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PAGE 01 BAKU 00296 01 OF 03 211047Z  
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TO SECSTATE WASHDC IMMEDIATE 2834  
INFO AMEMBASSY YEREVAN IMMEDIATE  
AMEMBASSY TBILISI  
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C O N F I D E N T I A L SECTION 01 OF 03 BAKU 000296

EXDIS CEDAR **DECAPTIONED**

E.O. 12958: DECL: 01/20/10  
TAGS: PREL, OSCE, EAID, AJ, AM  
SUBJECT: N-K CONFLICT: HOW TO GET TO "YES"

(U) CLASSIFIED BY AMBASSADOR STANLEY ESCUDERO. REASON  
1.5 (B).

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PAGE 02 BAKU 00296 01 OF 03 211047Z

1. (C) SUMMARY: THE N-K PEACE PROCESS WAS A MAJOR FOCUS OF THE CAUCASUS CHIEFS OF MISSION CONFERENCE ON JANUARY 19. PARTICIPANTS AGREED THAT A SETTLEMENT MUST BE REACHED THIS SPRING, OTHERWISE NO SETTLEMENT MAY BE POSSIBLE FOR A LONG TIME. CALCULATIONS BY BOTH PRESIDENT ALIYEV AND PRESIDENT KOCHARIAN ABOUT ACCEPTABILITY OF AN ACCORD TO KEY CONSTITUENCIES HAVE LED TO THE MAJOR STICKING POINT IN THE CURRENT NEGOTIATIONS -- "CONNECTING" THROUGH ARMENIAN TERRITORY BORDERING IRAN BETWEEN AZERBAIJAN AND NAKCHIVAN. THE KOCHARIAN-ALIYEV MEETING PLANNED FOR THE MARGINS OF THE DAVOS WORLD ECONOMIC FORUM LOOKS CRITICAL TO THE PROBABILITY OF SUCCESS. IF ARMENIA AND AZERBAIJAN CAN NOT REACH AGREEMENT AT DAVOS, THE MINSK CONFERENCE CO-CHAIRS AT THE TALBOTT LEVEL SHOULD BE PREPARED TO REACT QUICKLY TO VISIT BAKU AND YEREVAN AND PUSH THE PRESIDENTS TO RAPIDLY NARROW THE GAP, OR TO BRING A NEW MINSK GROUP PROPOSAL BUILDING ON THE AGREEMENT REACHED OR OTHER PROGRESS MADE AT DAVOS. THE U.S. AND OTHER

**REVIEW AUTHORITY: Frank  
Perez, Senior Reviewer**

INTERNATIONAL DONORS MUST BE PREPARED TO HELP FACILITATE A SETTLEMENT BOTH BY MEANS OF PUBLIC DIPLOMACY AND FINANCING THE COSTS ASSOCIATED WITH RECONSTRUCTION AND RESETTLEMENT. END SUMMARY.

2. (C) JANUARY 19 TO 21 U.S. AMBASSADORS FROM ARMENIA, AZERBAIJAN, GEORGIA, KAZAKHSTAN, TAJIKISTAN, TURKMENISTAN, S/NIS/C, S/CBED, AND EUCOM; AS WELL AS REPRESENTATIVES FROM EMBASSIES ANKARA AND MOSCOW; AND STATE DEPARTMENT REGIONAL OFFICES MET IN BAKU TO DISCUSS REGIONAL ISSUES. DAY ONE OF THE CAUCASUS CHIEFS OF  
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PAGE 03 BAKU 00296 01 OF 03 211047Z  
MISSION CONFERENCE FOCUSED ON THE CONFLICTS OVER NAGORNO-KARABAKH AND ABKHAZIA. A SUMMARY OF THE DISCUSSION ABOUT "THE ARMENIAN-AZERBAIJANI PEACE PROCESS: WHAT IS NEEDED TO GET TO YES?" FOLLOWS. OTHER DISCUSSIONS WILL BE REPORTED SEPTELS.

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HOW DID WE GET HERE?  
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3. (C) COM'S AGREE THAT THE PROSPECTS FOR PEACE ARE MUCH BETTER THAN AT ANY TIME SINCE THE CONFLICT BEGAN IN 1988 BECAUSE OF THE EFFORTS OF PRESIDENTS KOCHARIAN AND ALIYEV. EARLIER PEACE PROPOSALS NEVER HAD A REAL CHANCE OF BRIDGING THE GAP BETWEEN THE TWO SIDES. IN APRIL 1999 PRESIDENT ALIYEV, ON THE MARGINS OF THE WASHINGTON NATO SUMMIT, PROPOSED A LAND SWAP. PRESIDENT KOCHARIAN AGREED IN PRINCIPLE AND THE PRESIDENTS ENTERED AN EXTENSIVE SERIES OF DISCUSSIONS BASED ON ALIYEV'S PROPOSAL. IN SEPTEMBER DURING THEIR MEETING ON THE BORDER BETWEEN NAKCHIVAN AND ARMENIA, THE TWO PRESIDENTS AGREED ON THE OUTLINE OF A SETTLEMENT. BUT PROGRESS IN THE NEGOTIATIONS WAS DISRUPTED BY THE OCTOBER 27, 1999 ASSASSINATIONS OF THE ARMENIAN PRIME MINISTER, PARLIAMENT SPEAKER AND SIX OTHER OFFICIALS. THE SHOOTINGS AND SUBSEQUENT INVESTIGATION HAVE, ON BALANCE, WEAKENED PRESIDENT KOCHARIAN'S DOMESTIC POLITICAL POSITION. DISCUSSION FOLLOVED CONCERNING KOCHARIAN'S RECENT INSISTENCE ON ACCOMMODATIONS FROM TURKEY AND/OR CHANGES TO THE AGREEMENT REACHED IN SEPTEMBER ON THE NAKCHIVAN BORDER. SEVERAL FACTORS WERE SEEN AS  
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PAGE 04 BAKU 00296 01 OF 03 211047Z  
CONTRIBUTING TO THIS INCLUDING A DESIRE TO EXTRACT MORE CONCESSIONS DURING END-GAME NEGOTIATIONS AND AN ATTEMPT TO SATISFY BOTH LOCAL AND DIASPORA CONSTITUENCIES.

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TIMING IS EVERYTHING  
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4. (C) BOTH AZERBAIJAN AND ARMENIA NEED A PEACE SETTLEMENT SOON. PRESIDENT ALIYEV IS CONCERNED THAT RUSSIA WILL INCREASE ITS PRESSURE ON AZERBAIJAN FOLLOWING THE RUSSIAN PRESIDENTIAL ELECTIONS IN MARCH. HOWEVER THIS IS AN ALTERNATE POSSIBILITY -- THAT RUSSIA WILL ACTIVELY AND CONSTRUCTIVELY WORK TO SETTLE THE CONFLICT TO COUNTER-BALANCE THEIR MILITARY ACTIONS IN THE NORTH CAUCASUS. THE CAMPAIGN LEADING UP TO NEXT FALL'S PARLIAMENTARY ELECTIONS IN AZERBAIJAN WILL POLITICIZE ANY ONGOING NEGOTIATIONS. KOCHARIAN SEEMS TO

CONFIDENTIAL

CONFIDENTIAL PTQ9455

PAGE 01 BAKU 00296 02 OF 03 211047Z  
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C O N F I D E N T I A L SECTION 02 OF 03 BAKU 000296

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FEEL THAT A PEACE SETTLEMENT COULD BE USED TO BOLSTER HIS CURRENT DOMESTIC POLITICAL POSITION. IF A PEACE  
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PAGE 02 BAKU 00296 02 OF 03 211047Z  
AGREEMENT IS NOT REACHED THIS SPRING, IT SEEMS LIKELY THAT THE CONFLICT WILL CONTINUE TO FESTER AND, OVER THE COMING DECADE, MAY ESCALATE INTO FIGHTING AGAIN AS ONE SIDE OR THE OTHER ATTEMPTS TO REDRESS THE MILITARY AND TERRITORIAL BALANCE.

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THE STICKING POINT

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5. (C) PRESIDENT ALIYEV NEEDS A SETTLEMENT HE CAN SELL TO THE AZERI PEOPLE AND ONE THAT WILL ALLOW HIM TO PROTECT HIS POWER BASE IN NAKCHIVAN. ACCORDING TO AMBASSADOR ESCUDERO, ALIYEV SUPPORTS THE CURRENT PROPOSAL BECAUSE HE BELIEVES IT PROVIDES SUFFICIENT SEPARATION OF THE TWO ETHNIC GROUPS TO ENSURE A LASTING PEACE. IT ALSO CONNECTS NAKCHIVAN, HIS BASE OF POLITICAL POWER, TO THE REST OF AZERBAIJAN. PRESIDENT KOCHARIAN FACES A SIMILAR CHALLENGE. TO COUNTER ARMENIAN FEARS OF ISOLATION BY TURKEY AND AZERBAIJAN, AS WELL AS TO PREVENT OPPOSITION FROM POWERFUL ARMENIANS WHO CURRENTLY CONTROL TRADE WITH IRAN, PRESIDENT KOCHARIAN NEEDS TO PROTECT HIS TRADE CONNECTION TO IRAN. THE INTERSECTION OF THESE TWO LINES OF CONNECTIVITY IS THE NEXUS OF THE MAJOR STUMBLING BLOCK FOR NEGOTIATIONS.

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KOCHARIAN-ALIYEV SIDEBAR AT DAVOS LOOKS CRITICAL  
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6. (C) THE TWO LEADERS WILL MEET ON THE MARGINS OF THE  
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PAGE 03 BAKU 00296 02 OF 03 211047Z  
CIS SUMMIT JANUARY 25 - 26. AMBASSADORS ESCUDERO AND LEMMON DO NOT EXPECT ANYTHING SUBSTANTIVE OR CONCRETE TO COME OUT OF THE PUTIN-ALIYEV-KOCHARIAN MEETING IN MOSCOW. THE NEXT MEETING OF THE TWO PRESIDENTS, WHICH WILL TAKE PLACE ON THE MARGINS OF THE DAVOS WORLD ECONOMIC FORUM THE FIRST WEEK OF FEBRUARY, WILL BE CRITICAL TO ACHIEVING A SUCCESSFUL OUTCOME. ALTHOUGH ULTIMATE RESPONSIBILITY FOR AGREEMENT LIES WITH THE PRINCIPALS, THE MINSK GROUP CO-CHAIRS SHOULD BE PREPARED TO PUSH BOTH ALIYEV AND KOCHARIAN TO MAKE AS MUCH PROGRESS AS POSSIBLE AT DAVOS.

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AFTER DAVOS, THEN WHAT?  
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7. (C) WHETHER OR NOT AN AGREEMENT CAN BE REACHED AT DAVOS, THE U.S. AND OTHER MINSK GROUP CO-CHAIRS SHOULD BE PREPARED TO MOVE QUICKLY. WITHIN TWO WEEKS OF DAVOS THE MINSK GROUP CO-CHAIRS (AT THE TALBOTT, VEDRINE, AND BERDENNIKOV LEVEL) SHOULD RETURN TO THE CAUCASUS TO PUSH THE PRESIDENTS TO RAPIDLY NARROW THE GAP, OR TO BRING A NEW MINSK GROUP PROPOSAL BUILDING ON THE AGREEMENT REACHED OR OTHER PROGRESS MADE AT DAVOS. BOTH AMBASSADORS LEMMON AND ESCUDERO AGREED THAT THE U.S. SHOULD BE PREPARED TO MOBILIZE AN INTENSIVE DIPLOMATIC PUSH TO FACILITATE A SETTLEMENT BEFORE THE RUSSIAN ELECTION. THE RUSSIANS WILL WANT AND DESERVE SOME CREDIT FOR ANY EVENTUAL SETTLEMENT. THE GOVERNMENT OF IRAN, HOWEVER, SHOULD BE EXCLUDED FROM THE PEACE

PROCESS.

CONFIDENTIAL

PAGE 04 BAKU 00296 02 OF 03 211047Z

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WE MUST BE READY TO HELP IMPLEMENT A SETTLEMENT  
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8. (C) AFTER AN AGREEMENT IS REACHED, IT MUST BE SOLD TO THE ARMENIAN AND AZERBAIJANI POPULATIONS. AN AGREEMENT WILL HAVE TO BE RATIFIED BY BOTH PARLIAMENTS AND PASS A REFERENDUM HURDLE IN BOTH COUNTRIES. FACILITATING THE PUBLIC ACCEPTANCE OF AN AGREEMENT WILL REQUIRE A MAJOR PUBLIC EDUCATION AND OUTREACH EFFORT IN BOTH COUNTRIES TO EXPLAIN THE BENEFITS OF PEACE TO THE AVERAGE PERSON. IMPLEMENTING A SETTLEMENT WILL REQUIRE LARGE AMOUNTS OF INTERNATIONAL ASSISTANCE TO FACILITATE RESETTLEMENT OF REFUGEE POPULATIONS AND REHABILITATION OF DESTROYED OR DECAYED INFRASTRUCTURE. REFUGEES WILL BE CLAMORING TO RETURN TO THEIR HOMES ONCE A SETTLEMENT IS ANNOUNCED. IF SUFFICIENT RESOURCES FOR DEMINING AND

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CONFIDENTIAL PTQ9456

PAGE 01 BAKU 00296 03 OF 03 211047Z  
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RECONSTRUCTION ARE NOT RAPIDLY ALLOCATED, THE PEACE

SETTLEMENT WILL BE UNDERMINED. (NOTE: A DETAILED  
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PAGE 02 BAKU 00296 03 OF 03 211047Z  
DESCRIPTION OF THE NEXT DISCUSSION TOPIC, "AFTER 'YES,'  
THEN WHAT?" IS BEING REPORTED SEPTEL. END NOTE).

ESCUDERO

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