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AZERBAIJAN ATTEMPTS TO SCUTTLE THE NAGORNO KARABAKH PEACE PROCESS

High-level consultations continued between the Foreign Ministers of Armenia and Azerbaijan. Presidents Robert Kocharian and Ilham Aliyev met in Astana, Kazakstan last year to advance the negotiation process. However, no tangible progress has been reported. The OSCE Minsk Group co-chairs visited the region in July 2004 to consult with the leaders of Armenia, Azerbaijan and Nagorno Karabakh.

In November 2004 Azerbaijan initiated a debate at the UN General Assembly by submitting a draft resolution "On the situation in the occupied territories of Azerbaijan". A number of countries, including the U.S., objected this move. The OSCE Minsk Group co-chairs from the United States, Russia and France criticized Azerbaijan for its efforts to force a debate on the Karabakh conflict at the UN. Under pressure from the Group, Azerbaijan suspended its resolution.

The OSCE mediators returned to the region in January 2005 to accompany a fact-finding mission, created to verify

Azeri allegations that Armenia was engaged in mass population of territories under Nagorno Karabakh's control. The Nagorno Karabakh authorities cooperated closely with the group, headed by a German Foreign Ministry official. The group presented its findings to the OSCE Permanent Council on March 17, which concluded that "overall settlement is quite limited" and "there is no clear organized resettlement, no non-voluntary resettlement, no recruitment...".

The report also said that "the mission did not determine that such settlement has resulted from a deliberate policy by the government of Armenia."

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MEMBERS OF U.S. CONGRESS SUPPORT KARABAKH'S FREEDOM

Marking the 17th Anniversary of Karabakh Movement, NKR parliament adopted a special resolution, which reconfirmed Karabakh's commitment to a peaceful resolution of the conflict with Azerbaijan, called on official Baku to work towards establishing an atmosphere of trust and tolerance in the region, and appealed to the international

community to recognize Karabakh's efforts to build a full-fledged civil society based on the rule of law.

Several members of the U.S. Congress joined in commemorating the event by sending letters to the people of Karabakh and speaking on the floor of the House of Representatives.

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ECONOMIC GROWTH CONTINUED IN 2004

NKR Sets Priorities for 2005

The NKR economy continued to show strong growth last year with the Gross Domestic Product (GDP) reaching 42.2 billion dram (\$79.3million), up by 17.5% from 2003. Exports totaled \$39 million (m), a 25% growth over last year.

Nagorno Karabakh's industrial output totaled 18.5 billion drams (\$35m), registering a 160% growth, as compared to the previous year. Eighty percent of industrial enterprises are privately owned. The main sectors showing growth were ore-mining (a 46% growth in 2004), food processing (8% growth), production and distribution of electricity (2.5% growth). Capital construction totaled 9.1 billion drams (\$17.2m), up by 5 percent.

On December 27, 2004 the NKR Parliament adopted the 2005 state budget, which included 6.5 billion drams (\$13m) in projected income and 21.4 billion drams (\$42.8m) in expenses. The resulting deficit is due to be covered mainly by \$27m inter-government loan from Armenia.

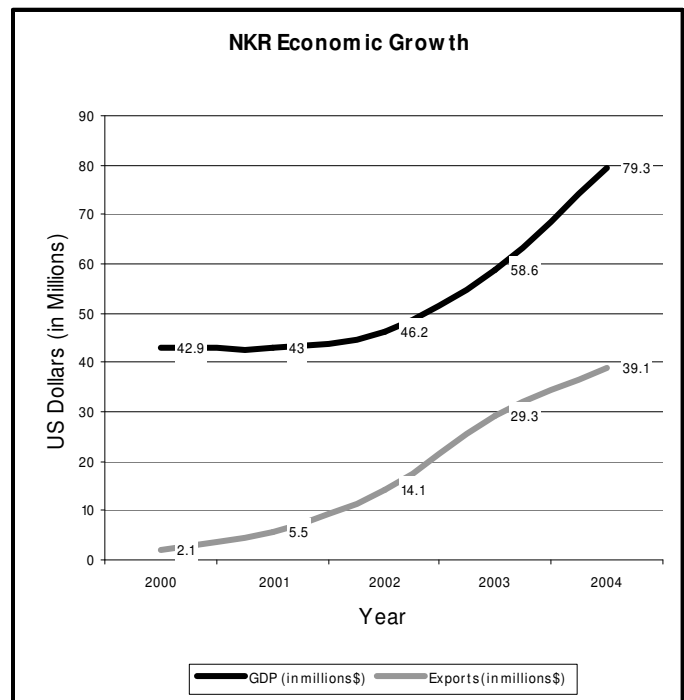
The 2005 budget allocated in part (in drams):

- 4,490m for social security (21% of state budget)
- 1,210m for health care (a 30% increase)
- 785m for education, sport and youth programs
- 577m for social subsidy for certain categories of children
- 500m for restoration and development of irrigation facilities
- 200m for development of viticulture, cattle breeding and agro-machinery lease
- 190m to support families of killed soldiers, war wounded and veterans
- 107m to conduct first post-independence census
- 100m for preservation and reconstruction of historic architectural monuments.

Funding has also been earmarked for small and medium business loans, a program that has been operating since 2001.

As of January 1, 2005, the minimum wage increased by 30% to 15,000 drams, and the minimum pension rose by the same percentage to 4,000 drams.

The government has also identified priority development areas for next few years, which included school construction, building new medical facilities with modern equipment, improvement of road infrastructure, water reservoirs and irrigation facilities.



SITUATION ON THE LINE OF CONTACT

Azerbaijan's attempt to draw closer to NKR positions rebuffed

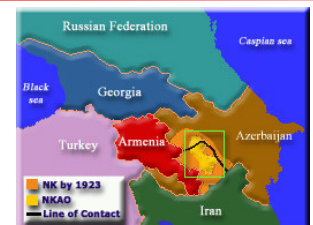
Azerbaijan continued its attempts to draw closer to NKR positions, which led to increased tensions along the Line of Contact. Azerbaijan violated the cease-fire regime several times in early March, causing isolated skirmishes that resulted in loss of live from both sides.

NKR denounced Azerbaijan's tactics while warning that continued attacks will be rebuffed forcefully. Deputy Foreign Minister Masis Mayilian called for international demarcation of the Line of Contact to prevent local attacks

and further destabilization.

On March 18, 2005 Defense Minister Seyran Ohanian said that the "defense capability of the NKR Army is high and that the Army is able to ensure the security of the republic and its population."

The OSCE cease-fire monitoring missions continued regularly and confirmed that the overall situation on the Line of Contact remained stable.





NAGORNO KARABAKH PEACE PROCESS

(continued from page 1)



NKR praised the report as “highly objective” in a March 28 statement and called on the international community to follow the lead of Armenia and the United States in supporting Nagorno Karabakh's efforts to overcome the consequences of the Azerbaijani military aggression. The OSCE mission acknowledged that the authorities of the Nagorno Karabakh are in charge of the situation in controlled territories, including Lachin, a fact on which the two Armenian sides have insisted all along.

Azerbaijan continues to refuse to negotiate directly with Nagorno Karabakh, the main concerned party, thus delaying prospects for resolution to the conflict. Armenia

and NKR have repeatedly stated the importance of Karabakh's direct participation in the negotiation process. “Everybody understands that without considering Karabakh's position no resolution is possible”, underscored NKR President Arkady Ghoukasian at a February 28 meeting with students of the Artsakh State University.

Karabakh has repeatedly called on Azerbaijan to agree to a series of confidence building measures and to work towards establishing an atmosphere conducive to peace and friendly relations between de-facto neighbors, Azerbaijan and NKR.

FREEDOM MOVEMENT ANIVERSARY (continued from page 1)

Members of US Congress congratulate the people of Nagorno Karabakh



“Mr. Speaker, I rise today to extend my congratulations to the people of Nagorno Karabakh (Artsakh) on the 17th anniversary of the Nagorno Karabakh Freedom Movement,” **Rep. Carolyn Maloney** (D-NY) said.

“On February 20, 1988, the people of Nagorno Karabakh officially petitioned the Soviet government to reunite with Armenia and reverse the injustice perpetrated by the Soviet dictator, Joseph Stalin. This peaceful and legal request was met with violent reaction by the Soviet and Azerbaijani leadership, and escalated into full military aggression against Nagorno Karabakh. The people of Nagorno Karabakh bravely defended their right to live in freedom on their ancestral land,” said **Rep. Michael McNulty** (D-NY) in his floor statement.

“Today, the unwavering strength of the Freedom Movement can be seen in the democratically-elected government of Nagorno Karabakh. [...] I congratulate the people of Nagorno Karabakh for their steadfast commitment to promoting freedom, democracy and economic development over the past seventeen years,” echoed **Rep. Martin Meehan** (D-MA) in his speech on the House floor.

“The people of Nagorno Karabakh should be commended for [...] achieving sovereignty in the face of strong opposition from neighboring nations. The United States is honored to share such fundamental values with Nagorno Karabakh as democracy, liberty, and a profound respect for human rights,” said **Rep. Rush Holt** (D-NJ).

“Congress recognized this consistent move towards democracy, granting NKR \$20 million in humanitarian assistance in FY '97, an additional \$5 million in FY '03 and \$3 million just last year. This assistance has not just been crucial for needs of the people of NKR, but has also fostered the begin-

nings of an excellent relationship between our two countries,” underscored **Rep. Frank Pallone** (D-NJ) in his floor statement.

Pallone and **Rep. Joe Knollenberg** (R-MI), the co-chairs of the Congressional Armenian Caucus, also sent a joint letter to the people of Nagorno Karabakh.

The letter said in part: “We applaud your constructive approach and ongoing contribution to peace and stability in the region. Our support for your democracy and your quest to live free, under the government of your own choosing, remains strong.”

“Like so many who have undergone the pains of oppression, the people of Nagorno Karabakh must rest assured knowing that democracy breeds peace. The United States will continue to promote the cause of our democratic friends in Nagorno Karabakh, not yielding until the goals set forth on February 20, 1988, have been realized in full,” concluded Rep. Holt in his powerful statement on the House floor.

NKR President Arkady Ghoukasian thanked members of the U.S. Congress for their public support. In his March 4, 2005 letter Ghoukasian said: “The people of Nagorno Karabakh are truly grateful for this ongoing support, which contributes to achieving a secure, democratic and prosperous Nagorno Karabakh and South Caucasus.”

Representative of the Nagorno Karabakh Republic in the United States Vardan Barseghian met with members of Congress to personally thank them and brief them on recent developments in Nagorno Karabakh.

Photo: NKR Rep. Barseghian thanks Congressman McNulty.





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past,
present and future
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KARABAKH TO HOLD ITS 4TH PARLIAMENTARY ELECTION

Nagorno Karabakh will hold its fourth Parliamentary Election on June 19, 2005. The new Central Electoral Commission has set the dates for candidates' nomination, registration and campaigning. Four major political parties -- the ruling Democratic Artsakh and opposition ARF-Dashnaktsutun, Movement-88 and Our Homeland Armenia -- along with several smaller parties plan to participate.

As in the past, NKR invited international observers to monitor the vote. Past elections in NKR were observed by international monitors and reported to be in line with or exceeding the internationally accepted standards for the post-Soviet republics.

Opposition to people's right to vote continued in Azerbaijan, as official Baku made statements on Karabakh's upcoming ballot. As in the past, the government of Azerbaijan launched a campaign of undermining and discrediting the June election in Nagorno Karabakh. Despite Baku's effort, the international community clearly appreciates the Nagorno Karabakh's right to live in freedom, under a government of its own choosing. In 2004, commenting on NK municipal election, the U.S. State

Department did not criticize the ballot and said only "that [the election] would not affect the ongoing peace talks". Members of the U.S. Congress have supported democratic processes in Nagorno Karabakh.

"The men and women of Nagorno-Karabakh exercised their right to vote--a right which we have cherished for more than two centuries and a right that we hope will spread across the world. [...]Congratulations to the people of Nagorno Karabakh for [their] commitment to freedom and democracy," said Rep. Adam Shiff (D-CA) in a September 2002 statement on NKR Presidential Election.



Photo: NKR Parliament