
Key West: Seeking Resolution or Sidelining Russia?

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April 2001

In a symbolic gesture marking the conclusion of the latest round of mediation seeking a negotiated resolution to the Nagorno-Karabakh conflict, U.S. President George Bush welcomed the Armenian and Azerbaijan presidents in separate White House meetings on 9 April. Those meetings followed an intensive round of talks in Key West, Florida, brokered by the representatives of the three co-chairs of the Organization for Security and Cooperation in Europe's (OSCE) special working group on the Karabakh conflict, the "Minsk Group."

Led by Ambassador Carey Cavanaugh, Russian Deputy Foreign Minister Vyacheslav Trubnikov, and French Ambassador Jean-Jacques Gaillarde, the four-day round of talks was officially characterized as "a bold and significant step forward." The negotiations are slated to reconvene in Geneva to study a new comprehensive OSCE peace plan in June with the possible inclusion of representatives from the unrecognized Nagorno-Karabakh Republic. The OSCE talks, although following a series of fifteen direct meetings between the Armenian and Azerbaijani presidents, were the first time that the Minsk Group officials met with the Armenians and Azerbaijanis at the same time.

The thrust of the Key West talks centered on the concept of "conflict economics," focusing on the economics of the region as both promise and peril. The economic incentives are based on a planned World Bank assessment to provide the framework for an international donors' conference to finance regional reconstruction and promote economic reintegration once a settlement has been reached. This emphasis on the economics of the conflict also reflects subtle developments in the region. These subtle changes follow a shift in domestic pressures from political to economic challenges in Armenia, Azerbaijan, and in the unrecognized Nagorno-Karabakh Republic itself.

The most visible change in the region is the recent Turkish economic crisis. The severe economic downturn in Turkey has abruptly deflated Washington's long-standing advocacy of the proposed Baku-Ceyhan oil pipeline, seriously questioning the Turkish ability to abide by its pledge to meet additional costs if the initial \$2.5 billion estimate proves too low. This development has also strengthened the appeal of the promises of Western regional reconstruction and assistance as incentives for settlement. These developments also demonstrate the futility of relying on the Baku-Ceyhan pipeline a major factor for regional stability and integration, a futility ignored by the Clinton Administration for some time.

For Armenia, the most serious challenges facing President Robert Kocharian are not political, but economic. These economic challenges are both internal, as seen by the serious exodus of Armenian citizens seeking employment abroad in recent years, and external, as demonstrated by the crippling blockade of the landlocked country by Azerbaijan and Turkey. Having weathered several domestic political crises, Kocharian must now overcome Armenia's economic vulnerability. Realizing this, Kocharian has already demonstrated both a willingness for dialogue, evidenced by his meetings with his Azerbaijani counterpart, and a willingness to negotiate, as seen by his recent selective leaking of peace plan details to prepare Armenian public opinion for a possible resolution.

In Azerbaijan, the key to stability increasingly lies with the economics of conflict resolution. And stability is essential to allow President Heidar Aliev to install his son Ilham as his successor. Overcoming the population's general frustration with its failure to benefit from the hoped-for wealth generated by Caspian oil will be vital to ensuring a degree of transitional stability and

legitimacy. The concentration of the oil profits in the hands of a small political elite centered around the president has only exacerbated the divide between the Azerbaijani elite and society, further undermining the Aliev regime.

Aliev has negated domestic political challenges by deftly challenging the opposition to propose their own alternatives for resolving the Karabakh conflict. And when the opposition could offer no more than the tired rhetoric of war, Aliev effectively dislodged them from the politically comfortable position of opposition without proposition. But marginalizing the political opposition does not meet the challenges posed by the mounting economic disparities, corruption and increasing social protest in the country.

Both the recent French initiative, as seen by the Paris talks in early March, and now Washington's Key West talks, represent an attempt to counter the last three months of Russian activity in the Transcaucasus. The state visits to Azerbaijan and Iran by Russian President Vladimir Putin, the planned summit meeting on the division of the Caspian Sea, and Moscow's coercive pressure on Georgia are all aspects of the new assertive Russian approach to the region.

The revamping of Moscow's strategic policy regarding the Transcaucasus has spurred the U.S. to hurriedly counter the Russian diplomatic offensive. Following an unprecedented meeting in late March with Chechen leader Aslan Maskhadov's foreign minister, Ilyas Akhmadov, the Bush team has demonstrated a subtle, but significant, policy shift placing the Transcaucasus within the overall rubric of U.S.-Russian relations. Seen in this light, the Key West model represents a U.S. attempt to garner much more than a resolution to the protracted, yet contained, Nagorno-Karabakh conflict.

The Key West talks actually signal an ambitious U.S. effort to secure regional dominance to overcome the Caspian puzzle of ports and pipelines. Closing the Key West talks with the announcement that it will convey the results of the talks to non-OSCE member Iran, "an important player in the region," the U.S. is seeking to outflank Russia by extending an opening to Iran.

Given Iran's role in the region, and its strategic importance as the only regional power bordering Armenia, Azerbaijan, and territories controlled by the Karabakh armed forces, this may well signal a more comprehensive initiative to engage Iran. Such a move would also show support for Iran's reformist president prior to upcoming elections and could allow Washington to utilize Iran, which borders both the Caspian and the Persian Gulf, as an export route for Caspian oil, thereby bypassing Russian territory.

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