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RELEASE IN FULL

EUR/CACEN:SMYOUNG:SMY
09/29/97 76745
D:THE DEPUTY SECRETARY

DECLASSIFIED

S/NIS:VNULAND S/NIS:RWILSON S/NIS/RA:BLPASCOE
D:EEDELMAN S/S-O:

EXDIS CEDAR

DECAPIONED

IMMEDIATE YEREVAN

IMMEDIATE BAKU, MOSCOW IMMEDIATE, PARIS IMMEDIATE,
ANKARA IMMEDIATE, USVIENNA, USUN, TBILISI

E.O. 12958: DECL: 10/01/07

TAGS: PREL, AM, AJ, OSCE

SUBJECT: DEPUTY SECRETARY'S 9/29 MEETING WITH ARMENIAN FM
ARZOUMANIAN IN NEW YORK DISCUSSES NAGORNO-KARABAKH,
DEMOCRATIZATION AND IRANIAN INFLUENCE

1. CLASSIFIED BY EUR/CACEN DIRECTOR STEPHEN M. YOUNG;
REASONS: 1.5 (B) AND (D).

SUMMARY

2. DURING A SEPTEMBER 29 MEETING IN NEW YORK WITH ARMENIAN
FM ARZOUMANIAN, DEPUTY SECRETARY TALBOTT STRESSED THE
IMPORTANCE OF YEREVAN'S CONTINUING TO WORK WITH THE
NAGORNO-KARABAKH ARMENIANS TO PERSUADE THEM TO NEGOTIATE ON
THE BASIS OF THE OSCE MINSK CO-CHAIRS' PEACE PROPOSAL.
ARZOUMANIAN CONFIRMED THAT HIS PRESIDENT WAS PREPARED TO
WORK TOWARD SIGNIFICANT PROGRESS THIS YEAR, THOUGH
IMPLEMENTATION WOULD TAKE LONGER. THE DEPUTY SECRETARY
EXPRESSED CONCERN OVER PERCEIVED EMERGENCE OF A NORTH-
SOUTH AXIS RUNNING FROM MOSCOW THROUGH YEREVAN TO IRAN, AND
UNDERScoreD THE IMPORTANCE OF RESOLVING THE NAGORNO-
KARABAKH CONFLICT IN ORDER TO END ARMENIAN ISOLATION. IN
AN EXCHANGE ON DEMOCRATIZATION, ARZOUMANIAN COMPLAINED THAT
THE U.S. CRITICIZED YEREVAN'S PERFORMANCE MORE THAN IT

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OFFERED TO HELP. THE DEPUTY SECRETARY, WHILE NOTING THAT THE U.S. WAS ENGAGED IN BROAD PROGRAMS TO PROMOTE DEMOCRACY AND RULE OF LAW, PROMISED TO LOOK INTO THESE PROGRAMS TO SEE IF MORE COULD BE DONE. IN A BRIEF ONE-ON-ONE AT THE END OF THIS SESSION, THE DEPUTY SECRETARY STRESSED OUR CONCERN OVER GROWING ARMENIAN-IRANIAN RELATIONS AND AT THE ARMENIANS' REQUEST PROMISED TO LOOK INTO THE PROSPECTS OF A U.S. VISIT BY PM KOCHARYAN IN THE COMING MONTHS. END SUMMARY

3. DEPUTY SECRETARY TALBOTT, ACCOMPANIED BY S/NIS SENIOR ADVISOR SESTANOVICH, S/NIS DEPUTY WILSON, S/NIS/RA PASCOE AND EUR/CACEN DIRECTOR YOUNG, MET WITH ARMENIAN FM ARZOUMANIAN, ACCOMPANIED BY AMBASSADOR SHUGARYAN, UN CHARGE ABELIAN AND ARSEN GASPARIAN FROM THE MFA.

4. ARZOUMANIAN BEGAN BY EXPRESSING HIS GOVERNMENT'S SATISFACTION WITH THE MOST RECENT VISIT OF THE OSCE MINSK GROUP CO-CHAIRS. HE INFORMED THE U.S. SIDE THAT PRESIDENT TER-PETROSSIAN WOULD BE HOLDING A MEETING THIS WEEKEND WITH NAGORNO-KARABAKH "PRESIDENT" GUKASIAN TO DISCUSS NEXT STEPS. HE CASTIGATED NK "DEFENSE MINISTER" BABAYAN FOR HIS RECENT "STUPID COMMENTS," DRAWING ATTENTION TO TER-PETROSSIAN'S PRESS CONFERENCE EARLIER IN THE DAY IN YEREVAN WHICH SUGGESTED THAT IN THE FUTURE ONLY THE ELECTED "PRESIDENT" OF NK COULD SPEAK AUTHORITATIVELY ON THE SUBJECTS. AS TO THE CO-CHAIRS' PROPOSALS, ARZOUMANIAN SAW BOTH ARMENIA AND AZERBAIJAN AS NOW THINKING OF A COMPROMISE SOLUTION BASED ON STEP-BY-STEP MEASURES. HOWEVER, NK CONTINUED TO PREFER A PACKAGE SOLUTION.

5. THE DEPUTY SECRETARY BEGAN BY NOTING HE HAD HAD LUNCH WITH FRENCH POLITICAL DIRECTOR BLOT THE PREVIOUS FRIDAY. THEY BOTH FELT THE MINSK CO-CHAIR NEGOTIATIONS WITH BAKU AND YEREVAN WERE HEADING IN THE RIGHT DIRECTION. BUT THEY WERE LESS SANGUINE ABOUT STEPANAKERT, THUS MAKING YEREVAN'S EFFORTS WITH THE NK SIDE CRUCIAL TO FORWARD PROGRESS. WHILE WE WERE NOW LOOKING AT TWO PHASES TO A SETTLEMENT, SECURITY FOR THE NK ARMENIANS WAS A CRITICAL ELEMENT IN THE OVERALL APPROACH. MR. TALBOTT ASKED THAT HIS APPRECIATION FOR TER-PETROSSIAN'S CAREFULLY CHOSEN WORDS ABOUT THE OSCE NEGOTIATIONS BE CONVEYED BY FM ARZOUMANIAN TO HIS PRESIDENT. HE THEN ASKED A QUESTION: DURING TER-PETROSSIAN'S RECENT MEETING WITH THE CO-CHAIRS IN YEREVAN HE HAD SEEMED TO EXPRESS PESSIMISM THAT A REAL BREAKTHROUGH WOULD BE POSSIBLE BY THE END ON 1997. WAS THIS TRUE?

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6. ARZUMANIAN - WHO HAD BEEN IN THIS MEETING IN YEREVAN - CLARIFIED THAT TER-PETROSSIAN'S MEANING WAS ONLY THAT IMPLEMENTATION WOULD TAKE TIME, HE STILL HOPED FOR AGREEMENT BY THE END OF THE YEAR. PASCOE AND TALBOTT EXPRESSED APPRECIATION FOR THIS CLARIFICATION. ARZUMANIAN ELABORATED THAT DURING THE UPCOMING YEREVAN MEETING WITH THE NK ARMENIANS BOTH TER-PETROSSIAN AND PM KOCHARYAN WOULD BE WORKING HARD WITH THE STEPANAKERT GROUP IN AN EFFORT TO PERSUADE THEM TO START NEGOTIATING ON THE BASIS OF THE MINSK GROUP PROPOSALS. THE DEPUTY SECRETARY WAS ENTIRELY RIGHT TO STRESS THE CENTRALITY OF SECURITY IN THIS PROCESS, ARZUMANIAN CONTINUED, WITH PARTICULAR NEED FOR CLARIFICATION ON EVACUATION OF FORCES FROM THE OCCUPIED TERRITORIES WITH "REAL GUARANTEES." ARZUMANIAN SUGGESTED UNSC GUARANTEES WERE NOT ENOUGH, INDICATING HIS PREFERENCE FOR THOSE OF OTHER COUNTRIES, INCLUDING THE CO-CHAIRS AND ARMENIA. THE LATEST DRAFT OF THE CO-CHAIR DOCUMENT HAD POSTIVE NEW WORDING WHICH SEEMED TO INCLUDE THE LATTER, HE CONCLUDED.

7. THE DEPUTY SECRETARY EMPHASIZED THAT A BREAKTHROUGH IN NEGOTIATIONS WOULD ASSIST US IN BETTER CONCEPTUALIZING AND PUTTING INTO PLACE IMPLEMENTING MECHANISMS. IF NEGOTIATIONS BOGGED DOWN, THIS WOULD BE MUCH MORE DIFFICULT. WE WOULD LOSE THE SENSE OF A FRESH OPPORTUNITY, BOTH IN THE U.S. AND ELSEWHERE, WITH THE SENSE OF OBLIGATIONS ON THE PART OF ALL THE PLAYERS THIS CARRIES. DEPUTY SECRETARY TALBOTT THEN NOTED IN RECENT MEETINGS WITH AMERICAN DIASPORA LEADERS THE NK ISSUE WAS ALL THEY WANTED TO TALK ABOUT, NOT BILATERAL RELATIONS OR BUSINESS OPPORTUNITIES. THOUGH THIS AUDIENCE DID NOT ALWAYS AGREE WITH WHAT HE HAD TO SAY ABOUT THE SEARCH FOR PEACE IN NK, THERE WAS A REAL ATTEMPT TO FIND COMMON GROUND. WE AGREED WITH THE COMMUNITY'S CONCERN THAT SECURITY WAS PARAMOUNT, THAT NAGORNO-KARABAKH SHOULD FEEL GENERALLY AND PERPETUALLY SAFE.

8. ASKED BY THE DEPUTY SECRETARY TO ELABORATE ON HIS PEACE EFFORTS, PASCOE RAISED THE TURKISH ANGLE, NOTING THAT HE HAD BRIEFED THE TURKS ABOUT HIS MISSION TO THE REGION ON THE WAY HOME. ANKARA WANTS TO HELP AND WE ENCOURAGED THEM TO FOCUS ON OPENING THE BORDER WITH ARMENIA. ECHOING TALBOTT'S EMPHASIS ON SECURITY ISSUES, PASCOE HIGHLIGHTED THE NEED FOR AGREEMENT SOON FROM STEPANAKERT TO ENGAGE IN SERIOUS NEGOTIATIONS. THIS WOULD ASSIST US IN PLANNING IMPLEMENTATION DURING UPCOMING EXCHANGES WITH VARIOUS EUROPEAN PARTIES THIS FALL.

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9. PICKING UP ON DEPUTY SECRETARY TALBOTT'S REMARKS, ARZOUMANIAN STATED THAT NK AND BILATERAL U.S.-ARMENIAN RELATIONS WERE VERY INTERLINKED, INCLUDING IN THE MINDS OF THE ARMENIAN-AMERICAN COMMUNITY AND DOMESTICALLY IN ARMENIA ITSELF. SPEAKING FRANKLY, ARZOUMANIAN ASSERTED THAT FRUSTRATION AND A PERCEPTION THAT THE U.S. WAS TILTING TOWARD AZERBAIJAN HAD LED TO SOME FOOLISHLY ARGUING IN ARMENIA THAT YEREVAN SHOULD JOIN THE CIS CUSTOMS UNION. HE WENT ON TO DEFEND ARMENIAN RELATIONS WITH RUSSIA AS PRUDENT, OFFERING TO SIGN AN AGREEMENT WITH ANYONE, INCLUDING THE U.S., SIMILAR TO THE CONTROVERSIAL TREATY OF FRIENDSHIP AND COOPERATION SIGNED IN MOSCOW THE END OF AUGUST.

10. ARZOUMANIAN THEN MOVED TO AN ARGUMENT HE HAS RAISED WITH THE U.S. BEFORE, URGING THAT THE USG OFFER ARGUMENTS TO STRENGTHEN THE PRO-WESTERN, PRO-AMERICAN CAMP IN YEREVAN OF WHICH HE WAS A LEADING MEMBER. HE SUGGESTED PERHAPS A STATEMENT BY THE ADMINISTRATION SUPPORTING CONSTRUCTION OF A PIPELINE THROUGH ARMENIA WOULD BE HELPFUL. A BREAKTHROUGH IN ARMENIAN-TURKISH RELATIONS WAS VERY IMPORTANT. BUT FM CEM HAD FAILED IN A RECENT TRIP TO BAKU TO PERSUADE THE AZERBAIJAN SIDE TO SUPPORT THIS.

11. ARZOUMANIAN THEN BROACHED THE SUBJECT OF DEMOCRATIZATION IN ARMENIA. YEREVAN WAS READY TO CONTINUE WITH BILATERAL PROJECTS WITH THE U.S. IN THIS AREA, BUT SOUGHT MORE AMERICAN INVOLVEMENT. THE U.S. HAD RECENTLY CRITICIZED THE DRAFT ELECTION LAW. THE EU WAS WORKING TO HELP IN THIS EXERCISE, WHILE THE AMERICAN SIDE JUST CRITICIZED. ARZOUMANIAN SAID HE WOULD PREFER A MORE ACTIVE INVOLVEMENT IN HELPING DRAFT THIS LAW. THE ARMENIAN PARLIAMENT WAS INEXPERIENCED AND TENDED TO LOOK TO OLD SOVIET PRACTICES IN SUCH MATTERS.

12. THE DEPUTY SECRETARY AGREED WITH ALACRITY TO DO ALL WE COULD TO HELP. HE EXPRESSED PUZZLEMENT OVER ARZOUMANIAN'S STATEMENT ABOUT CURRENT U.S. COOPERATIVE EFFORTS. HE WAS UNDER THE IMPRESSION WE WERE ALREADY DOING QUITE A BIT. YOUNG ECHOED THIS SENTIMENT, STRESSING IN PARTICULAR OUR ACTIVE PROGRAMS IN RULE OF LAW WITH THE ARMENIANS. DEPUTY SECRETARY TALBOTT THEN PROMISED TO PROVIDE ARZOUMANIAN WITH A MORE DETAILED REVIEW OF THESE PROGRAMS, WHICH HE WOULD INCLUDE IN A LETTER RESPONDING TO ARZOUMANIAN'S COMMENTS IN THE NEAR FUTURE. TALBOTT ALSO MENTIONED THAT HE WOULD BE MAKING A SPEECH ON DEMOCRACY IN A COUPLE OF DAYS AND WOULD MAKE SURE TO MENTION ARMENIA IN THAT ADDRESS.

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13. TALBOTT CONTINUED BY NOTING LONGSTANDING U.S. FRUSTRATION OVER THE APPARENT ABERRATION OF AN ARMENIA WHICH WAS ONE OF THE MOST NATURAL WESTERN-ORIENTED COUNTRIES IN THE REGION. THE PAST OF MOSCOW'S DOMINATION IN THE SOVIET UNION WAS OVER. SO IT WOULD NOW APPEAR ARMENIA COULD TAKE THE NATURAL COURSE OF WESTERN ORIENTATION. YET AS WE APPROACH THE END OF 1997, THIS HAD STILL NOT HAPPENED. SPEAKING AS FRANKLY AS THE ARMENIAN FOREIGN MINISTER HAD EARLIER IN THE MEETING, THE DEPUTY SECRETARY DESCRIBED A PERCEPTION IN THE ADMINISTRATION, THE CONGRESS AND AMONG IMPORTANT ELEMENTS OF PUBLIC OPINION THAT ARMENIA WAS FALLING INTO A NORTH-SOUTH ORIENTATION BETWEEN RUSSIA AND IRAN. WHILE THIS MIGHT BE UNFAIR, AND CERTAINLY WE WERE NOT VIEWING THIS IN THE CONTEXT OF SOME ZERO-SUM GAME WITH MOSCOW, IT WAS IMPORTANT TO COME TO GRIPS WITH THIS PERCEPTION. CERTAINLY THERE WAS GOOD COOPERATION WITH THE RUSSIANS WITHIN THE MINSK PROCESS. BUT IN A REGION WHERE IT SEEMED THE GUIDING RULE WAS 'THE ENEMY OF MY ENEMY IS MY FRIEND,' ARMENIA SEEMED TO BE MAKING FRIENDS IN THIS MANNER.

14. SUMMING UP, TALBOTT POINTED TO THE NK CONFLICT AS THE CORE PROBLEM. IF THE CONFLICT COULD BE SOLVED, WE COULD CONSIDER A PIPELINE THROUGH ARMENIA (AS PART OF THE USG'S SUPPORT FOR MULTIPLE PIPELINES) AND DEMOLISH THE CONCEPT OF A NORTH-SOUTH AXIS RUNNING FROM RUSSIA THROUGH ARMENIA TO IRAN. ARMENIA SHOULD HAVE GOOD RELATIONS WITH ALL ITS NEIGHBORS, THOUGH IRAN WAS A SPECIAL CASE FOR THE UNITED STATES. THIS DISCUSSION, TALBOTT CONCLUDED, MADE PROGRESS ON PEACE ALL THE MORE IMPORTANT, AND THAT REQUIRED ARMENIA'S USING ITS INFLUENCE WITH STEPANAKERT.

15. ARZOUMANIAN SUGGESTED PERHAPS RUSSIA WAS NOT INTERESTED IN A FINAL SETTLEMENT. TALBOTT ASKED IF ARMENIA WAS INTERESTED IN SUCH A SETTLEMENT. ARZOUMANIAN STATED THAT IT WAS. ARMENIA WANTED TO "RETURN TO EUROPE," THOUGH SOME ALSO WANTED TO PULL TOWARD THE MIDDLE EAST, ALLUDING TO THE ARMENIAN DIASPORA'S ROOTS TO THE SOUTH IN SUCH PLACES AS THE SYRIAN CITY OF ALEPPO. ARMENIA, HE CONTINUED, WAS CAUGHT BETWEEN TWO LARGE NEIGHBORS, SOMETIMES FEELING LIKE IT WAS SLEEPING WITH AN ELEPHANT WHICH COULD ROLL OVER AND CRUSH IT AT ANY TIME. HE THEN ARGUED THAT WHILE YEREVAN UNDERSTOOD THE U.S. OBJECTIONS TO IRAN, BY ITS ISOLATION ARMENIA WAS FORCED TO HAVE DEALINGS WITH TEHRAN. ARMENIA HAD GOOD RELATIONS WITH GEORGIA, BUT THINGS IN THAT COUNTRY CONTINUED TO BE DANGEROUS AND THUS IT WAS ALL THE MORE VITAL FOR ARMENIA TO GAIN GREATER ACCESS TO THE OUTSIDE WORLD. IRAN TRIED TO TAKE ADVANTAGE

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OF ARMENIA'S CURRENT DEPENDENCE ON HER FOR TRADE OUTLETS. HE CONTRASTED PALTRY 30 MILLION DOLLAR FOREIGN INVESTMENT IN ARMENIA IN THE PAST TWO YEARS WITH A FIGURE OF 600 MILLION DOLLARS IN SIMILAR INVESTMENT GOING INTO NEIGHBORING AZERBAIJAN.

16. THE DEPUTY SECRETARY RESPONDED THAT THIS TOO WAS RELATED TO THE PEACE ISSUE. BUSINESSMEN FROM THE DIASPORA HAD TOLD HIM THEY WERE RELUCTANT TO DO BUSINESS WITH ARMENIA SO LONG AS THE SITUATION THERE REMAINED UNSTABLE. THIS WAS A BUSINESS DECISION. AS TO TURKEY, BOTH THE PREVIOUS AND CURRENT SECRETARIES OF STATE HAD MADE IT A POINT TO PRESS ANKARA TO IMPROVE RELATIONS WITH ARMENIA. IT WAS NOT ACCIDENTAL THAT MR. PASCOE HAD STOPPED THROUGH TURKEY ON HIS WAY HOME FROM THE LAST NEGOTIATING ROUND. THE DEPUTY SECRETARY HIMSELF HAD BEEN INVOLVED IN PUSHING THIS ISSUE WITH THE TURKS, AND WOULD CONTINUE.

17. RESPONDING TO ARZOUMANIAN'S COMMENTS ABOUT MOSCOW, TALBOTT NOTED THERE WERE VARIOUS VOICES IN MOSCOW. PROGRESS TOWARD PEACE WOULD STRENGTHEN THOSE VOICES TO THE NORTH INTERESTED IN PEACE AND THE BETTER PROSPECTS FOR THE REGION THIS WOULD BRING. WE WERE WORKING WELL WITH MOSCOW AND PARIS WITHIN THE MINSK PROCESS, SO THIS WAS NOT AN EXCUSE FOR FAILURE TO MOVE FORWARD TOWARD PEACE. NAGORNO-KARABAKH WAS TO BE DISTINGUISHED FROM ABKHAZIA AND MOLDOVA, WHERE THE RUSSIANS WERE LESS WILLING TO WORK COOPERATIVELY WITH OTHERS ON CONFLICT RESOLUTION. THIS WAS NOT IN THEIR INTEREST, SOMETHING WE HAD REITERATED IN RECENT MEETINGS WITH HIGH RANKING RUSSIANS.

18. SESTANOVICH HIGHLIGHTED THE FACT THAT THE RUSSIAN VOICES INTERESTED IN BUSINESS AND RELATIONS OF EQUALITY WITH THE COUNTRIES OF THE CAUCASUS WOULD TAKE HEART FROM PROGRESS ON NK. THIS WAS ALSO THE CASE WITH TURKEY. THE WAY SUCH ISSUES WERE DEBATED DOMESTICALLY IN THE TWO COUNTRIES WOULD FUNDAMENTALLY CHANGE WITH A SETTLEMENT TO THE CONFLICT. THIS WAS NOT AN EXCUSE TO BE CARELESS ON SECURITY ISSUES, BUT IT WAS CRUCIAL TO OBSERVE HOW THE BALANCE WITHIN INTEREST GROUPS MIGHT CHANGE IN VARIOUS COUNTRIES WERE THE NK CONFLICT TO BE RESOLVED.

19. AT THIS POINT THE DEPUTY SECRETARY AND FM ARZOUMANIAN COMPLETED THE MEETING WITH A BRIEF ONE-ON-ONE EXCHANGE. THE DEPUTY SECRETARY UNDERScored USG CONCERN OVER IRAN AND CAUTIONED ARMENIA TO BE PARTICULARLY CAUTIOUS IN APPROACHING ITS TIES WITH TEHRAN. THEY ALSO DISCUSSED THE QUESTION OF A POSSIBLE U.S. VISIT BY PRIME MINISTER

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KOCHARYAN LATER THIS YEAR; ARZOUMANIAN WANTED THIS, BUT ONLY IF IT DID NOT PREJUDGE THE POSSIBILITY OF A TER-PETROSSIAN VISIT. THE DEPUTY SECRETARY PROMISED TO LOOK INTO THE QUESTION.

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