadrut, Martakert, Martuni and Shushi of the Nagorno-Karabakh Republic (NKR) were the constituent parts of the Nagorno-Karabakh Autonomous Oblast (NKAO). However, significant parts of Martakert and Martuni regions as well as the Shahumian region in its entirety from 1992 are still occupied by the Republic of Azerbaijan. In December 1993 the Kashatagh district of the Nagorno-Karabakh Republic with its center in Berdzor (former Lachin) was formed in the area of former NKAO.

Pursuant to article 142 of the Constitution of the Republic of Nagorno-Karabakh "Till the restoration of the state territorial integrity of the Nagorno-Karabakh Republic and the adjustment of its borders public authority is exercised on the territory under factual jurisdiction of the Republic of Nagorno-Karabakh."

Population: 137737 (2005 census)

Government Type: Republic

History

Nagorno-Karabakh (Artsakh in Armenian) is an ancient Armenian land located in the northeastern area of the Armenian plateau. Geographically, the area encompasses both the highlands and lowlands of the Caucasus Minor mountainous chain, defined by Lake Sevan in the east and the Arax River to the south, demarcating the boundary with Iran. Identified in its historic and geographic context, the total area of Nagorno-Karabakh comprises approximately 12 000 sq km.

The continuous presence of Armenians in Artsakh province was acknowledged in the ancient manuscripts of many historians, confirming that the provinces to the north of Kura River were part of the historical Armenia. Among the classical writers, Strabo, Plini the Elder, Plutarch, Ptolemy, Dio Cassius, and others contended that the border between Armenia and Caucasian Albania (Aghvank- a non extant Caucasian neighbor representing a mixture of mountainous peoples) was the Kura River. The descendants of the tribal groups once inhabiting Caucasian Albania are considered to be the Lezgin, Avar, Udin and other ethnic nationalities.

In the ancient Armenian state of Urartu (Kingdom of Van, IX-VI centuries BC), Artsakh was referred to as Urtekhe-Urtekheni.

With the adoption of Christianity as a State religion in Armenia (301AD), Artsakh and other Armenian provinces experienced an unprecedented cultural growth which, above all else, was determined by the creation and spread of the Armenian alphabet by Mesrop Mashtots in 405 AD. It is noteworthy, that the first Armenian school dating back to the early 5th century was founded by Mesrop Mashtots in the Artsakh monastery of Amaras.

Conceived as a geographical intersection between east and west, at various times throughout the recorded history Nagorno-Karabakh has been subjected to the invasions of Arab, Persian, Seljuk Turk, Mongol conquerors and different nomadic Turkic tribes. Despite their dramatic fate, however, the Armenians of Nagorno-Karabakh have succeeded in defending their indigenous cultural uniqueness and the right to peaceful existence in their ancient homeland. A great number of

Christian cultural monuments testify the bold struggle of the Armenian people, the preservation of which, to this date, appears to be the providence of the people of Artsakh.

The partition of Armenia between Byzantium and Persia (387 AD) culminated in the annexation of the eastern part of Transcaucasia, including Artsakh, to Persia. This division, however, fell short of affecting the ethnic boundaries in the region till the late middle ages, since the right bank of the River Kura, together with Artsakh, remained vastly populated by Armenians. Only in the middle of the XVIII century did the northern regions of Karabakh experience the invasion of nomadic Turkic tribes, initiating century long wars with Armenian noble families. The nobility of Nagorno-Karabakh, governed by the hereditary feudal lords (Meliks), were able to retain real autonomy due to their noble bonds and military units.

The proceeding half a century in the mountainous region is characterized by bloody internal wars inflicting destruction, hunger, and resulting in mass exodus and other casualties.

In the beginning of the XIX century the nobilities of Artsakh, under the formal unification of "Karabagh Khanate," were annexed to the Russian Empire. The Gulistan Treaty signed in 1813 in the vicinity of Polistan village (present Shahumian district) between Russia and Persia placed Nagorno-Karabakh, along with other areas in Transcaucasia, under the permanent rule of the Russian Empire. However, soon after the bloody wars with Ottoman Turks, Persians and different Turkic tribes stretching for hundred years, the life in Karabakh was finally marked by a peaceful period that lasted till 1917.

The beginning of World War I and the proceeding revolution in Russia in 1917 had a profound effect on the destiny of Nagorno-Karabakh people and brought further hardships to their lives. As such, the year 1918 turned out to be a critical period in the history of Nagorno-Karabakh conflict and set the foundation for further escalation on the eve of the Soviet regime breakup. In particular, the Turkish expansion to Transcaucasia in 1918 eventuated in the creation of a politically pro-Turkish artificial arrangement that soon came to be known as "Azerbaijan."

From the moment of its inception, the Democratic Republic of Azerbaijan entered into history with overt territorial claims regarding Armenian lands in Transcaucasia, Nagorno-Karabakh and some areas of Georgia and Iran. In response to Turkic expansion, the same year on June 22 Karabakh Armenians convened their first meeting in Shushi, declared Nagorno-Karabakh an independent political-administrative unit, elected their National Council and Government representatives, which on June 24 adopted the declaration spelling out the major challenges to be addressed by the new authorities. This development provoked the harsh response of the Azerbaijani government which, relying on the support of Turkish forces and arms, attempted to annex Nagorno-Karabakh to Azerbaijan. The Turkish army commanders, moreover, threatened Nagorno-Karabakh National Council with ultimatum. However, the demands of the Turkish forces and the Azerbaijani government were rejected during the second meeting convened on 6 September 1918, by the Armenians of Nagorno-Karabakh.

In rapid succession beginning from 1918, the policy of Azerbaijani authorities adopted against the Armenians of Nagorno-Karabakh is characterized as a constituent part of a larger expansionist program, which was effected by the Turkish Ottoman government and, later on, its successors Young Turks and Kemalists. Aimed at complete extermination of the Armenian population, the policy was carried out both in the regions of Western Armenia and in the occupied territories of Eastern Armenia, including Kars, Nakhitchevan, Shirak, Zangezur and Karabakh. These regions, constituting the historic lands of ancient Armenian statehood, also fell victim to the Ottoman Turkish Genocide committed against the Armenian people from 1915 to 1923. The Genocide of the Armenian people was also unleashed in the regions of Eastern Transcaucasia, where the Armenian population had made significant contribution to the life and prosperity of these territories. On September 1918, if one were to adduce an example, after the Turkish forces entered Baku, 30 000 Armenians were massacred within three days.

To stop the bloodshed, the Armenians conceded to bring the issues regarding the contestable nature of the Karabakh status and ensuing territorial claims to the consideration of international society, provided that the undeniable right of Nagorno-Karabakh people to self-determination is

respected. The disputable nature of the Karabakh status was also admitted by Azerbaijan, Russia and the League of Nations. However, given the territorial claims and ambitions of Azerbaijani Democratic Republic (ADR), the international society refused granting membership to it.

In December 1920, taking into account Azerbaijan's territorial ambitions and the widespread Armenian pogroms, the 5th Committee of the League of Nations, based on a report from the third subcommittee, unanimously decided against accepting the Azerbaijani Democratic Republic into the League of Nations. By postponing the final settlement of the conflict, the League of Nations, along with the parties to conflict, including Azerbaijan, recognized Nagorno-Karabakh as a disputable territory. Thus from 1918 to 1920, during the formation of the Azerbaijani Democratic Republic, its sovereignty in no way stretched over Nagorno-Karabakh and Nakhitchevan.

In 1920, the authorities of Soviet Azerbaijan renounced their claims regarding the contested territories and recognized the right of Nagorno-Karabakh people to "free and complete self-determination." Based on the decision of Soviet Azerbaijan relinquishing its claim on contested territories and with reference to the agreement between the governments of Armenia SSR and Azerbaijan SSR, in 1921 Nagorno-Karabakh was declared as an inseparable part of Armenian SSR. From a legal vantage point, this deed of cession appeared to be the last legal proceeding throughout the entire Communist regime in Transcaucasia on Nagorno-Karabakh performed in accord with international norms.

Both the international community and Russia greeted the act of cession, which is further confirmed in the resolution passed by the Assembly of League of Nations on December 18 1920, the executive secretary's memorandum to the member states as well as in the annual report (1920-1921) of the Peoples' Commissariat (Ministry) of the RSFSR Foreign Affairs to the Supreme body-the 11th Soviet session.

After a series of manipulations regarding the destiny of Nagorno-Karabakh and its people, by a legally nonbinding decision of the Central Committee of Bolshevik Party of the Caucasus Bureau passed in 1921, Nagorno-Karabakh was annexed to a newly established Azerbaijani SSR, retaining the right to a "high level of autonomy with a capital in Shushi." In 1923, the establishment of Autonomous Oblast of Nagorno-Karabakh (later referred to as Nagorno-Karabakh Autonomous Oblast -NKAO) included only some of the constituent territories of the land. Even the previous term "Autonomous Oblast of Nagorno-Karabakh" – as such- clearly denotes that it incorporated only some territories of the land. Moreover, the dividing line of the oblast was drawn in such a way that it completely excluded several regions of sizeable Armenian population constituting Nagorno-Karabakh (among these, Lachin, Kelbajar, Shahumian districts and significant areas within the confines of Khanlar, Fizuli, Agdam, Dashkesan, Kedabek, Bardin, Djebail, Kubatli and other regions of Azerbaijani SSR stand out as vivid examples).

Nagorno-Karabakh, to put it differently, was split the way that one part could function as a separate autonomy, while the other was incorporated into the administrative regions of Soviet Azerbaijan in such a way that the physical and geographical ties between the Republic of Armenia and the Armenian autonomous region were neutralized. However, the fragmentation of the historic lands of Armenian statehood was yet to be completed, since the agreements of Moscow and Kars concluded in 1921 subjected Kars region and Nakhitchevan to further separation benefiting Turkey and Azerbaijan respectively (Nakhitchevan turned into an autonomous region under the Azerbaijani protectorate).

Granting Nagorno-Karabakh the status of autonomy and placing it under the rule of Azerbaijani SSR was to legitimize the annexation of the historic Armenian lands. The civil, political, socio-economic and cultural rights of the Armenian population in Nagorno-Karabakh, as a result, were blatantly discriminated. The systematic character of the discriminatory policy adopted by the Azerbaijani SSR against the Armenian population in Nagorno-Karabakh was pushed to such an extent that throughout the entire Soviet regime and till the beginning of 1988 (1988 marks the present stage of the conflict) the number of Armenian population dramatically decreased. If, for example, the total number of Karabakh Armenians in 1921 was 96 per cent of the overall population, in 1979 Armenians in NKAO comprised only 75 per cent of the total population. In the

meantime and owing to extensive migration from Azerbaijan, the Azerbaijani population in Karabakh, on the contrary, experienced dramatic numerical growth. Again, if in 1923 the Azerbaijani population comprised the sheer 3 per cent of the overall population in Nagorno-Karabakh, the proceeding years were marked with extensive growth reaching to 13 per cent in 1959 and almost redoubling to 24 per cent in 1988.

Even throughout the entire Soviet totalitarian system, the Armenians of Nagorno-Karabakh were consistent in their attempts to restore historical justice and to liberate the area from the unjust seizure of the Azerbaijani SSR, seeing in it the sole guarantee of their safe and secure future. Attempts to bring the problem of Nagorno-Karabakh to the attention of the central bodies of the USSR were undertaken repeatedly. In 1965, a group of Karabakh Armenians appealed to the Central Committee of the Communist Party of Soviet Union (CPSU) with letters heralding about the drain economic and cultural conditions of NKAO and requesting the reunion of Nagorno-Karabakh with the Armenian SSR or RSFSR. More than 45 thousand signatures of Karabakh Armenians were enclosed with the petition. In 1966, the Central Committee of the Communist Party of Armenian SSR petitioned the Central Committee of the CPSU to reunite NKAO with the Armenian SSR. The same year the Secretariat of the Central Committee of the CPSU urged the Central Committee of the Communist Party of Armenian and Azerbaijani SSRs to engage in a joint work on the issue of Nagorno-Karabakh. This was soon followed by the establishment of republican commissions, which were chaired by the first secretaries of the Central Committee of the Communist Party of Azerbaijani and Armenian SSRs.

The social unrest that broke out in Nagorno-Karabakh on July 1967 was connected with the brutal murder of the Armenian boy from the village Berdashen in Azerbaijan by the principal of the neighboring village. The provocative actions taken by the party authorities of Azerbaijani SSR greatly contributed to the escalation of the international component of the Nagorno-Karabakh issue and stirred mass protests among the population. During the suppression of protests, about 20 Armenians were shot and executed in prisons, nearly 10 people disappeared completely, more than 150 were subjected to repressions and, as a consequence of continuous prosecutions lasting more than two years, over 100 families were enforced to leave Nagorno-Karabakh.

The issue of Nagorno-Karabakh was raised in 1970s as well. On November 23 1977, within the framework of discussions held to assess the popular will regarding the new Constitution of the USSR, the question of Nagorno-Karabakh received further attention at the Presidium of Ministerial council of the USSR. The session held at the Presidium of Ministerial council of the USSR concluded with the following remarks:

“As a consequence of a series of historic circumstances, several decades ago Nagorno-Karabakh was artificially annexed to Azerbaijan. As such, the historic past of the area, its national composition and the aspirations and economic interests of the people were neglected. After decades past, the issue of Nagorno-Karabakh still remains relevant and causes much anxiety... It is therefore necessary to reunite Nagorno-Karabakh (Artsakh in Armenian) with Armenia SSR and thereby restore the legal order of the things.”

Present Stage of the Nagorno-Karabakh Movement

The beginning of the Karabakh movement was marked by a remarkable referendum held during the second half of 1987, with over 80 thousand people expressing their support for the unification of Nagorno-Karabakh with the Armenian SSR. It was this referendum that set the foundation for the Council of People's Deputies in NKAO to hold an extraordinary session on February 20 1988, and to appeal to the Supreme Council of Azerbaijani SSR with the request to secede from its structure, Soviet Armenia- for unification, and the USSR- to recognize the transfer.

The free will of the Nagorno-Karabakh people expressed in accord with their constitutional right provoked the harsh response of the Azerbaijani SSR and was proceeded with sanctioned pogroms, mass killings and actions of genocidal character in the cities of Sumgait, Baku, Kirovabad, Shamkhor, Mingechaur, and later throughout the entire Azerbaijan.

The first victims of the sanctioned three-day mass pogroms organized on February 1988 turned out to be the Armenians of Shahumian district, leaving behind hundreds of brutally massacred and

expelled people. Hundreds of thousands of Armenians were compelled to leave Baku during the summer and autumn of the same year. As a consequence of large-scale pogroms and ethnic cleansings carried out in the autumn of 1988 the Armenians inhabiting in the northern part of Nagorno-Karabakh and rural areas of Azerbaijani SSR were enforced to leave for good. During the genocide of Armenians in Baku on January 1990, leaving behind more than 200 brutally massacred people, the Azerbaijanis got rid of the remaining Armenian population.

More than 400 thousand Armenians were enforced to leave the cities and villages of Azerbaijan and Nagorno-Karabakh. The Armenian inhabitants compactly populated in 50 Armenian settlements in the northern part of Nagorno-Karabakh and the city of Ganja, where the total number of Armenians was more than that of Azerbaijanis settled throughout the NKAO were deported.

To address the issues underlying the developments in Nagorno-Karabakh, on January 12 1989, the Presidium of the Supreme Council of the USSR acknowledged the expediency of establishing temporary governance in Nagorno-Karabakh and preserving its status as an autonomous region under the rule of the Azerbaijani SSR. By another decree issued the same day, the Presidium of the Supreme Council of the USSR established a Committee in charge of NKAO governance. These measures, however, were not aimed at finding a political solution to the Nagorno-Karabakh problem. The declared state of emergency entailed the suspension of all democratic processes and the involvement of internal forces of the Ministry of Internal Affairs of the USSR.

The Committee in charge of Karabakh affairs existed for ten months and under the pressure of the Azerbaijani authorities was abolished on November 1989, delegating its powers to the organizational Committee on NKAO of the Azerbaijani SSR. Having the assistance of the Ministry of Internal Affairs of the USSR and the Soviet Army, the Committee developed and carried out punitive operations on deportation of the Armenians not only from Nagorno-Karabakh, but also from the neighboring areas with sizable Armenian population.

From April to October in 1991, deploying the forces of the Soviet Army as well as the detachments from the Ministry of Internal Affairs of the USSR (MVD) for its own punitive purposes, Azerbaijan, with the tacit consent of Moscow, launched the operation of forcing out Armenians from Nagorno-Karabakh. The operation of ethnic cleansing carried out under the code name "Ring" succeeded in forcibly emptying 24 villages of Khanlar, Shahumian, Shushi and Hadrut districts of Nagorno-Karabakh from the Armenian population. The operation claimed the death of hundreds of people with thousands left behind plundered and enforced to leave their homeland.

In 1991, after the failed August coup in USSR, the situation in Nagorno-Karabakh began to alter. In particular, one obvious shift was that the Soviet army and the internal forces gradually ceased to intervene in the conflict on the part of Azerbaijan.

The assessment of foreign states and European structures regarding the situation around Nagorno-Karabakh till the moment of Soviet disintegration and the proceeding years of armed conflict from 1991 to 1994 was guided by the following principles.

In 1989, the US Senate adopted a resolution condemning the policy of discrimination and mass violations instigated against the people of Nagorno-Karabakh and Armenia by the Soviet authorities and the leadership of Azerbaijani SSR. On July 1989, the US Senate Committee on Foreign Relations passed a resolution highlighting the importance of a "...peaceful settlement to the dispute over Nagorno-Karabakh." The resolution also urged the Soviet leadership for holding discussions with the representatives of Nagorno-Karabakh (including the released members of the Karabakh Committee) on the issue of reunification with Armenia.

In November 1989, the resolution adopted by the US Senate on Nagorno-Karabakh (acknowledging the concerns of 80 per cent of the Armenian majority settled in Nagorno-Karabakh Autonomous Region, sharing the Soviet characterization of the events on 28-29 February in Sumgait as pogroms perpetrated by Azerbaijan, recognizing the inefficiency of the temporary Committee in charge of Nagorno-Karabakh affairs) emphasized the importance of holding bilateral discussions with the USSR tailored toward finding a just solution to Nagorno-Karabakh conflict, which would reflect the free will of the people inhabiting in the region.

On January 21 1993, the European Parliament adopted a resolution characterizing the blockade of Nagorno-Karabakh and Armenia by Azerbaijan as a gross violation of human rights.

Republic of Nagorno-Karabakh: Legal Foundations of the Nagorno-Karabakh Independence

The turning point of the national liberation movement of Nagorno-Karabakh Armenians was marked by the creation of an independent statehood as a guarantee of safe and secure existence in the region.

On September 2 1991, following the announcements of the Supreme Council of the Azerbaijani SSR (August 30), according to which the latter proclaimed itself the successor of the Azerbaijani Democratic Republic of 1918-1920, the joint session of the Nagorno-Karabakh regional and Shahumian district Councils issued the “Proclamation of the Nagorno-Karabakh Republic (NKR).” What constituted the legal basis of the declaration was the USSR legislation of April 3 1990, “On the Procedure of Secession of a Soviet Republic from the Union of Soviet Socialist Republics,” which confirmed the right of autonomous regions and people densely residing therein to independently decide their state legal status during the disintegration of the USSR.

The declaration further clarified that NKR, prior to the acceptance of constitution and laws, was subject to the USSR legal regulations, which did not contradict the essence of the adopted declaration. This was to notify that Nagorno-Karabakh, as opposed to Azerbaijan, remained as a territory within the USSR.

On December 10 1991 during the referendum held on the whole territory of Nagorno-Karabakh to finally determine its status, the overwhelming majority voted for a complete independence. The referendum in Nagorno-Karabakh was held according to the then functioning USSR legislation and, in particular, that of April 3 1990, defining the “Procedure of Secession of a Soviet Republic from the Union of Soviet Socialist Republics.” In particular, Article 3 of the legislation clearly stipulated:

“In case the Soviet Republic has autonomous republics, autonomous regions or autonomous territories within its borders, referendums are to be conducted separately in each of the autonomies. The people residing in the autonomies are given a right to independently decide whether to remain in the Soviet Union or in the seceding Republic as well as to decide on their state legal status. Referendum results are to be considered separately for the territory of a Soviet Republic with a compactly settled ethnic minority population, which constitutes majority on that particular territory of the Republic.”

The article cited above was the only legal proceeding on the territory of USSR granting equal rights to all of its subjects to freely and independently determine their state legal status with respect to secession from the USSR and Union Republics.

The secession of Azerbaijan from the USSR, as already mentioned, was realized by the Supreme Soviet of Azerbaijani SSR adopting the Declaration “On Restoration of the State Independence of the Azerbaijan Republic” and the Constitutional act of October 18 1991 “On State Independence of Azerbaijan Republic.” The constitutional norms underpinning the document further notified of “restoring” the state legal status of Azerbaijan according to the 1918-20 boundaries of Azerbaijani Democratic Republic, when Nagorno-Karabakh (just as Nakhitchevan) was in no way a constituent part of Azerbaijan.

The absence of jurisdiction over NKAO and the illegal nature of the titular right of Azerbaijan on Nagorno-Karabakh existing throughout the Soviet period are clearly reflected in the law adopted in Azerbaijan regarding the “Abolition of the Nagorno-Karabakh autonomous oblast” on November 23 1991, which further characterizes the “...creation of Nagorno-Karabakh autonomous oblast in 1923 as unlawful...” The law further postulates “...to recognize the Decree of the Azerbaijani Central Executive Committee (July 7, 1923) “On the Creation of Nagorno-Karabakh autonomous oblast...” and that of 16 July 1981 “On Nagorno-Karabakh autonomous oblast” as invalid.””

The above mentioned proceedings, in other words, not only call into question the entire jurisdiction of Azerbaijan over Nagorno-Karabakh exercised from 28 April 1920 (date marking the

creation of Azerbaijan SSR) to 30 August 1991, (date notifying the adoption of Declaration “On Restoration of the State Independence of the Azerbaijan Republic) but also, reveal the flawed nature of the illegitimate and violent annexation of Nagorno-Karabakh to Azerbaijan by the party organs.

The secession of Nagorno-Karabakh was carried out through a republic-wide referendum held on December 10 1991, which was commensurate with the UN Charter as well as other universally accepted norms of international law and the then functioning legislation of the USSR. The voters were supposed to express their free will on “whether they agree Nagorno-Karabakh to function as an independent state that freely determines all the forms of cooperation with other states and communities.” The bulletins prepared for the referendum were translated into Armenian, Russian and Azerbaijani languages and, by means of commandant’s office, were delivered to the Azerbaijani settlements of Nagorno-Karabakh. The votes of the participants were scattered the following way: for “Yes” voted 108615 (99, 89 per cent of the participants); for “No” voted 24 (0, 02 per cent of the participants). Observers from different mass media organizations representing different foreign states were present at the referendum. In their statements regarding the assessment of the conduct of referendum on Nagorno-Karabakh independence the observers concluded that “The referendum was conducted without procedural violations, bulletin staffing, breaches in vote counting and tabulation. The observers consider it important to mention that at a time of referendum, Nagorno-Karabakh Republic with its capital in Stepanakert and other Armenian populated settlements were subjected to armed aggression with heavy artillery and rocket shelling.”

This was followed, on December 28, by the parliamentary elections of the Supreme Council of the Republic and the establishment of the newly elected legislative body of the NKR. On January 6 1992, on behalf of the Supreme Council, the democratically elected parliament of Nagorno-Karabakh adopted the Declaration “On the State Independence of the Nagorno-Karabakh Republic” and appealed to the UN and other countries of the world to recognize the NKR and help prevent the genocide of the Artsakh Armenians. The government of Nagorno-Karabakh, shortly after this, resumed its responsibilities under the conditions of absolute blockade and immanent armed aggression perpetrated by the Republic of Azerbaijan.

Military Actions from 1991 to 1994

From the begging of 1990 there was a clear tendency that the conflict in Nagorno-Karabakh would escalate into a wide-scale military offensive.

The developments occurring around Nagorno-Karabakh and the adjacent regions were getting deteriorated. Among the punitive actions taken against the Armenian population in Nagorno-Karabakh, the operation “Ring” perpetrated from late April to May in 1991 with the joint forces of the USSR interior troops and the Azerbaijani OMON (special forces of militia detachments) stands out as a revealing example. On the pretext of passport “checks,” an unprecedented action of state terror was carried out against the Karabakh Armenians in general and the villagers of Getashen and Martounashen of the Khanlar district of Azerbaijan in particular. The male population was deported to unknown locations, while brutality, looting, and robbery accompanied further “passport checks.”

Taking advantage of the Soviet Union disintegration, Azerbaijan launched a large-scale military offensive against Nagorno-Karabakh aimed at subjecting the Armenian population to physical destruction and forcing them out from Karabakh.

In 1991, when the units of the former 4th Soviet army were ordered to pull out from the territory, the Republic of Nagorno-Karabakh remained face to face with the Azerbaijani regular-armed units equipped with sophisticated military weapons and aircraft many of which were flown by foreign mercenaries. Early in 1992 the arsenal of the Azerbaijani armed forces was considerably improved at the expense of the captured warehouses of the Transcaucasian military district of the former Soviet Army, located in the territory of Azerbaijan. With thousands of ammunition carriages at store, according to the estimates of military experts, Azerbaijan could carry on intensive military offensives for at least a year.

Year 1992

The beginning of 1992 was marked by Azerbaijani armed intrusion into the territory of Agdam. The Azerbaijani combatants equipped with 10 tanks and fighting vehicles attacked the Armenian village of Khramort and set it to fire.

The capital of NKR and various Armenian villages were subjected to constant intensive shelling. On January 25-26, the Azerbaijani army battalion embarked on an offensive against the village of Karintak of the Shushi district. However, after two days of fierce fighting the Azerbaijani forces were enforced to retreat.

On January 31, Azerbaijan began an offensive along the entire front-line.

The escalation of military offensives compelled the Republic of Nagorno-Karabakh to organize and improve its defense arrangements, which, among other things, involved the formation of voluntary groups of freedom fighters across Artsakh. The defensive preparations also included the establishment of headquarters aimed at centralization and coordination of military operations. As a consequence, more than 10 military units and platoons involving 1000 people were established in the territory of Artsakh which, later on, paved the way for creating the regular army of Nagorno-Karabakh.

On January 21-22, the headquarters of the Azerbaijani OMON located in the Kerkjan quarter (former Karkarashen) of the town of Stepanakert were destroyed. This was soon followed by the liquidation of Azerbaijani shelling positions of Malibeyli and Ghushchilar, located nearby NKR capital. Despite the defensive measures, long-range weapons practically located along the full length of the Azerbaijani-Armenian border were persistently operated from the firing positions of the enemy causing mass destruction and high casualty rates among the people.

On February 19, the Supreme Council of Nagorno-Karabakh Republic appealed to the Secretary-General and the heads of permanent member States of the UN Security Council to take measures for the suppression of the armed aggression of Azerbaijan against Nagorno-Karabakh and termination of the rocket-artillery bombardments in the populated settlements of the Republic.

On February 24, the Presidium of the NKR Supreme Council made a decision on the legal status of the armed forces and their subordination under a unified command.

In this respect, one of the primary challenges of the Artsakh self-defense forces was the elimination of the enemy's bridgehead at Khodjaly, an area with considerable manpower and military equipment concentration. It was of strategic importance to reopen a corridor linking the area of Askeran with Stepanakert as well as ensure efficient communication within Karabakh itself. In addition, given the importance of its location, it was necessary to regain control over the only airport in the Republic.

On February 25, the Artsakh self-defense forces, taking up positions in western Khodjaly, compelled the enemy to abandon its military base and, together with the civilian population, leave the area through the established humanitarian corridor. Later, the president of Azerbaijan A.Mutalibov confessed that, "the corridor was established by the Armenians to let the civilian inhabitants through." This can well be contrasted with the strategy deployed by the Azerbaijani armed forces which, using the civilian villagers as shields, resumed bombarding of populated areas in Nagorno-Karabakh and, once having to abandon the area, shot the civilian columns approaching the border to Agdam. The same Mutalibov was later to link this unparalleled criminal action with the attempts of Azerbaijani opposition party "Popular Front" to oust him from office and put the whole responsibility on his shoulders.

Early in March, the Azeri army launched a wide-scale offensive along entire front line, specifically targeting Martakert, Askeran and Martouni districts. As a result of fierce combat, the attack of the enemy was halted.

Even with the liquidation of the Khodjaly military base, the regular shelling of the Armenian positions did not subside. Positioning themselves in the town of Shushi that towers over Karabakh, the Azerbaijani troops carried out a sustained rocket-artillery bombardment of the NKR capital and other populated areas. On May 7, the Azeri infantry and armor backed with ME-24 military

helicopters attacked the Karabakh defense positions in the southeast of Stepanakert. Concurrently, from the Shushi hills and adjacent Azerbaijani positions 200 Grad rockets were launched onto the capital, causing many casualties and heavy destruction.

To neutralize the strongholds of the enemy, in the morning of May 8 the Artsakh self-defense subunits waged a counter-offensive and managed to take the Shushi-Lachin road under their control. Although the Azerbaijani defense of Shushi from the north and south had been broken, it was after courageous street battles that the Armenian troops liberated the central quarters of the town. On May 9, Shushi was liberated.

Once the firing positions in Shushi were liquidated, the self-defense forces of Karabakh proceeded to the liberation of Shushi-Lachin-Zabukh strategic road, which would allow removing the blockade and restoring the normal daily activity in the republic. On May 18, the Karabakh army liberated Lachin (Kashatagh) thereby ending the 3-year blockade. On May 20, hundreds of tons of humanitarian goods, including food, medicine, and other vitally important materials were delivered to Stepanakert via the Goris-Stepankert road through the Lachin Corridor. After the successful Shushi-Lachin operation, the tension in the conflict area considerably abated.

Meanwhile, the Azerbaijani military was preparing for a new wide-scale military operation. On June 12, the Azerbaijani troops waged an offensive in the northeastern, eastern and southeastern sectors of the front. The entire weight of the Azerbaijani military was directed against the 20 kilometer-long battleground. The forces of the former 4-th Army stationed in NKR were also deployed for the military operation. With the help of armor equipment, "Grad" rocket launchers and aircraft, the enemy was able to capture the entire Shahumian district and significant areas of Martakert and Askeran. As a result, the Azerbaijani national army destroyed and burned scores of villages, forcing forty thousand inhabitants to assume the status of refugees.

It is worth mentioning that from the beginning of January 1992 Azerbaijan's military engagement in the Nagorno-Karabakh conflict was characterized by an extensive deployment of "Grad" multiple-missile rocket launchers, ME-24 military helicopters, artillery, tanks and other heavy equipment. However, after the deployment of SU-25 combat aircraft and the extensive military operations conducted in summer with the engagement of hundreds of tank units, armored vehicles and infantry backed with aircraft, the offensive transformed into a wide-scale war. All the attacks against Nagorno-Karabakh Armenians were carried out with the regular deployment of sophisticated weapons and gross violations of international humanitarian law. As such, starting from November 1991 to the ceasefire agreement reached in May 1994, the capital of NKR Stepanakert was subjected to persistent shelling from "Alazan" and "Grad" rocket launchers, tanks, artillery shells of various calibers and combat aircraft. The total number of rockets launched against the civilian population of Nagorno-Karabakh is as follows: more than 21000 "Grad" rockets; 2700 "Alazan" rockets; 1900 artillery shells of different calibers. On August 31 1992, over 20 "Cluster" bombs, the deployment of which against civilian population is forbidden by the international humanitarian law, were dropped only on Stepanakert. Apart from bringing irreversible destructions, this attack claimed the lives of 16 people, while more than 121 were wounded. Only in Stepanakert per se during the regular air raids the Azerbaijani aviation managed to drop 180 CBUs (Cluster Bomb Unit with Fragmental Submunition), around one hundred 500 kg bombs with high explosive and fragmentation shells, including 8 Vacuum Bombs (High-Impulse Thermobaric Weapons, HITs).

By expanding the offensive in several directions, the Azerbaijani army from June to July 1992, succeeded in occupying the entire Shahumian district, and significant parts of Martakert, Martuni, Askeran and Hadrut districts of the NKR. In other words, more than 40 per cent of the territory of Nagorno-Karabakh fell under the occupation of Azerbaijani forces.

Given the dire situation around Nagorno-Karabakh, the Supreme Council of NKR announced a state of emergency in the republic. Following this, a partial mobilization among population carried out by the authorities involved sergeants, reserve troops, conscripts between the ages 18 to 40, officers up to 50 years old, and women with special military training.

On August 11, the President of Azerbaijan issued a decree on conscription for military service of all those demobilized from the army in 1991-1992, as well as prolonged the tenure for those currently serving in the armed forces.

On August 11 1992, the US Congress enacted the Freedom Support Act, Section 907 of which prohibits U.S. government assistance to the government of Azerbaijan until it lifts all blockades of Armenia and Nagorno-Karabakh.

To prevent Azerbaijani occupation of the territories of Nagorno-Karabakh, the improvement of the defense arrangements and the overall reorganization of the state governing system in the republic became of paramount importance. As a consequence, the NKR Supreme Council Presidium on August 12 passed a decree on state of war in the republic and commenced the mobilization of men aged from 18 to 45. On August 14 1992, the State Committee of Defense was established, which undertook the unification of all scattered self-defense forces under a single command of Nagorno-Karabakh Defense Army.

By late summer, Mardakert region continued to remain one of the hotspot areas of the front-line. After sustaining heavy losses, on August 26 the Azerbaijani troops managed to take the Mardakert-Kelbajar strategic road under their control. Scanty Karabakh forces positioned in Mardakert district appeared in a critical situation. However, after regrouping and consolidation of the forces in September, the Karabakh army succeeded in halting the advance of the enemy and, as a result of successful counter-offensive measures taken in the Askeran direction, liberating the occupied villages of the district. Meanwhile, a guerilla movement functioning in a completely occupied Shahumian district took full expression.

By the end of September, the Azerbaijani troops twice endeavored to cut off Lachin humanitarian corridor, but were stopped 12 kilometers ahead and beaten off. On October 19, the Karabakh forces waged a successful counter-offensive to the south of the corridor and reached the border of Kubatly district.

On November 1992, due to successful counter-offensive efforts, the Tartar-Martakert-Kelbajar highway was liberated. Fierce month-long fighting ensued along the entire length of the Martakert front.

The end of 1992 was marked by the abatement of hostilities along the entire length of the front line.

Year 1993

In January, the military offensives along the entire length of the Karabakh front resumed again with the active deployment of Azerbaijani military arsenal, including combat aircraft, tanks, various weapons, and infantry. On January 14, the Azeri troops embarked on an extensive offensive in the direction of Kichan and Srkhavand villages of the Martakert district and the Chartar village of the Martouni district. However, owing to courageous resistance of the Karabakh army the Azerbaijani troops made little progress in their military undertakings.

As a consequence of heavy fighting that broke out at the northern front in early February, the commander of the NKR self-defense army issued a decision to wage a counter offensive operation in the Martakert district aimed at liberating the occupied territory and enforcing the enemy to retreat. Breaking the resistance of the Azerbaijani forces in a few days, the Karabakh army advanced to the strategic Martakert-Kelbajar road and, by late February, succeeded in regaining full control over the road. In addition to this, the Karabakh troops managed to drive the enemy out from the Sarsang storage lake, where the electric power station was located.

The period extending from March 27 to April 5 was marked by operations launched to remove the military bases in the Kelbajar district, which presented a serious threat to the western borders of the NKR. In particular, after neutralizing the firing positions in Kelbajar on April 3 and having resumed control over the crossroad linking Kelbajar with Kirovabad, the Karabakh forces advanced to the highlands of the Omar Pass.

With the abrupt change in situation late in spring, the fighting throughout the entire front line resumed again, with Azerbaijani forces concentrating at the eastern Martouni area. All the attempts to break through the defense of the Karabakh troops, however, failed.

At the beginning of the summer, the Defense Army of the NKR elaborated a plan on the liberation of Martakert region which, given the complex nature of the operation, presumed synchronized actions for launching several offensives simultaneously. The hostilities that broke out as a result reached their climax on June 27, when the decisive and coordinated actions of the army ensured the liberation of Martakert after more than one year of occupation.

On July 4, with active backing of air forces and armor engineering the Azerbaijani army embarked on a large-scale offensive waged simultaneously in Askeran, Hadrout and Martakert districts. Despite the quantity of forces deployed in all directions, the enemy was forced out to retreat and draw back to former positions. Shelly, a strategically important position used by the Azerbaijani troops to mount artillery shelling against Askeran and Stepanakert, finally came under the control of the Karabakh forces.

Notwithstanding the courageous resistance of the Armenian forces in a war imposed on Nagorno-Karabakh, the capital of the NKR continued to be systematically attacked from the direction of Agdam, where a great number of long-range weapons and "Grad" launchers were located. To ensure the security of Stepanakert as well as the safety of its population, the Artsakh armed forces proceeded to liquidate the military base in Agdam. Despite the serious build-up of Azerbaijani major forces in the area, on July 23 the Karabakh forces managed to break down the resistance of the enemy and enter Agdam. Not only did this operation eliminate the threat of systematic shelling of Stepanakert, but also, further attempts of waging offensives on Askeran and neighboring districts were removed. Moreover, after sustaining heavy losses and a complete destruction of the massive military base, the Azerbaijani leadership was compelled to propose a cease-fire agreement. On July 25, for the first time throughout the entire conflict an arrangement for armistice was achieved.

In the beginning of August, the situation in the area rapidly deteriorated due to the resumption of sustained attacks on Karabakh positions launched from the direction of Jebail. However, owing to effective counter-offensive measures and coordinated actions of the Karabakh self-defense forces the military bases of the enemy were completely destroyed.

On August 16, the southern and eastern borders of Martuni and Hadrut districts respectively were subjected to Azerbaijani intensive attacks from the town of Fizuli. The military units of the NKR Defense Army not only succeeded in defending their positions, but also liberated a number of occupied villages in the south of Hadrout district.

As a consequence of severe hostilities along the Fizuly-Jebail-Kubatly front line, the Azerbaijani troops were forced to leave the identically named Fizuly district and the town on August 22. Following this, the Karabakh troops moved forward to the Djebail district and within two days gained control over the territory. On August 26, the Hadrout district of the NKR was completely liberated. On August 29, the Azerbaijani forces made several desperate attempts to break through the Karabakh defensive positions in the southern regions of the Lachin humanitarian corridor, but after successful counter-offensive measures the NKR forces on August 31 entered the district center of Kubatly. The same day, an agreement on a ten-day cease-fire was signed between the Azerbaijani and the Nagorno-Karabakh Republics with a further meeting between the Azerbaijani and Nagorno-Karabakh authorities scheduled on September 10. However, the agreement did not effectively transfer the resolution of the military conflict into a political one. Therefore, the relative quiet along the front line lasted less than half a month.

On October 10, Azerbaijan resumed military operations in the Hadrout district. On October 21, several units of the Azerbaijani Army mounted attacks against the Hadrout-Jebail direction and, after positioning their troops on a number of strategic hills, the security of the population in the Hadrout and neighboring areas became endangered again.

On October 24, the NKR Army launched a successful counter-attack operation along the southern front-line and neutralized a number of firing spots of the enemy, including the Ghoradis

military base. By the liquidation of the military base located in Ghoradis, the Karabakh forces also succeeded in isolating Zangelan district and parts of the Jebrail and Kubatly districts from the rest of Azerbaijan.

In the morning of November 1, the fighters of the Self-defense Army liberated the district center of Zangelan with its constituent areas.

Starting from December 10, the Azerbaijani army launched three offensives in the southeastern sector of the front, but each time the Karabakh army was able to repel the aggression and stand its ground. In particular, on December 15 the military bases in the Agdjabedy district of Azerbaijan launched a massive rocket-artillery shelling of the Martouni settlements, including the town. On December 19, supported by tanks and aircraft, the attacks of the Azerbaijani troops targeted the positions of the Karabakh army in the east of the Martouni district. The NKR armed forces were able to repel the offensive and in the evening of December 20 enforced the enemy back to its former positions. On December 22, both the northern and eastern positions of the Nagorno-Karabakh Republic were subjected to ceaseless artillery shelling, while in the southeastern front the Azerbaijani forces assumed an aggressive counter offensive. The enemy desperately tried to break the defensive positions of the Karabakh forces along the front-line, which roughly extended for 30 kilometers.

On December 26-27, the Azerbaijani troops waged battles in Martakert, Martouni and Hadrout districts, but they did not succeed in advancing.

By the end of 1993, the territory stretching from the railway junction of Ghoradis to the state border of Armenia was under the control of NKR, allowing it to create a security zone along its southern frontiers.

The leadership of Azerbaijan, realizing that the mobilization of their own troops was not sufficient, began employing mercenaries, including about 1,500 Mojahedeens from Afghanistan. Personal papers, military maps, letters and photos, dictionaries and national currency found during the war confirm participation of mercenaries in the war.

Year 1994

In the beginning of 1994, Azerbaijan intensified its military actions across the entire front-line and attempted once again to gain control of the situation. As a result, heavy fighting broke out in the territory stretching from the Omar Pass to the Araks River. Even after sustaining serious losses, the Azerbaijani forces aggressively pursued their military goals. However, the NKR troops not only managed to defend their ground, but also, after a series of successful operations, in early February proceeded to the liquidation of the Azerbaijani military bases around the Omar Pass.

On February 18, the northern sector, including the Omar Pass, was under the complete control of the Karabakh forces. As such, the Kelbajar district in its entirety came under the control of Karabakh Army.

In late February and early March, the main fighting unfolded along the southeastern sector of the front towards the direction of Ghoradis. Again, supported by armored forces, artillery, and aircraft, the Azerbaijani troops endeavored to break through the Karabakh defense and advance to Fizuly. Apart from repelling the Azerbaijani aggression, the Karabakh forces also launched a series of successful counter offensive attacks.

On April 10, as a result of counter offensive measures carried out in the northeastern front, the NKR armed forces took a number of strategic hills in the Gulistan- Talish region. In the middle of April, the NKR Defense Army liberated the Armenian villages of Talish, Chily, Madagis, and Levonarkh.

The military defeats compelled Azerbaijan to accept the peace proposals of mediating parties. On May 5, under the mediation of Russia, Kyrgyzstan and the CIS Inter-Parliamentary Assembly in Bishkek, the Republics of Azerbaijan, Nagorno-Karabakh and Armenia signed a Protocol. The latter came to be known as "Bishkek Protocol" on the basis of which on May 12 the same parties signed a cease-fire agreement that holds to this date.

On May 16, in a meeting held in Moscow the Defense Ministers of Armenia, Azerbaijan, and the Commander of NKR Defense Army further confirmed their support for the previously reached cease-fire agreement. The document regulating the order of implementation of the Protocol of May 15, 1994, prepared for signature called for the disengagement of the Karabakh and Azerbaijani forces, the establishment of a buffer zone between the line of contact and the deployment of peacekeeping forces. Defense Ministers of the Russian Federation, Armenia, and the NKR Defense Army Commander signed the document. Although Azerbaijan did not sign the document (the Azerbaijani Defense Minister was urgently called to Baku), a durable cease-fire in the Nagorno-Karabakh conflict holds to this date.

The Post-war Period - Humanitarian Consequences

The issue of refugees and internally displaced people (IDP) is one of the crucial aspects underlying the humanitarian consequences of the Karabakh conflict in general and the military actions of the parties to conflict from 1991 to 1994 in particular. In addition, it also is closely connected with the international and legal principles of respect and protection of human rights. The problem of refugees and displaced people, once considered in a broader framework, is both the reason and the consequence of the conflict at once. Apart from being the central element of conflict resolution and peace-building in the post-conflict societies, the protection of the rights of displaced persons is also an integral element of regional security.

In their account of Nagorno-Karabakh conflict, the international sources frequently refer to 360 thousand Armenians as being enforced to leave the Azerbaijani Soviet Socialist Republic (SSR) in the period stretching from 1988 to 1990. Additionally, the approximate number of displaced people from the immediate zone of conflict in Nagorno-Karabakh and the adjoining areas of former Azerbaijani SSR presently controlled by the Nagorno-Karabakh Republic reaches 600 thousand people.

The arguments related to the number of refugees and displaced people are clearly politicized in the current format of negotiations and approaches of individual parties to Karabakh conflict, which further impedes to build an objective picture regarding the numerical representation of people with the status of “refugee” and “internally displaced” from the Armenian and Azerbaijani side alike. Since the figures underlying Azerbaijan’s account of refugees and displaced people are grossly overestimated, Armenia, apart from calling into question the political and legal validity of these statements, also pinpoints to the fact that the attribution of the “refugee” status to the Azerbaijanis who have left the Armenian SSR from 1988 to 1989 and the zone of Karabakh conflict is explicitly inaccurate.

According to the latest Union-wide census conducted in the USSR in 1989 the number of Armenians living in Azerbaijani SSR was roughly 391 000. However, even before the above mentioned census, mass movements of Armenians from Azerbaijani SSR and, conversely, Azerbaijanis from Armenian SSR have already taken place. Moreover, it is worth mentioning that towards the end of 1989 almost all Azerbaijani population of Armenian SSR has moved into the territory of their national union republic.

The figures constantly presented by the Armenian side merit close consideration and study, especially against the background of Azerbaijani alleged, let alone fabricated figure of “one million refugees.”

In 1988 the actual number of Armenians residing in the former Azerbaijani SSR was 500 thousand people (according to the census of 1979, there were 475 thousand people). Practically in all big cities of Azerbaijani SSR, Armenians constituted the considerable bulk of the population. Only in Shemahin, Ismaili, Zhdanovsk (nowadays Bejlagansk), Kutkashensk and a number of other regions of Azerbaijani SSR there were dozens of compactly populated Armenian settlements, where the number of Armenians comprised ten thousand.

More than 400 thousand Armenians turned out to be refugees as a consequence of genocide and ethnic cleansing committed in Azerbaijan. Furthermore, during the first three-days of sanctioned pogroms in February 1988, the Armenian population was massacred and forced out from Sumgait. This was continued in the Summer-autumn of the same year when tens of thousands had no choice but to leave Baku. In 1988, as a result of large-scale pogroms and ethnic cleansing Armenians residing in the northern part of Nagorno-Karabakh were expelled from all the rural settlements of the Azerbaijani SSR. Finally, in January 1990, as a result of violent pogroms unleashed in Baku, the rest of the Armenian population was forced to leave the city for good.

The figure of 400 thousand refugees given above, it should be noted, takes no account of the Armenians of Nagorno-Karabakh being compelled to leave the autonomy, and then the declared Nagorno-Karabakh Republic as a consequence of conflict escalation. According to 1989 census, the total population of the Nagorno-Karabakh Autonomous Oblast (NKAO) comprised 189 thousand people, among which Armenians numbered 145, 5 thousand (76, 9 %), and Azerbaijanis - 40, 6 thousand (21, 5 %). The Shahumian district, according to the same statistics, was populated with over 17 thousand Armenians (approximately 80%) and about 3 thousand Azerbaijanis. What the census failed to reflect, however, was the figure of 23 thousand Armenian refugees from Baku, Sumgait, and other cities, who at a time of census in January 1989 resided in the former NKAO with no local residence permit and therefore, due to the old mark of registration in their passports, were left out of the process. Thus, the Armenian settlements of NKAO and Shahumian district, which, taken together, constituted the state-territorial components of the Nagorno-Karabakh Republic declared on September 2 1991, comprised 185 thousand people, Azerbaijanis numbered 44 thousand, and more than 3,5 thousand people were of Russian, Greek, Ukrainian, Tatar and other origins.

As a result of military operations in 1992, the Azerbaijani armed forces occupied the entire Shaumjan district of NKR, roughly about two thirds of Martakert region, and parts of Martuni, Askeran and Hadrut districts of NKR. This being the case, 66 thousand Armenians became refugees (left the territory of NKR) and internally displaced people (moved into other regions of NKR). After the termination of fighting in May 1994, 35 thousand Armenian refugees returned to the territory of NKR.

The overall number of Armenian refugees having fled from the territories occupied during the war period from 1991 to 1994 is as follows: 114 thousand people, including 83 thousand from the regions of Northern Nagorno-Karabakh.

Northern Nagorno-Karabakh incorporates territories, which remained outside of the Autonomous Oblast of Nagorno-Karabakh formed in 1923 (Autonomous Oblast of Nagornogo-Karabakh (AONK) was later renamed into Nagorno-Karabakh Autonomous Oblast (NKAO) in 1936). The decree of Azerbaijani Central Executive Committee (CEC) of July 7 1923, "On the Formation of Nagorno-Karabakh Autonomous Oblast," in infringement of the Decision of Caucasus bureau from July 5 1921, decided to "...form Autonomous Oblast on the Armenian parts of Nagorno-Karabakh..." As such, the southern (Kubatlu, Zangelan, Dzhabrail, Fizuli), western (Kelbadzhar, Lachin) and northern (Getabek, Dashkesan, Hanlar, Shamhor, Shaumian) districts of Nagorno-Karabakh were artificially left out from the Oblast. Northern Nagorno-Karabakh currently incorporates Gedabek, Dashkesan, Hanlar and Shamhor areas, and the Gandzha (Kirovabad) city, which has from the time immemorial been the historical part of Armenian Artsakh (City of Gandzak in Armenian).

About 30 thousand Armenians in Nagorno-Karabakh are considered internally displaced people (overwhelmingly from Shaumian district and parts of Martakert regions of Nagorno-Karabakh, currently occupied by Azerbaijan). In addition, more than 77 thousand people from the Armenian settlements bordering Azerbaijan have the status of internally displaced people as a result of Azerbaijani aggression and military actions.

Although the number of Armenian population of Nagorno-Karabakh in 1991 totaled 185 thousand people, the refugees and internally displaced people immediately from Nagorno-Karabakh in 1998 comprised 61 thousand people. Furthermore, taking into account the number of refugees

from the territories of former AzSSR (the territories of Northern Nagorno-Karabakh inclusive), the number of the Armenian refugees and internally displaced people in Nagorno-Karabakh totals 144 thousand.

Beginning from 1988 all throughout to 1992, roughly 168 thousand Azerbaijanis left ArmSSR and 40 more thousand Nagorno-Karabakh. From the territories of former AzSSR presently controlled by Nagorno-Karabakh, approximately 375 thousand Azerbaijanis were internally displaced. Therefore, the accurate number of Azerbaijani refugees and internally displaced people in total is around 583 thousand people.

A significant part of Azerbaijani migrants, from the number presented above, do not qualify as refugees. First, a huge number of Azerbaijanis who have left ArmSSR considerably benefited from an exchange of apartments with Armenian refugees from AzSSR, while the other not less significant part from the overall 168 thousands Azerbaijani population of Armenia obtained material compensation from the Government of Armenian SSR. In 1989 only, almost 14,5 thousand Azerbaijani families simultaneously received compensation for the houses and property left in Armenia at that time commensurate with 110 million US dollars. Against this background, none of the 400 thousand Armenian refugees from AzSSR, who hastily abandoned the republic under the immediate threat to their life, was offered any material compensation for the sustained material and moral losses.

A considerable part of Azerbaijani population immediately from Nagorno-Karabakh and neighboring regions does not fall under the categorization of refugees because of their active participation in the military actions from 1991 to 1994. Furthermore, those having resided beyond the boundaries of the declared Nagorno-Karabakh Republic in the territory of their citizenship and being afterwards compelled to move to other regions, just as in the case of the former, cannot be regarded as “refugees” in the international legal terms and therefore fall under the qualification of “forced migrants.”

According to the annual statistical yearbook of the UN High Commissioner for Refugees (UNHCR, 2006), there were 686,586 thousand people residing in the territory of Azerbaijan with the status of forced migrants. Within the confines of Azerbaijan, with reference to the Convention on the Status of the Refugees (1951), the status of the refugee covered only 2,618 thousand people who fell under the protection of UNHCR. At the same time, the status of the refugees from Azerbaijan was given to 126 thousand people, among which only 5,485 thousand fell under the protection of UNHCR. With reference to Armenia, of 113,714 thousand refugees only 5,871 thousand were under the protection of UNHCR. As regards the refugees from Armenia, of less than 15 thousand people only 133 fell under the protection of UNHCR (Statistical Yearbook 2006. “Trends in Displacement, Protection and Solutions.” The Senior Statistician Field Information and Coordination Support Section Division of Operational Services United Nations High Commissioner for Refugees. Geneva. December 2007).

From 1988 to 1990 the Armenian population in AzSSR was subjected to sanctioned ethnic cleansings and forced mass deportations. Having the citizenship of the Azerbaijani Republic, the Armenians were expelled exclusively for their ethnic belonging with a silent consent of the Soviet Azerbaijani authorities. The denial by the present authorities of Azerbaijani Republic of the past legacy of AzSSR does not mean that having declared a democratic state and having incurred legal obligations regarding the protection of human rights and fundamental liberties, they can easily evade both from the compensation of physical and moral harm (legal fact – violent deportation with execution of punishable crimes, including actions of genocidal character), and from the compensation of property damage to people subjected to genocide and ethnic cleansing (legal fact – illegal acquisition of property without due material compensation).

Key Stages in the Process of Nagorno-Karabakh Conflict Resolution

The beginning of the process of Nagorno-Karabakh conflict resolution was marked in autumn 1991, when the immediate parties to conflict Nagorno-Karabakh and Azerbaijani Republics

developed a clear cut understanding regarding the political and legal underpinnings of state-building in the territory of former Azerbaijani SSR. It was during this particular period, that the danger of the conflict escalation to a wide-scale military confrontation became tangible.

On September 20-23 1991, the mediatory mission of Russia and Kazakhstan represented at the level of heads of states visited Stepanakert, Baku and Yerevan. The mediating efforts of Russia and Kazakhstan eventuated in the adoption on of the so-called “Zheleznovodsk communiqué” (“the Joint communiqué on the outcome of the mediation mission of the Russian President Boris N. Yeltsin and President of Kazakhstan Nursultan Nazarbayev”).

The peace-making mission of the presidents of Russia and Kazakhstan in 1991 backed with the international support of the United States of America marked the combination of international and regional cooperation regarding the resolution of Karabakh conflict, which in subsequent stages of mediation efforts transformed into the framework of OSCE. As such, January 31 1992 can be reckoned as the starting point of the international mediation of OSCE in Nagorno-Karabakh conflict that continues to the present day. It was this particular day that the Prague meeting of the Ministerial council of foreign affairs of CSCE (from 1995 – OSCE) after granting Armenia and Azerbaijan membership to CSCE decided to send observer mission to the conflict region.

Nagorno-Karabakh conflict became one of the major peacekeeping challenges of the OSCE. In February 1992, the report prepared by the mission of observers on the situation in Nagorno-Karabakh was discussed at the 7th meeting of the Committee of Senior Officials (CSO) OSCE. Based on the findings of the report, CSO recommended the parties to conflict to maintain cease-fire along the frontiers and start negotiations within the framework of OSCE. Given the importance of security issues in a conflict zone, the personal participation of the Chairman of the council of ministers of OSCE in negotiations was also offered. However, because of further escalations of conflict, CSO insisted on convening an emergency meeting of OSCE Council which took place in Helsinki on March 24, 1992. The decision made during this session called for the institution of a separate group of mediators to prepare for negotiations on the settlement of Karabkh conflict at the Minsk conference.

When the OSCE initiated what latter came to be known as Minsk process, it was originally assumed that the conference on Nagorno-Karabakh conflict resolution be held in Minsk in 1993 would elaborate on the subtleties of the peace agreement. It was further presumed that the conference would merely focus on technical issues as the main bulk of the work was to be performed by the preparatory body - the Minsk Group organization. Nevertheless, with the new problems gradually coming to light, the diplomatic preparatory body turned into a negotiation forum, while the Minsk conference was postponed for an indefinite time.

The challenges of the group, which later came to be known as Minsk Group, involved facilitation of a regular dialogue and negotiations between the parties aimed at forging a peaceful solution to the conflict. In addition to this, the CSO recommended the OSCE Chairman of Ministerial council to study the area for the deployment of observation mission to conduct cease-fire negotiations.

The permanent members of the Minsk Group currently include the following participating States: Azerbaijan, Armenia, Belarus, Germany, Italy, Sweden, Finland, Turkey and, on a rotating basis, the OSCE Troika. The institute of Co-Chairmanship of the OSCE Minsk Group was founded by the decision of the Budapest Summit of OSCE (December 6, 2004). Implementing the Budapest decision, the Chairman-in-Office issued on 23 March 1995 the mandate for the Co-Chairmen of the Minsk Process, which is presently headed by the Co-Chairmanship consisting of France, the Russian Federation and the United States. The Personal Representative of the OSCE Chairman-in-Office acts as a permanent representative of OSCE in a conflict zone and is entrusted with observatory mission.

The decisions reached at the session of OSCE Council on March 24 1992, on the approaches and principles regarding the Nagorno-Karabakh conflict were further developed in the four consecutive resolutions of UN Security Council passed from April to November 1993, and the conclusive

document adopted at the summit of Heads of State or Government of OSCE participating States on December 1994, in Budapest.

In resolutions the UN Security Council expressed deep concern regarding the continuation of military actions, occupied territories in NKR adjacent areas, mass exodus of the population and blockade of Armenia and Nagorno-Karabakh, urging the parties to conflict to cease military operations and other expressions of mutual animosity as well as resume negotiations under the aegis of the Minsk Group.

On March 26 1992, the UN Security Council defined the framework of its participation in the process Nagorno-Karabakh conflict resolution as extending support to the peace-making efforts of OSCE. Thus, from that time on the UN practically abstains from any direct participation in the settlement of the conflict. Nevertheless, the recent initiatives of Azerbaijan at the UN General Assembly (the resolution adopted on March 14 2008, on the "Situation on occupied territories of Azerbaijan," in which the three co-chairs of the OSCE Minsk group voted against) call into question the overall efforts of the parties to conflict to forge an effective solution to the Nagorno-Karabakh problem.

From 1992 efforts triggered at finding a peaceful solution to the Nagorno-Karabakh conflict involved not only direct contacts between the parties to conflict represented at the level of state officials from Azerbaijani and Nagorno-Karabakh Republics, but also cooperation on confidence-building issues initiated with the assistance of international nongovernmental organizations (namely, the International Committee of the Red Cross).

The period stretching from 1992 to 1993 was marked by the introduction of close co-operation of mediators including direct bilateral and tripartite negotiations between and among the official representatives of Azerbaijan and Nagorno-Karabakh on the one hand and Armenia, Azerbaijan and Nagorno-Karabakh on the other. As an outcome, half a dozen agreements on cease-fire, among which those concluded in May 1992 between the heads of Armenia and Azerbaijan in Teheran (Iran) and that of September 1992 between the heads of military departments of the parties to conflict in Moscow, stand out as significant attainments. Of further importance was the agreement on cease-fire reached on September 12 -13, 1993, between the vice-speaker of the Azerbaijani parliament and the Minister of Foreign Affairs of Nagorno-Karabakh concluded in the Joint communiqué (only in 1993 for more than 10 times Azerbaijan tried to establish direct contacts with NKR authorities to negotiate armistice).

Nevertheless, during the summit of OSCE in Lisbon (Portugal, December 1996) a crisis within the tripartite framework of negotiations caused by disagreements of the parties to conflict on key issues, basic principles, and methodology regarding the overall settlement of the conflict came to fore. The last meeting held within the tripartite framework (Azerbaijan, Nagorno-Karabakh, and Armenia) under the auspices of OSCE Minsk Group took place in Helsinki from April 1 to 4, 1997.

During the time period stretching from May 1997 to November 1998, the Co-Chairs of the OSCE Minsk group made three major proposals on Nagorno-Karabakh conflict resolution. The first two plans offered by the OSCE Minsk Group were accepted by Azerbaijan and Armenia, but met the rejection of Nagorno-Karabakh. The third proposal evolving around the idea of creating a "general state" included finding a durable solution to the problem by the resumption of peace talks without preliminary conditions and enabled the people of Nagorno-Karabakh to realize their right to self-determination. Although the proposal was accepted by the Nagorno-Karabakh and Armenian Republics, Azerbaijan turned it down.

Between 1997 and 1999 there were four proposals representing different methodologies with respect to Nagorno-Karabakh conflict settlement discussed within the framework of Minsk Group mediation. The first one, known as a "package deal," presumed finding concurrent solution to all problems, including the final status of Nagorno-Karabakh. Taking into account the number of the contentious issues to be addressed, this approach offered more possibilities for compromise. The package proposal put forward by the co-chairmen of the OSCE Minsk Group between May and July 1997, consisted of two parts: "Agreement I" dealing with the issues of ending the conflict, withdrawal of the troops, deployment of peacekeeping forces, return of the internally displaced

people and security matters, and “Agreement II” on the final status of Nagorno-Karabakh. The two separate packages, according to the report of the Ministerial council of OSCE 1997, were offered “...to give the parties to conflict possibility to agree and carry out each of them during separate timetables, but with clear understanding that eventually all the remaining questions should be resolved.” While the reaction of Baku and Yerevan regarding the proposal was positive, Stepanakert rejected it.

The so-called “step-by-step” solution proposed in September 1997, presumed first signing “Agreement I” before “Agreement II” would be considered, while the issue of Lachin corridor linking Nagorno-Karabakh with Armenia was transferred to “Agreement II.” It was assumed that Nagorno-Karabakh would keep the existing arrangements until the final decision on its status was made. Before that, however, it would be granted with the internationally recognized “intermediate status.” This proposal met the rejection of the authorities of Nagorno-Karabakh Republic, once again demonstrating that regardless of its restricted status at the negotiations table, official Stepanakert wields considerable veto power on possible developments.

The proposal relating to the creation of a “general state” offered in November 1998, represented a somewhat streamline model of a general state of Azerbaijan and Nagorno-Karabakh, with more or less horizontal relations between Baku and Stepanakert. The offer was rejected by Azerbaijan on the ground of violation of the principle of its territorial integrity as well as the principles agreed at the OSCE summit in Lisbon in December 1996, when all the participants, except Armenia, prioritized the principle of Azerbaijan’s territorial integrity.

Towards the end of 2000 the agenda of Nagorno-Karabakh peace talks integrated meetings between Armenia and Azerbaijan at the highest level, preceded by the preparatory meetings of Ministers of Foreign Affairs of the concerned states. This format of meetings is assumed to facilitate the peace talks and contribute to forging a lasting solution to the Karabakh conflict.

It was this particular framework of meetings that draw much attention during the talks held in Paris between the Presidents of Armenia and Azerbaijan under the aegis of the President of France J.Chirac (January and March, 2001). Later, on April 3-6 2001, Key West (Florida, the USA) hosted the next round of negotiations between the Presidents of Armenia and Azerbaijan held within the framework of “two plus three,” that is, with the participation of the OSCE Minsk Group Co-Chairs.

In 2001 the mediatory initiative of France and the USA put forward a somewhat modified plan on Karabakh conflict resolution, which combined elements from the previous model with the so-called “Goble Plan” (a plan assuming exchange of territories between the parties to the conflict). The proposal was considered at a meeting held between the heads of Armenia and Azerbaijan in April 2001, in Key West, but did not mark any breakthrough in negotiations.

Despite the consecutive meetings held between the presidents of Azerbaijan and Armenia in 2002, the mediation efforts fell short of bringing any significant change in the peace talks.

With the new president coming to power in Azerbaijan in 2003, the so-called “step-by-step” process of Nagorno-Karabakh conflict resolution adhered to by the latter included, among other things, the withdrawal of Armenian forces from the “occupied territories,” and granting Nagorno-Karabakh “the highest level of autonomy within the territorial confines of Azerbaijan.”

On April 16 2004, the Co-Chairs of the OSCE Minsk Group managed to arrange consultations with the Ministers of Foreign Affairs of Armenia and Azerbaijan in Prague (Czech Republic). This new phase of meetings that marked the renewal of active consultations with the parties to conflict on finding a durable solution to Nagorno-Karabakh conflict came to be known as the “Prague process”. During the meeting held on April 28 2004, in Warsaw, the presidents of Armenia and Azerbaijan charged the heads of their foreign policy departments to continue maintaining consultations with the Co-Chairs of the Minsk Group.

From March till May 2005, the Co-Chairs held several separate consultations with the Ministers of Foreign Affairs of Azerbaijan and Armenia aimed at paving the way for the meeting between the presidents of Armenia and Azerbaijan, which took place on May 15 2005, in Warsaw, with the participation of Russian and French Foreign Affairs Ministers.

In May 2006, after the failed mediation initiatives both at the summit of leaders of Armenia and Azerbaijan in Rambouillet (France) and the meeting between the representatives of Armenia and Azerbaijan, the Co-Chairs of the OSCE Minsk Group acknowledged that there was no particular necessity for the intensification of negotiations because of the exhaustion of all possible proposals and principles made so far.

The proceeding negotiations on the settlement of Nagorno-Karabakh conflict continued under aegis of the OSCE Minsk Group within the framework of the so-called “Madrid principles.” In November 2007, the Co-Chairs of the OSCE Minsk Group jointly proposed a set of basic principles for the peaceful settlement of the Nagorno-Karabakh conflict to the sides on the margins of the OSCE Ministerial Council in Madrid.

The negotiations on Nagorno-Karabakh settlement received a new impetus at the Moscow meeting on November 2 2008, initiated by President of the Russian Federation in his capacity as a Head of Co-Chair state and the signing by Presidents of Armenia, Azerbaijan and Russia of the “Declaration On Regulating the Nagorno-Karabakh Conflict.” Given the importance of the ongoing negotiations, one of the points of the declaration further specified that the Presidents of the concerned countries “...reaffirm their commitment to advancing a peaceful settlement of the Nagorno Karabakh conflict in the framework of the Basic Principles developed by the Minsk Group Co-Chairs in collaboration with the leaders of Armenia and Azerbaijan on the basis of their proposals advanced last year in Madrid.” The document also noted that the Armenian and Azerbaijani leaders agreed to continue negotiations on peaceful resolution of the Nagorno-Karabakh conflict. The foreign ministers of both countries, as a result, were instructed to work together with the co-chairmen of the OSCE Minsk Group to activate the negotiation process.

The position of the Nagorno-Karabakh Republic with respect to negotiations centers around the idea that any meaningful agreement of conflict resolution should, above all else, tackle the underlying causes of the conflict (the political status of Nagorno-Karabakh and its security), and then only turn to the consideration of the issues relating to the consequences of the conflict (disputable territories, refugees, restoration of communications, etc.). There is an imperative need, therefore, to restore the genuine format of the negotiations with the immediate participation of Nagorno-Karabakh in negotiations held under the auspices of the OSCE Minsk Group. The certain deadlock that appears to characterize the current phase of the negotiations on conflict settlement in many respects pinpoints to the fact that the Republic of Nagorno-Karabakh, being de jure a party to the conflict, is de facto withdrawn from the process of negotiations carried out under the aegis of OSCE Minsk Group.

Even the concept of genuine negotiations as such is simply absent at the present stage. The current framework of negotiations with Armenia and Azerbaijan as participating sides is a clear deviation from the OSCE official decisions taken at the Budapest summit in 1994 and that of Prague summary of the OSCE chairman-in-office dating back to March 30 1995, with Armenia, Azerbaijan and Nagorno-Karabakh recognized as parties to conflict. Only with the acknowledgement of the Nagorno-Karabakh Republic as a party to conflict and its immediate participation in negotiations will the genuine format of peace talks be restored. Without this, the mediation efforts tailored toward the resolution of Nagorno-Karabakh conflict will fall short of bringing any meaningful contribution to the peace talks and render bleak possibility to its final solution.

State Building in the Nagorno-Karabakh Republic

-Development of Government Bodies

The declaration of the Nagorno-Karabakh Republic coincided with the process of state building and the creation of government structures. Initially, the Republic opted for a democratic distribution of power between the legislative, executive, and judicial branches of the government. However, the military aggression of the Azerbaijani Republic against the people of Nagorno-Karabakh introduced

slight modifications into the performance of the government branches with a view to withstand the challenges of the war and the threat of physical destruction.

Legislative power

Elections to the Nagorno-Karabakh Supreme Council (Parliament) of the first convocation were held on December 28 1991, in accordance with the temporary regulations “On Election of the Nagorno-Karabakh Republic People’s Deputies.” There were 81 electoral districts and 214 polling stations. The elections were held according to the majoritarian electoral system on the basis of universal, equal suffrage and a secret ballot with 81 members being elected to the NKR Supreme Council.

The first session of the Nagorno-Karabakh Republic Supreme Council of first convocation was opened on January 6, 1992. The session chose the Chairman of the Supreme Council, Vice-Chairman and formed presidency. The session also formed first government (the Cabinet of Ministers) of the Nagorno-Karabakh Republic.

New elections to the Nagorno-Karabakh Republic Supreme Council were held on April 30, 1995. 33 districts were formed. 73.9 per cent of the total number of voters participated. 33 members were elected to the NKR National Assembly, in one round of voting. The elections were monitored by independent international observers.

On May 19 1996, the Nagorno-Karabakh Republic Supreme Council of second convocation was renamed into National Assembly of the Nagorno-Karabakh Republic.

The elections to the National Assembly (the third convocation supreme legislative body) of the Nagorno-Karabakh Republic were held on June 18, 2000. In all districts elections were completed in one round with 33 members being elected to the National Assembly. 59.7 per cent of the total number of voters participated. Independent international observers were present in 170 polling stations and participated in the counting of the votes.

The last elections to the NKR National Assembly took place on June 19, 2005. For the first time the elections to NKR parliament were held according to the mixed electoral system combining majoritarian and proportional elements. According to the proportional system, the first three seats were distributed among the following pro-government parties: the Democratic Union of Artsakh; ARF Dashnaktsutyun Party (Armenian Revolutionary Federation); the Movement- 88 Party and the” Free Motherland” Party. Different candidates from political parties and independents were elected through the majoritarian system. The elections were monitored by 117 international observers from Russian Federation, the United States, France, Great Britain, Greece, Czech Republic, Iran, Israel, Armenia and Croatia. According to the international observation mission, the elections in NKR were conducted freely and transparently, mostly in line with the democratic standards and commitments.

Executive Power

Aimed at consolidating the overall effectiveness of the NKR governance as well as resisting the Azerbaijan’s large scale military aggression (in 1992 half of the territory of the Nagorno-Karabakh Republic was occupied: the whole Shahumian region, 90 per cent of the Martakert region, some areas of the Askeran, Hadrut and Martuni districts) on the basis of the August 1992 Nagorno-Karabakh Supreme Council resolution, a martial law was introduced. A State Defense Committee (SDC) was formed. The authority of legislative and executive powers was reduced significantly, with the executive branch passing to the SDC, and the Supreme Council remaining the supreme legislative body.

After May 1994 cease-fire agreement, the republic began to return to democratic ways of government. Supreme Council of the Nagorno-Karabakh Republic suspended the SDC functioning and adopted a law “On President of the Nagorno-Karabakh Republic.” Thus the institute of President was introduced in the NKR.

In December 1994 the Supreme Soviet elected the first president of the Nagorno-Karabakh Republic. The first direct national elections of the NKR president were conducted on November 24, 1996. 70,052 voters, or 78.07 per cent, out of the total 89,733 number of voters participated in the elections. Independent international observers monitored these elections, and 51 signed the final report on the presidential elections.

Due to the appointment of the President of Nagorno-Karabakh to the post of Prime Minister of the Republic of Armenia, the NKR Central Electoral Commission issued a decision for holding early presidential election on September 1, 1997. 76,257 persons or 84.6 per cent of the total 90.137 voters participated in the elections. International observers from the Russian Federation, France, Switzerland, Ukraine, and Armenia monitored these elections.

On August 11 2002, the third presidential elections were held in NKR. 64,736 voters or 75.7 per cent of the total 85,523 participated in the elections. International observers from Russian Federation, the United States, Great Britain, Italy, France, Armenia and other countries monitored at the elections.

The last presidential elections in the Nagorno-Karabakh Republic took place on July 19, 2007. There were 70325 voters participating in the elections, which amounted to 76, 25 per cent of the total number of registered voters in a country with 92117 voting population.

Report of a Group of International Observers on the Results of Monitoring July 19, 2007
Presidential Election in the Nagorno-Karabakh Republic:

“We, the international observers representing state and non-governmental organizations from various European states and international organizations, have joined efforts to carry out international monitoring mission over presidential elections in the Nagorno Karabakh Republic (NKR), which took place on July 19, 2007. The main task of the mission is to inform international public opinion about the real situation in the NKR in terms of democratic reforms as well as to assist appropriate structures, which organize elections, in bringing the election in conformity with the best international practice. In our work we were guided by principles of objectivity, transparency, justice and impartiality, fixed in the 2005 UN Code of behavior of the international observers, Recommendations of the Venetian commission of the Council of Europe as well as in other international legal acts.

While preparing the international mission, valuating the needs, defining the number and composition of the participants, as well as the time limits of our stay in the NKR, we counted upon the following:

Nagorno Karabakh Republic electoral legislation provides sufficient guarantees to electoral rights of its citizens that corresponds to international principles on participation in free and transparent elections; Existence and active functioning of a spectrum of public and political organizations, as well as a guaranteed possibility for international observers to stay in the republic in the election period. These factors secure effective public and impartial international supervision over the elections; ... According to the principle of free elections voters were provided an opportunity to take part in the voting or refrain from it without any violence or threats of its application, as well as other illegal activities that entail punishment, influence, and compulsion. Elections were carried out on an alternative basis. There were five candidates in the bulletin. In the sites visited by the international observers they have registered no facts of intervention in work of the electoral commissions by administrative or law enforcement organs. Not a single observer was denied the right to get information about the voting process. The international observers have not revealed any facts of pressures or intimidations exercised upon voters. Voting procedures were carried out in complete accordance with the Electoral Code of the Nagorno Karabakh Republic... The pointed out remarks and violations on a whole do not influence in any way the expression of free will by NKR’s citizens and allow recognizing the results of the July 19 presidential elections. On the basis of the carried out monitoring the international came to a common conclusion that the July 19 presidential elections in the Nagorno Karabakh Republic correspond to the national legislation, internationally recognized norms.”

The first government (Council of Ministers) formed by the National Assembly of first convocation functioned from January to August 1992, and after its resignation the State Defense Committee was created, which functioned from 1992 till January 1995. The law “On the NKR Government” adopted and put into force on February 20, 1995 stipulates that the President forms the executive power of the Nagorno-Karabakh Republic. From 1995 till 2003 four cabinets have been formed.

The 2007 presidential elections in the Nagorno-Karabakh Republic marked the formation of a new government structure.

Judicial Power

In 1999-2000 the NKR adopted a whole package of legislative acts for implementing legal and judicial reforms that are fully in line with the international standards of democratic states.

The new legal system has been functioning since February 6, 2002 when the supreme legislative body of the republic passed the laws “On the activity of the Supreme Court and the Court of First Instance of the Nagorno-Karabakh Republic,” “On the introduction of the new civil code of the NKR,” and “On the application of the new criminal code of the NKR.”

The Government System

The referendum conducted on December 10, 2006 on the adoption of the NKR Constitution was a major step en route to a democratic form of governance and the consolidation of the principle of power division.

The Central Commission on Referendum regarding the adoption of the NKR Constitution draft of December 10, 2006 registered the following results:

The number of citizens having the right to participate in the referendum was 90.077; the total number of the registered participants of the referendum – 78389; the number of participants who voted “For” – 77279; the number of those who voted “Against” – 549. As a result, almost 99 per cent of the total number of participants of the referendum voted for the NKR Constitution draft. The process of the referendum was observed by more than 100 international observers from Armenia, Russia, the USA, France, Italy, Croatia, Denmark, Israel, Ukraine and other countries. According to the conclusive remarks of the international observers “The referendum conducted on December 10, 2006 on the Nagorno Karabakh Republic (NKR) constitution meets most of the standards of the OSCE, the Council of Europe and other international structures in terms of democratic elections, equally used for the referenda as well.”

The Republic of Nagorno-Karabakh is a sovereign, democratic, legal and social state, where the power belongs to people. The government system in the republic is based on the principles of division and balance of the legislative, executive and judicial branches, and differentiations of powers of republican and local authorities.

In the Nagorno-Karabakh Republic power lies with the people, who exercise it through free elections and referenda as well as through state and local self-governing bodies and public officials as provided by the Constitution

The head of the state is the President of the Nagorno-Karabakh Republic who is elected by the citizens for the term of five years. The same person may not be elected for the post of the President of the Republic for more than two consecutive terms. The President of the Republic oversees the adherence to the Constitution, ensures the normal functioning of the legislative, executive and judicial bodies.

The President of the Republic is the guarantor of the sovereignty, independence, territorial integrity and security of the Nagorno-Karabakh Republic as well as the Commander-in-chief of the armed forces, who coordinates the activities of state officials in the sphere of defense.

The President represents the Nagorno-Karabakh Republic in international relations, conducts and oversees the general course of the foreign policy.

The Nagorno-Karabakh National Assembly is the supreme legislative body of the Republic, elected for a five-year term. The National Assembly passes laws, adopts resolutions, and makes decisions, appeals and statements.

The National Assembly, upon the recommendation of the President of the Republic, may ratify, revoke or suspend the international agreements signed by the Nagorno-Karabakh Republic, adopt a resolution on declaring a war or proclaiming peace as well as perform other activities as prescribed by Constitution and laws of the NKR.

The National Assembly consists of 33 seats (33 deputies) out of which 2/3 of the deputies are elected on a majoritarian basis, and 1/3 according to the party lists. Political fractions and deputy groups are created among deputies of the National Assembly.

The parliament of the NKR currently consists of 6 permanent committees. These are: committee on foreign affairs; committee on production and production infrastructure; committee on financial, budget and economic management affairs; committee on state and legal affairs; committee on social welfare affairs; and committee on defense, security and public order. There also are three fractions: "Democracy," consisting of members of the "Democratic Party of Artsakh;" "Motherland" involving the party members of the "Free Motherland;" and the parliamentary group "ARF Dashnaksutyun" and "Movement-88," consisting of representatives from ARFD and Movement-88.

The government of the Nagorno-Karabakh is the supreme executive body of Republic. It is composed of the Prime Minister, Deputy Prime Minister, and the Ministers.

The government of the NKR convenes sessions which are headed by the prime minister. The president may also convene and head sessions. The government adopts resolutions that are signed and publicized by the Prime Minister. It also makes decisions regarding the appointment and dismissal of the heads of administrative bodies in the republic, with the exception of the mayor of Stepanakert, who is elected by the people.

The government of the NKR presently has the following structure: Ministry of Health; Ministry of Justice; Ministry of Foreign Affairs; Ministry of Agriculture; the Minister, Chief of the Government Staff, Ministry of Education and Science, Ministry of Culture and Youth Affairs, Ministry of Defense, Ministry of Social Affairs, Ministry of Economic Development; the Town-planning Ministry; and the Ministry of Finance.

At Government of NK the following state bodies operate: Service of national security; the State committee of the inventory and the real estate; management of industrial infrastructures; tourism management; capital construction management; the state tax service; management on environment and natural resources; police of the NKR; water management; the state committee of sports; services of rescue.

As prescribed by the NKR Constitution and laws, the judicial system of the Nagorno-Karabakh Republic is composed of the first instance court of general jurisdiction, the courts of appeal, the Supreme Court as well as specialized courts as stipulated by law. The establishment of extraordinary courts in the republic is prohibited.

The judiciary in the NKR is independent. Judges are appointed for life. A judge may hold office until the age of 65. Powers of a judge are suspended only by the Constitution and in accordance with the cases and procedures stipulated by law.

The supreme judicial body of the Nagorno-Karabakh Republic is the Supreme Court. The Supreme Court is comprised of Constitutional and Appeal courts. The Supreme Court upholds the supremacy of the Constitution and equal application of law. The president of the Supreme Court and other judges are appointed by the National Assembly at the recommendation of the President of the Republic.

Democracy and Human Rights in the Nagorno-Karabakh Republic ***Human Rights and Freedoms of Citizens***

As stipulated by the Constitution of the Nagorno-Karabakh Republic, the state protects the fundamental rights and freedoms of people and citizens according to the universal principles and norms of international law. The state is restricted by the rights and freedoms of people and citizens prescribed and directly enforced by the law. The fundamental rights and freedoms of the people are provided and protected by the Nagorno-Karabakh Republic. Chapter 2 of the Constitution of the NKR on "Fundamental Human and Civil Rights and Freedoms and Obligations" ensures the protection of the whole complex of human, civil and political, social, economic and cultural rights in the Nagorno-Karabakh Republic.

Human Rights Defender

The Constitution of the Nagorno-Karabakh Republic also ensures the protection of human rights via the democratic institute of the Defender of human rights of the Republic the creation of which was envisaged in the law accepted earlier “On ombudsman.”

The Defender of human rights is an independent official who defends the rights and freedoms of people and citizens against the state, local self-government bodies and officials. The procedure of the activities of the human rights Defender is prescribed by the law. The National Assembly appoints the Defender of human rights for a period of six years by at least three fifths of the votes of the total number of its members. The same person cannot serve as human rights Defender for more than two consecutive terms. The activity of the Defender of human rights is stipulated by law.

Local Self-government

Being an important constituent of a democratic form of governance, local self-government in the NKR is implemented in accordance with the Law “On Local Self-Government,” adopted on January 19, 1998. The law defines the concept of local self-government, its principles, bodies, competence, as well as coordinates interrelations between the local self-government and state bodies. Members of the community elect local self-governing bodies, the council of community elders (as a representative organ) and the head of community (as an executive organ) for a three-year term.

The powers of the community regarding the management and administration of the community's property, resolving issues of community significance, and other powers aimed at fulfilling the requirements are exercised by the community in its own name and under its responsibility. A certain part of community authorities, as stipulated by law, may be deemed obligatory. In order to ensure more effective exercise of the power of state bodies the law may envisage the delegation of powers to the local self-government bodies.

The first elections of the local self-government bodies in the Nagorno-Karabakh Republic (including the elections of the mayor of Stepanakert) were held on September 27, 1998. In subsequent years elections to the local self-government bodies were consecutively held on September 5, 2001, August 22, 2004, and October 14, 2007. The last elections of the heads of self-government bodies took place in 162 communities, while that of the council of community elders embraced 218 communities. The overall voting turnout was 62, 8 per cent.

Other Democratic Institutions

The elections of the President, the National Assembly and local self-governing bodies as well as the referenda in the Nagorno-Karabakh Republic are conducted based on the rights to universal, equal and direct suffrage by secret ballot. The Nagorno-Karabakh Republic Electoral Code regulating the whole electoral system was adopted on December 8, 2004.

The supremacy of law in the NKR is guaranteed at the constitutional level. The Nagorno-Karabakh Republic Constitution has the supreme judicial power and its norms are applicable directly. The laws of the Nagorno-Karabakh Republic must correspond with the Constitution. Other inter-state legal acts are adopted in accordance with the Constitution and the laws. Laws found to contradict the Constitution as well as other inter-state legal acts have no legal force.

The conformity of the inter-state legal system of the Nagorno-Karabakh Republic with that of international obligations is ensured by the adoption and implementation of the international principles and norms on democratization, human rights as well as preservation of international peace and security. International treaties ratified by the Nagorno-Karabakh Republic are constituent part of the legal system of the country. Laws and other legal acts of the Nagorno-Karabakh Republic shall correspond with the principles and norms of the international law. International treaties made in the name of the Nagorno-Karabakh Republic take effect only upon their ratification or confirmation. If there are other norms ratified in the international treaties than those provided by

the laws of the Republic then the norms provided in the treaty shall prevail. International treaties that contradict the Constitution may not be ratified by the NKR National Assembly.

Since the very beginning of its formation the NKR supreme legislative body has been consistent in joining different international conventions. The Presidium of the NKR Supreme Council (on November 26, 1992) and the Supreme Council (on November 23, 1994) adopted resolutions on joining the NKR to the Declaration “On Granting Independence to Colonial Countries and Peoples of 1960,” “Universal Declaration on Human Rights of 1948,” and “International Covenant on Civil and Political Rights of 1966.” Furthermore, the Presidium of the NKR Supreme Council (on January 26, 1993) and the Supreme Council (on November 23, 1994) passed a resolution “On Adopting the Accomplishment of the Geneva Conventions of 1949” and “The Additional Protocols to the Conventions of 1977.” Nowadays the NKR National Assembly holds discussions on signing and ratifying the Council of Europe conventions, namely, the European Convention of Human Rights and Fundamental Freedoms of 1950 and its additional protocols.

The multi-party system and ideological pluralism constitute the political foundation of the Nagorno-Karabakh Republic and are protected by constitution and laws. Parties are formed freely and contribute to the formation and expression of the people’s political will. Neither the activity of the political parties, nor their structure and practice can contradict the Constitution and the laws of the Republic. Everyone in the Republic of Nagorno-Karabakh is entitled to freely establish associations as well as professional unions with others and join them. The overall number of registered civil society organizations in the Republic is 100.

Freedom of mass media outlets in the Nagorno-Karabakh Republic is guaranteed at the constitutional level. There are more than 20 registered mass media organizations in the Republic, including the radio station “Voice of Justice” that broadcasts in Azerbaijani. In 2003, in accordance with the NKR law on “Television and Radio,” a public broadcasting company was established.

Nagorno-Karabakh Foreign Policy

The Foreign policy of the Nagorno-Karabakh Republic is formed and carried out in line with the universal principles and norms of the international law. Being independent in the choice and conduct of its foreign policy, the republic establishes and maintains relations with other international actors and organizations as well as ensures its official representation in the international and regional meetings.

The Ministry of Foreign Affairs of the Republic of Nagorno-Karabakh established in July 1993 is in charge of the formation and implementation of the countries foreign policy. The NKR has effectively established permanent missions in the largest states and regions of the world: Permanent Mission in Republic of Armenia (residence Yerevan), Permanent Mission in the Russian Federation (residence Moscow), Permanent Mission in the United States of America (residence Washington DC.), Permanent Mission in France (residence Paris), Permanent Mission in Germany (residence Berlin), Permanent Mission in Australia (residence Sidney), Permanent Mission in the Middle East (residence Beirut).

In addition to implementing their core political functions, the NKR permanent missions also contribute to the attraction of foreign investments into the economy of NKR, establishment and consolidation of relations with the Armenian diasporas the world over as well as facilitate the realization of humanitarian programs in the Republic of Nagorno-Karabakh.

Both the central office of the NKR Ministry of Foreign Affairs and the permanent missions abroad are consistent in their efforts to represent the genuine image of the country as well as the democratic developments occurring in the Nagorno-Karabakh Republic, where commitment to democratic values and respect for human rights constitute the cornerstone of independent statehood. The valuable contribution of the NKR Ministry of Foreign Affairs in terms of arranging the presence of international observers in the parliamentary, presidential elections as well as that of local government bodies adds further credit to their activity. Besides, the Ministry of Foreign Affairs is directly involved in the process of buttressing the legislative field of the Republic in

accordance with democratic standards and norms. Reports of international observers and different organizations on human rights issues in Nagorno-Karabakh serve as an outright confirmation of the positive results achieved in this area.

The Ministry of Foreign Affairs continues to support the work of more than dozen international organizations accredited to the NKR. Presently, the ministry cooperates with such organizations as the OSCE, the International Committee of the Red Cross (ICRC), HALO Trust and other international governmental and non-governmental organizations.

The foreign policy of the Nagorno-Karabakh Republic with respect to finding a durable solution to the conflict is based on the following principles:

1) determination of the status of the Nagorno-Karabakh is the exclusive right of the people of the Republic; 2) mutual recognition leading to a peaceful co-existence of the two sovereign states in the territory of the former Azerbaijani SSR. Recognition of the Nagorno-Karabakh and Azerbaijani Republics as equal subjects of international law; 3) restoration of the territorial integrity of the Nagorno-Karabakh Republic and its exclusion as an enclave; 4) international guarantees ensuring the security of the people of the Nagorno-Karabakh as carriers of the sovereignty and legitimate source of power in the Republic; 5) mutually acceptable resolution of the territorial issues and problems concerning refugees and internally displaced people within the framework of a peace agreement between the Nagorno-Karabakh and the Azerbaijani Republics.

Army and Regional Security

The process underlying the formation of the NKR armed forces was marked by the Supreme Council's decision of January 1992 to adopt a law "On the Fundamentals of the State Independence of the NKR." Following this, on April 20, 1992 the NKR government (council of ministers) established the Committee of Self-Defense (CSD), which assumed the command of self-defense forces. On July 6, 1992 the NKR Supreme Council passed a law "On Military Service," which was subjected to modifications in December 2001.

Aimed at building a regular army consistent with the military structures of sovereign states and complying with the security concerns of the Republic, on November 10, 1993 the Committee of Self-Defense adopted a decision on reorganization of the self-defense forces into NKR Defense Army. As a result, the NKR Ministry of Defense was established in 1995.

On October 31, 2001 the NKR National Assembly adopted a law "On Mobilization and Preparations to the Mobilization."

Given the nature of the security challenges currently facing the NKR Defense Army as well as the military tasks put forward by the political leadership of the Republic, the armed forces retain a strictly defensive build up.

The armed forces of the Nagorno-Karabakh Republic ensure the security, defense, territorial integrity, and the inviolability of the borders of Nagorno Karabakh. As prescribed by the Constitution of the Nagorno-Karabakh Republic, the armed forces hold neutrality in political matters and are under the constant civilian control and supervision. They are well equipped and professionally trained. As such, the armed forces of the NKR represent a well-elaborated combination of operational and tactical standards of mobility and fighting capacity, readiness for rapid deployment and reaction not only to immediate military threats posed by the potential aggressor, but also to a wide range of contemporary challenges, particularly emanating from the international terrorism. Furthermore, the army has extensive combat experience against the international terrorist groupings and mercenaries attained during the military operations with Azerbaijan from 1991 to 1994.

The high level of integrity between the armed forces of the Republic of Armenia and Nagorno-Karabakh Republic is confirmed in such important political documents as the National Security Strategy and Military Doctrine of the Republic of Armenia. The elaboration of similar conceptual documents on security and defense is currently underway in Nagorno-Karabakh. According to the estimates of foreign military experts, although the NKR Defense Army is inferior to Azerbaijani

army in financing, number of armed forces and quantity of military equipment, the former clearly surpasses it in terms of combat readiness. The NKR Defense Army officers are highly trained professionals, many of whom have extensive combat experience. The mobilization of people subject to recruitment in Nagorno-Karabakh to repel the aggression can reach 100 per cent.

Against the background of persistently articulated war rhetoric of the Azerbaijani top political and military officials as well as the constant increase of the Azerbaijani military budget with a clear inclination toward acquiring offensive military technologies almost consistent with the characteristics of weapons of mass destruction (“Smerch” rocket launchers), the Republic of Nagorno-Karabakh is compelled to have a large combat-ready army. Beginning with the cease-fire agreement in the Nagorno-Karabakh conflict, the building of the NKR Defense Army that eventuated in the creation of the most capable combatant force in region turned out to be an irreplaceable element in the regional balance of power contributing to the maintenance of peace and security in the South Caucasus. Therefore, any attempt to break the balance of power situation particularly by a unilateral withdrawal of the armed forces of the Nagorno-Karabakh Republic from the controlled territories of the former Azerbaijani SSR without the attainment of direct, bilateral or preliminary legally binding agreement with the Republic of Azerbaijan regarding the renunciation of the threat or use of force will inevitably lead to conflict escalation with unpredictable military, political, humanitarian and other consequences for the region. To facilitate the bilateral contacts between the Republic of Nagorno-Karabakh and Azerbaijan it would be advisable at the present stage to set up open dialogue between the parties on elaboration and implementation of comprehensive trust-building measures with a view to overcome hostility. Of further importance is the responsible control of political and military balance of forces in the region as well as adaptation to the requirements of regional agreements in the sphere of defense to the possible agreement between the Nagorno-Karabakh Republic and the Azerbaijan Republic on the termination of the conflict.

Economy

Notwithstanding the economic difficulties connected with the non-recognition of the NKR independence by the international community, the economy in the republic develops at a fast pace, while social indicators improve. The success of the social and economic development in the country is conditioned on the internal political stability, successful structural and institutional reforms, which were implemented last year. It is worth mentioning that NKR managed to overcome the destructive consequences of the war practically in all spheres of social and economic life, effectively rehabilitating and developing both the traditional branches of Karabakh economy - agrarian sector, and those in the perspective – metallurgical industries, innovative technologies, tourism etc.

In recent years the Republic of Nagorno-Karabakh has ensured a dynamic socio-economic development. From 2001 to 2006 the mid-annual growth rates of the gross domestic product (GDP) have made 11-13 % (at mid-annual rates of inflation reaching 3 %). With reference to statistics, the GDP volume of the NKR for 2007 has nearly amounted to 71 mlrd. Armenian drams (AMD) ensuring a growth rate of 8, 8% compared with the figures of previous year reaching 5, 1 percent of GDP index-deflator.

In 2007 GDP per capita amounted to 510 thousand AMD or US\$ 1489, 5, while in 2006 the corresponding index made 449, 4 thousand drams or US\$ 1080, 5. With taxes extracted, the GDP growth amounted to 6, 4%. The overall production increased by 3.9%, with the share of industry and agriculture amounting to 5.8%, and 5.4% respectively. The dynamics of the private sector development for the last period testifies to increase of its contribution in GDP, which in 2007 made 63, 5% (65, 3% in 2006). Approximately 32% of GDP comes from small and medium-sized enterprises (25, 2% in 2006). In 2008, the economic growth is forecasted to reach 13, 8 %, thereby showing almost 2, 5 times increase as compared to 2003 figures.

Increase in the income of the population under the conditions of high economic growth rates positively affected the overall structure of the GDP. Almost all sectors of economy, including industry, agriculture, construction, trade, and other services experience development and growth.

Only from January to July 2008 the industrial output expressed in actual prices in the Republic of Nagorno-Karabakh made 13847, 2 mln. AMD (US\$ 46 million). According to the NKR National statistical service data, in comparison with the analogous period of 2007 the index of physical volume of industrial production has made 105, 1 %. The overall share of the state and private sectors in the industrial production amounted to 21, 4% and 78, 6% respectively (as compared to 2007 respective figures of 19, 7% and 80, 3%). In January-July 2008, almost 1372, 3 tons of meat and poultry that make 83, 7 % of the figure publicized during the similar period of the previous year were consumed in the republic. The milk output in the republic was 18880, 8 tons (100, 3 %), while eggs production reached to 11171, 3 thousand eggs (132, 8 %). During the proceeding 7 months of the current year the expenditures on construction in the republic amounted to 10323, 6 mln. AMD, that is reaching 100, 1 % in comparison with the similar period in 2007.

Special attention is drawn to the development of industrial and agricultural sectors.

Consistent with the long-term program of power industry development, the government of the NKR intends to sale the shares of the Sarsangsky hydroelectric power plant (HPP), which is the only power plant of the country. In addition, the government is determined to construct about 24-25 small hydroelectric power plants in the future, five of which are scheduled to be constructed during the first stage (three will be located on the bank of the river Trge, while the remaining two-Tartare). Due to these developments, the upcoming three years will dramatically reduce the energy consumption needs of Nagorno-Karabakh to 90%, while the next phase of constructions will open wide opportunities for energy export. Presently, Nagorno-Karabakh per se satisfies only 45% of its electricity demand, the rest is imported from Armenia.

The "Drmbon" copper-processing industrial complex ("Beiz Metls") is the largest industrial enterprise in the NKR. The industrial complex was projected for the purpose of extraction and processing of 150 thousand tones of ore per year. Over the last four years the volume of the output was twice more than the preplanned one. With reference to the last year statistics, the extracted and processed output of the ore comprised 320 thousand tones. This year the industrial complex has modernized its technical equipment, which will enable it to increase the volume of the production to 400 thousand tones per year. A large number of exploratory studies carried out here aim at utilizing of the full potential of the industrial complex and making it more efficient and effective in the coming 10 years. The concentration extracted from the production is delivered to Alaverdi copper-molybdenum factory and after subjection to further metallurgical processing the final product (copper containing gold) is exported to European markets. There are 1200 people currently employed at "Drmbon" industrial complex, which is a significant contribution to the solution of labor market problems in the NKR.

Wine and vodka factories in the NKR are developed enough. Wine growing and processing of agricultural products, particularly wine (i.e. storage of wine, wine stuff, cognac alcohol) is one of the prioritized directions of the economic development. By the end of 1980s the volume of grape production here reached to 180 thousand tons.

This year marked the launching of a modern enterprise for fruit and vegetable processing with a production capacity sufficient to store and process nearly all of the harvest of fruits and vegetables produced today in the republic. The initiative is also remarkable for creating up to 300 new jobs. The company is equipped with modern facilities. Demand for ecologically pure production labeled "Artsakhfruit" grows every day. Although the company manufactures almost 8 tons of production (canned food) per day, with the increase in the number of workers, the volumes of production will reach 40 tons and above.

The basic items of NKR industrial export include concentrates of gold and copper, wine production, canned food, carpets, etc. Being rich with various minerals, the republic also possesses considerable deposits of gold, silver, nonferrous metals, iron, zinc, marble, granite, Icelandic spar,

semiprecious stones, limestone, clay, rock crystal etc. Effective and rational utilization of its mineral resources will allow Nagorno-Karabakh to score well in the world markets.

The strategic plan drafted by the government of the Nagorno-Karabakh Republic for the years 2009-2012 aims at the development of agriculture ensuring increase in the production of cereals and the development of Banazur sub-district. For instance, until recently the grain harvest yield in the NKR was 1-1, 5 t/ha, however in 2008 the indicator increased to 21 t/hectares. Once the plan is implemented, the indicator is estimated to reach minimum 25t/ha. In 2008 only, the grain yield in the NKR comprised 76 tons (equivalent 21 t/hectares). The republic also possesses all possibilities for the development of livestock breeding. To encourage cattle breeding in the republic, the government has made a decision to establish a Center for breeding cattle. Presently, the share of the agrarian sector in the economy of Nagorno-Karabakh amounts to 15, 7 % of GDP.

With its ancient history, culture, architectural monuments, magnificent nature with gorges, mountains and Alpine meadows, soft environmental conditions and pure ecology, the Republic of Nagorno-Karabakh represents huge interest from the standpoint of tourism development. In recent years almost ten modern hotels have been constructed here with high level quality service and advanced cellular connection system enabling to reach out international networks. Recently, “Dygyak” company has launched the construction of a tourist complex near the monastery of Gazanchetsots in Shushi. The total area of the complex covers 750 sq. m, including a hotel, restaurant, and facilities designed for ensuring comfortable rest.

Over recent years, the financial situation in the republic has undergone considerable improvements with annual state budget growth making more than 40 %. In 2008 the total amount of incomes in the consolidated budget of Nagorno-Karabakh made 50329,5 mln. AMD, while expenditures reached 53761, 4 mln. AMD (deficit hitting 3431,6 mln.AMD). The NKR budget is replenished by the interstate credits from Armenia. This is largely due to the fact that the economies of Nagorno-Karabakh and Armenia are integrated into a single economic space: a unified banking system and a single monetary policy. Both Nagorno-Karabakh and Armenia operate within the framework of a united customs space, therefore the incomes derived from the Karabakh import/export operations are not directly reflected in the budget of the republic. It is worth noting that the overall weight of the interstate credits in the receipts of the NKR budget is gradually reduced at the expense of dynamic growth in the internally generated incomes of the republic. According to the program of state intermediate-term expenses of the NKR scheduled for 2009-2011, internally generated incomes of the state budget are estimated to comprise 22 billion drams, 26 billion drams, and 30,9 billion drams respectively.

The NKR has a stable banking system. A large number of banks located in Armenia are opening new branches in the Republic of Nagorno-Karabakh to extend the reach of their banking services. The volume of credit lending to small and medium size businesses, along with hypothec market enlargement, is constantly developing. The development of banking system in Nagorno-Karabakh creates favorable conditions for the implementation of far-reaching and ambitious economic programs.

Despite the existing difficulties connected with the attraction of foreign investments, Nagorno-Karabakh offers favorable conditions for successful investment. Although capital investments are overwhelmingly made by the representatives of the Armenian Diaspora, there also are investors from other nationalities. The concept behind the investment policy of Nagorno-Karabakh is aimed at identification of the competitive advantages as well as provision of beneficial investment packages for ensuring the economic development of the republic. To encourage private investments, the republic managed to create favorable investment climate with liberal taxing legislation and a simplified mechanism for business registration (business registration operations can be completed within a day). Furthermore, the rights of the investors are guaranteed at the level of legislation, while the market is abundant with cheap and qualified labor force. Among the priority spheres for investment, hydro-power engineering, wine growing, processing of agricultural production, development of natural resources, including water, wood, land, minerals, as well as information technologies and tourism offer wide opportunities. According to 2007 estimates, investment per

capita in Nagorno-Karabakh accounted for US\$210, while in 2008 the figure exceeded US\$250. However, the government of NKR is critical about the growth rate and calls for more concerted actions in this direction. Foreign private investments in various branches of Nagorno-Karabakh economy account for more than US\$100 mln.

The results presented above clearly indicate that the Republic of Nagorno-Karabakh has entered into a qualitatively new stage of development, namely, a stage of stable economic growth that positively impacts the overall welfare of the Nagorno-Karabakh citizens. The primary challenge facing the NKR authorities today, therefore, is to consolidate the achievements and develop new opportunities for economic growth.

On October 17, 2007 the plenary session of the NKR National Assembly unanimously approved the program of activities of the new government for the next 5 years. The document integrates the central elements articulated during the pre-election campaign of the President of Nagorno-Karabakh with a number of new initiatives suggested by the leading political forces of the republic. In the subsequent five years the annual growth of GDP in the NKR is estimated 14-15 %, while annual growth of the investments into the economy should be 30 %. The program implemented from January 2008 already ensured 60 % increase in pensions with a determination to increase it 2,5 times by 2013.

In addition, reforms in the social sector of the economy constitute one of the central challenges that the program aims to address. Among other things, this entails rendering assistance to the disadvantaged segments of the population, relatives of the dead soldiers, and young families.

The government of Nagorno-Karabakh is consistent in its attempts aimed at stimulating higher birth rates, resolving population settlement issues, increasing the volume of housing construction as well as improving water supply infrastructure and the quality of health care in the republic. There is further determination to launch a relentless fight against corruption and elements of shadow economy. Activities tailored toward improving the demographic situation in the republic, efficient allocation of budgetary funds, developing new social reforms and deepening cooperation between Artsakh and the Diaspora are among the government program priorities.

The Republic of Nagorno-Karabakh does not receive any direct financial assistance from the international structures, which negatively affects the overall economic and social situation in the country. This is taking place against the background of shared democratic values and geographic vicinity with one of the most influential actors in the international arena -the European Union (EU).

The recent developments relating to the EU allocation of € 122, 7 million to Kosovo for improving the socio-economic conditions of the newly established statehood, however, provide ample reason to expect a positive shift in the position of EU regarding the extension of financial and other economic assistance to the Republic of Nagorno-Karabakh. Taking into account the fact that the assistance extended to Kosovo in FY 2008 is implemented within the framework of the annual program of the European Commission Instrument for Pre-Accession (IPA), which does not necessarily entail the clear-cut position of each EU member country concerning the status of Kosovo, the expectations of the Nagorno-Karabakh Republic can live up to their full realization.

Direct financial and humanitarian assistance of the United States of America to the Republic of Nagorno-Karabakh significantly contributed to the rehabilitation of the destroyed infrastructure and encouraged economic development. While progress has been made in Nagorno-Karabakh, there are still many compelling humanitarian and development needs resulting from the war launched against the people of Nagorno-Karabakh by Azerbaijan. Since 1998 the US Congress has continually rendered humanitarian and financial assistance tailored toward the elimination of the consequences of war and meeting the humanitarian needs of the NKR. The US allocations to Nagorno-Karabakh in FY 2008 amounted to \$US 3 mln. In FY 2009 the US allocations are expected to be \$US 8 mln.