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The Office of the Nagorno Karabakh Republic in the United States is based in Washington, DC and works with the U.S. government, academia and the public representing the official policies and interests of the Nagorno Karabakh Republic.

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NAGORNO KARABAKH PEACE PROCESS Mediators Table New Proposals



International mediation efforts continued over the past year to overcome the impasse in the Karabakh peace process. While there has been a notable increase in mediator activity, no major breakthroughs took place. More than in the past, mediators have also focused on efforts to prevent a possible armed escalation in and near Karabakh.

Full-fledged negotiations with participation of the Nagorno Karabakh Republic have yet to take place. NKR President Arkady Ghoukasian met with the OSCE Minsk Group Co-Chairs in July and again in December 2005. Ghoukasian and other Nagorno Karabakh officials reiterated their readiness to take their share of responsibility on the road to peace. Azerbaijan, however, continued to refuse direct talks with NKR.

Above: NKR President Ghoukasian meets with the visiting OSCE Minsk Group Co-Chairs

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High-Level Consultations with NKR Leadership Aim to Advance the Peace Process

President Ghoukasian met with the OSCE Chairman-in-Office and Foreign Minister of Slovenia Dimitrij Rupel in March and September 2005, and his successor at the OSCE, Belgian Foreign Minister Karel de Gukht in January 2006 to discuss the peace process. Last March, the NKR President also met with the European Union (EU) envoy for the Caucasus, Ambassador Peter Semneby of Sweden. Semneby repeated the EU position that "efforts to establish the regional cooperation should be developed in parallel with the efforts to resolve the conflicts." While NKR and Armenia support this position, Azerbaijan continued to oppose any steps towards confidence building.

In April 2005, mediators from France, Russia and the United States, working under the OSCE umbrella, consolidated a series of discussions held by Foreign Ministers of Armenia and Azerbaijan

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NKR INDEPENDENCE MARKED ON CAPITOL HILL Members of Congress Highlight Karabakh Achievements in a Letter to President Bush



The Nagorno Karabakh Republic marked the fourteenth anniversary of its independence last year. Fifty-nine members of the U.S. House of Representatives addressed a letter to President George W. Bush, calling attention to "the important progress being made by the people of the Nagorno Karabakh Republic, Artsakh, towards freedom, peace and prosperity."

The congressional letter noted that: "A de-facto independent state, the Nagorno Karabakh Republic is a country of proud citizens committed to the values of freedom, democracy and respect for human rights. We, as Americans cherish and defend these same values at home and internationally. . .

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NAGORNO KARABAKH NEGOTIATIONS

Aliyev Threatens NKR with New War (continued from page 1)



(dubbed the "Prague Process") into what mediators described as "new proposals." Presidents Robert Kocharian and Ilham Aliyev met in Poland (May 2005), Russia (August 2005) and France (February 2006) to discuss these proposals. Although the first two meetings fueled some optimism that progress could be made, the latest summit ended in what U.S. and other officials described as a "disappointment." Despite this setback, the mediators are trying to salvage the process by injecting what they describe as "new ideas" to complement the proposals currently on the table.

Azerbaijan Refuses to Build Trust; Threatens to Launch a New War

In the meantime, Aliyev and other government officials in Baku continued to threaten war unless Azerbaijan's demands are satisfied. Aliyev diverted much of the country's growing oil revenue to military needs, doubling defense spending in 2006 to \$600 million. Both Karabakh and Armenian officials, as well as international mediators, dismissed this rhetoric and reminded Azerbaijan of potentially catastrophic consequences if fighting were to resume. Twice since April of last year, mediators issued statements demanding an end to war rhetoric and calling on all sides to help prepare the public for a "balanced negotiated settlement." While both Karabakh and Armenian leaders repeatedly argued for a need to compromise, Aliyev and others in the Azerbaijani government continued their hard line approach. Since last year, the NKR Foreign Ministry has suggested a set of measures that would strengthen the nearly 12-year-old cease-fire, but Azeri officials have shown no interest in precluding occasional flare-ups along the Line of Contact.

Azerbaijan's official rhetoric and actions appear to aim at securing unilateral Armenian concessions and perpetuating the conflict rather than reaching a viable peace agreement. Azeri officials have encouraged a campaign of support for an Azeri who brutally murdered an Armenian in his sleep, whilst both were attending an English-language course in Hungary. Last December, Azeri soldiers were videotaped destroying the remnants of ancient Armenian stone-crosses (khachkars) in Nakhichevan, one of the few Armenian monuments still

standing in Azeri-controlled territory at the time. That act of vandalism coincided with Aliyev's call on Azeri scientists to rig the historical record to erase references to Armenians. The Azeri government has sought to shut down nascent public diplomacy contacts with Armenians through harassment and violence, branding Azeri peace activists as traitors. At the same time, domestic critics of the Aliyev regime are labeled as Armenian agents.

Aliyev has repeatedly stated that he is in no hurry to settle the conflict and would prefer the current status quo to steps that would formalize Karabakh's existing separation from Azerbaijan, a necessary element of any viable peace deal. The international community has increasingly realized the inevitability of this approach. In August 2005, the OSCE Parliamentary Assembly heard a report from its Rapporteur on Karabakh, Goran Lenmarker of Sweden, who observed that Karabakh's unification with Armenia would be the best guarantee of its population's security. None of the twenty-four U.S. and Western European experts queried in the summer 2005 could see a possibility of Azeri jurisdiction over Karabakh. The Brussels-based International Crisis Group recommended in October 2005 that Karabakh's status should be based on a "self-determination referendum." And in March 2006, U.S. Assistant Secretary of State Daniel Fried stressed that "the will of the people of Karabakh has to be respected" as part of any settlement.

Karabakh Has the Right to Remain Free



Karabakh officials have welcomed this approach of the international community, while sharing its interest in regional stability, cooperation and peace. Nagorno Karabakh remains committed to work constructively to achieve these goals through maintaining and strengthening the 12-year-old cease-fire, building mutual confidence and reaching a peaceful settlement in the Karabakh conflict. Any viable settlement must respect the right of the Nagorno Karabakh people to determine their own future and the way of life.

Above: NKR Defense Army during recent military exercises. Azerbaijan has been warned against renewed aggression.

NKR REMAINS DETERMINED TO DEFEND ITS FREEDOM

"The Armed Forces of the Nagorno Karabakh Republic are capable, at any time, to adequately respond, should the enemy try to disrupt our people's peaceful life."

NKR President Arkady Ghoukasian, May 9, 2005

"We are ready to defend our Homeland, fighting for every inch of our territory, if Azerbaijan were to attack." NKR Defense Minister, Lt.-General Seyran Ohanian (*right*), April 19, 2006





KARABAKH DEPUTY FOREIGN MINISTER CALLS FOR NKR RECOGNITION DURING UNITED STATES VISIT



On March 22-29, NKR Deputy Foreign Minister Masis Mayilian paid a working visit to the U.S. Mayilian met with the U.S. government officials, members of Congress, state officials, and leaders of the Armenian-American community. He thanked both U.S. officials and members of the Diaspora for their continued support of NKR, both through U.S. humanitarian assistance and privately-funded projects.

Mayilian also spoke on Karabakh's priorities at the National Conference held by the Armenian Assembly of America and public lectures at the University of Con-

necticut and the Center for Strategic and International Studies (CSIS) in Washington, DC. At CSIS, Mayilian focused on the need to: a) strengthen the existing relative peace; b) increase the international role in solidifying NKR's achievements in democratic development; and c) take steps towards NKR's international recognition.

"The lack of [international] recognition is one of the main reasons why we hear militaristic rhetoric from Azerbaijan. The United States should take the lead in helping Azerbaijan to reject Stalin's legacy and come to terms with the democratically expressed will of the Nagorno Karabakh to remain free," said Mayilian.

Left: Mayilian speaking at the AAA National Conference in Washington, DC

CELEBRATION OF NKR INDEPENDENCE (continued from page 1)

Freedom, Democracy and Economic Development are among NKR Achievements

Above all, the United States should unequivocally support the right of the people of Nagorno Karabakh to decide their own future."



On September 28, 2005 the Office of the Nagorno Karabakh Republic together with the Embassy of the Republic of Armenia, the Armenian Assembly of America, the Armenian National Committee and the Co-Chairs of the Congressional Caucus on Armenian Issues hosted a Capitol Hill event celebrating NKR's independence.

Member of the British House of Lords **Baroness Caroline Cox**, who was the keynote speaker at the Capitol Hill event and had just completed her 60th humanitarian trip to Artsakh, urged the international community to respect the rights to freedom, justice, and democracy of the people of Nagorno Karabakh. Cox said that "if any people in the world today deserve the right to self-determination and the recognition of independence, it is the people of Nagorno Karabakh."



Representatives **Joe Knollenberg** (R-MI), **Frank Pallone** (D-NJ), **George Radanovich** (R-CA), **Barney Frank** (D-MA), **Maurice Hinchey** (D-NY) and **Adam Schiff** (D-CA) spoke at the event, expressing their support for the Nagorno



Karabakh Republic.

Armenian Ambassador to the U.S. **Dr. Tatoul Markarian** noted that "any solution to the [Karabakh] conflict will be based on the fact and the right to self-determination of the people of Nagorno Karabakh."

NKR Representative **Vardan Barseghian** thanked the U.S. government and the American people for their humanitarian support for Artsakh and urged them "to continue to support the aspirations of the Karabakh people to live in freedom, security and prosperity."

Left: L-R NKR Representative Barseghian, Mrs. Knollenberg, Armenian Ambassador Markarian, Baroness Cox

Bottom left: Co-Chairs of the Congressional Caucus on Armenian Issues, Rep. Joe Knollenberg and Rep. Frank Pallone speaking at NKR Independence Event on Capitol Hill

Congress of the United States

House of Representatives

Washington, DC 20515

September 28, 2005

The Honorable George W. Bush
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

We write to draw your attention to the important progress being made by the people of the Nagorno Karabakh Republic, Artsakh, towards freedom, peace and prosperity. The United States has played a critical role in Nagorno Karabakh, offering crucial moral support for the Nagorno Karabakh democracy movement, providing desperately needed humanitarian assistance, and working for peace within the OSCE Minsk Group. As we champion freedom for all peoples around the world, we should also continue supporting the aspirations of the people of Artsakh to live in freedom, particularly in the strategically important South Caucasus.

The path to freedom has not been easy for the people of Nagorno Karabakh. Following a peaceful demand by Karabakh's legislative body to reunite the region with Armenia in 1988, Azerbaijan launched an ethnic cleansing campaign against individuals of Armenian descent. As a result, thousands of ethnic Armenians were killed, while some 400,000 fled Azerbaijan to escape the killings. On September 2, 1991, the people of Nagorno Karabakh, consistent with the laws in



Office of the Nagorno Karabakh Republic Artsakh Newsletter

1140 Nineteenth Street, NW, Suite 600
Washington, DC 20036

Tel: (202) 223-4330
Fax: (202) 315-3339
Email: info@nkrusa.org Web: www.nkrusa.org



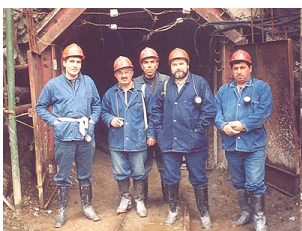
*Artsakh -
past,
present and future
Armenian stronghold!*



NKR STRONG ECONOMIC GROWTH CONTINUES IN 2005 Foreign Trade Reaches \$133,000,000



Karabakh's economy continued to expand in 2005, with the Gross Domestic Product (GDP) up 14 percent for the year to 51.4 billion AMD (\$114 million) and more than double the 2001 volume of 23.8 billion AMD (\$53 million). Strong growth in capital construction (37.8%) and continued increase in the output of the Drmbon copper-gold mines helped fuel the growth.



Drmbon mines, developed with \$15 million in investments since 2002, are the largest enterprise in Karabakh, employing over 900 people. As of late 2005, 36,500 people were employed in civilian jobs in the republic with a population of

about 134,000. Most of the civilian workforce is engaged in agriculture (22 percent), trade (20), construction (12), industry (11) and communications (11). Overall in 2005, there was an eight percent increase in employment over 2004, with population's incomes increasing by 20 percent and monthly salaries by 24 percent.

According to the Nagorno Karabakh Foreign Ministry

consular data, over 4,000 foreign citizens, most of them tourists, visited Karabakh in 2005, an increase of 30 percent over 2004. The bulk of the visitors came from U.S., Canada, Russia and France. Karabakh's foreign trade grew by 15 percent, reaching \$133.1 million in 2005.

On December 12, 2005 NKR National Assembly by a vote of 26 to 3 adopted the FY2006 budget bill and on December 20, President Arkady Ghukasyan signed it into law. The budget set the 2006 revenue target at 26.1 bn. AMD (\$62.47 million) and expenditures at 30.3 billion AMD (\$67.36 million).

The NKR state budget has been steadily increasing for the past four years at an average annual rate of 30 percent.

Left: Drmbon Miners

Right: President Ghoukasyan visits the new food processing plant in Stepanakert

