

SOUTH-2015/07/15

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Discussants:

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PROCEEDINGS

MR. KIRIŞCI: Well, good morning to you all. I realize some of you may have been a victim of the Red Line, and this is also why we're starting a little bit later than what we had planned for. I'd like to welcome you to our event on the launch of our report, "Retracing the Caucasian Circle."

Thanks for the support you're extending to us right in the middle of the summer. I'm really excited to see that we do have a full house.

I'd like to also extend my thanks and welcome to the diplomats and the ambassadors who have joined us from the region but also beyond it.

The title of our report, as some of you might suspect, is indeed inspired by Bertolt Brecht's *The Caucasian Chalk Circle*. We would like to think that our report has a somewhat similar message of hope and good expectations for a more stable, prosperous, and peaceful South Caucasus.

I will not go into the substance and the details of the report and its recommendation; that is Fiona's task this morning.

Instead, let me briefly mention that this report is part of our Turkey policy paper series run under the U.S.-Turkey Forum that was instituted in collaboration between Brookings and the Turkish Industry and Business Association, TUSIAD.

The report is actually based on two trips we made to the region in 2014 and earlier this month, and it is thanks to a grant that was given to us by the JGenesis Group. This enabled Fiona Hill and Andy Moffatt, who is, I think, in the back, the Deputy Director -- there is Andy.

Andy is our hero because when we were traveling from Tbilisi to Yerevan by car through unbelievably beautiful landscape -- in Armenia, the roads, I'm afraid, are very narrow, very twisty. And the most exciting part of it was that we were picked up by a

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left-hand drive of Japanese car and Andy immediately volunteered to sit in the front where normally drivers sit in a regular car, and you can imagine how exciting it gets when you're winding yourself through this beautiful, mountainous landscape, in and out between large trucks. So I'd like to commend Andy's heroism there.

And this also gave me a chance to be in the region. We held a series of interviews, discussions with a wide range of officials, civil society representatives, businesspeople, as well as activists. We would like, of course, to extend our thanks to our interlocutors for the time they gave us but also the generosity with which we were received in the three countries of the region.

These trips were great learning experiences, especially for me, and also somewhat a source of embarrassment for me because I have to confess that I had never really visited the region with the exception of a very, very brief foray to Baku during the three decades I was a professor right next door in Turkey. So the trip also showed me once more the privilege of being part of Brookings and the respect that Brookings received and enjoyed in that part of the world.

Incidentally, I am Kemal Kirişci, the Senior TUSIAD Fellow at CUSE, and I'm excited that I will be moderating this panel this morning.

And Fiona Hill, who is my boss and the Director of the Center for United States and Europe, will reflect on the report, share with you a couple of our recommendations.

And I'd like just to underline I know many of you are very familiar with Fiona.¹⁵ Fiona's experience with this geography goes a long way back, and she does also have her book with Cliff Gaddy, a colleague and a friend from Brookings, called *Mr. Putin*. I don't get any commission for saying this, but I would highly recommend you to acquire a copy, possibly on the way out from the bookstore there.

Fiona will speak about 15-20 minutes, and then she will be followed by remarks offered to us by our panelists.

To start with, Eric Rubin, a very good friend. I'm really grateful to Eric, not only for being with us this morning but being a really very good friend to me here in Washington, D.C. He's the Deputy Assistant Secretary for precisely a large geography that does include the Caucasus, and he, too, has a long experience with the region and is a speaker of the languages and the *franca lingua* of this region, Russian.

He will be followed, again a good friend, and we're very grateful that he was prepared to support us somewhat at the last minute, Klaus Botzet, who is the head of the Political, Security, and Development Section of the European Union's delegation here in Washington, D.C. He, too, has a very distinguished, longstanding career with the German Foreign Ministry.

And last is my friend, and we also go back a long way. He graduated from Robert College/Boğaziçi University two years ahead of me, Ünal Çeviköz, the former Ambassador to London but also the Deputy Assistant Secretary that negotiated the unfortunately ill-fated protocols with Armenia that had aimed to normalize relations between Turkey and Armenia. He, too, has a long distinguished record in diplomacy. And while Eric served in Moscow in 2008-2011, he doesn't show it, but Ünal served in Moscow when Brezhnev was still there in 1981.

Each panelist will have five to seven minutes to reflect on Fiona's remarks.

And this gives me the privilege and honor to turn the floor to Fiona. And she may refer to the exciting times she just had on the Metro from Bethesda to Dupont Circle that I'm sure you're very familiar with.

Fiona, the floor is yours.

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MS. HILL: Thank you so much, Kemal. The Red Line actually makes you wish that somebody would come and annex it. I'm hoping actually right now that there will be a takeover, imminently, of our infrastructure.

It actually feels rather nostalgic for those hairpin bends in the Caucasus. At least we were moving even if Kemal and I were, I'll have to admit it, cowering in the backseat as Andy looked out the window to make sure we could swing around the truck. Kemal and I were a couple of wimps, it has to be said, on that trip, even though much more pleasant than the Red Line.

Kemal's introduction made, I think, all of us feel incredibly old, not quite as old as the Caucasus but pretty much getting there actually. So, anyway, I hope that --

MR. KIRIŞCI: I didn't mean to.

MS. HILL: All of this accumulated decades, maybe centuries, of wisdom that we represent here, hopefully, we can distill into something.

However, I have to say right at the beginning that we have quite modest aims for this report. Actually, some of you in the audience, so I see, were kind enough to actually share your thoughts with us for this, too.

And as we told some of you when we were preparing this, that it wasn't our goal to do the definitive study. This was much more of a working paper as part of our series, to try to assess the current state of play in the region, which is always changing, and to sketch out some parameters for thinking about the future.

It is based, as we've said, on long-term research that all of us have been undertaking and the trips to the region, but you know, we did this for a particular reason. Obviously, I'd be very grateful to hear Eric's thoughts on this, as well as Klaus's and Ünal's.

But for many of you here in the audience, obviously, the South Caucasus

is a very important region. Many of you are from the region. Many of you have been studying it. But it's not always self-evident for others in the United States or even in Washington, D.C., that we should be paying so much attention to the South Caucasus.

So why was it that we decided that it was important to do this report?

Well, if we think about the events of the last couple of years, particularly the huge blowup with Russia over Crimea and the Ukraine, the last time we had a blowup with Russia over a geopolitical issue was in Georgia in 2008.

And I'm always amazed at many of the meetings I go to now, talking about Russia, when people talk as if this was a bolt from the blue in Ukraine and Crimea, as if, you know, nothing had ever happened before that may actually raise questions about whether Russia and the United States and the West and the European Union are on the same page in terms of their engagement in key regions. Well, the South Caucasus is one of the first places where it became extremely apparent that we are not on the same page in terms of our perspectives for the direction of the region.

But for the United States, in particular, the South Caucasus has been a priority since the 1990s, and Eric has been working on the region, you know, for all of that time, since he was about 12. So Eric will be able to take us through the trajectory of those relationships.

And, of course, the first reason was because of the hydrocarbon resources of the South Caucasus. After the so-called "Contract of the Century," that being the 20th Century, in 1994, with Azerbaijan and international oil companies, the whole focus of the region was very much defined by the export of oil and gas resources from the Caspian Basin to Europe, across the Caucasus, across Azerbaijan and Georgia to Turkey, which brought the Europeans, the Turks, and the United States into policy coordination.

But in the more recent times I have to say that we've really struggled with formulating more sustainable policy approaches. Once the heady days of all of the energy diplomacy tended to dissipate, which was about 10 years ago roughly, we've had a harder time of coming up with a coherent vision that we've been able to pin our policies to.

And, in fact, as we've outlined in the report and one of the reasons for writing this, since the crisis of Crimea and Ukraine, the earlier confrontation between the European Union and Russia over the dueling agreements of the E.U. Association Agreements and the Eurasian Union, we've all tended to take a step back in our engagement in the region. I mean the United States and the European Union but also, to some degree, Turkey, which we're also going to talk about.

And although it's not a second-tier issue for Eric -- it's a first-tier issue, and Eric is the one person in the U.S. government who I think, given a test, spends more time on the ground in the region. And many of you know this at firsthand. For most of Eric's colleagues and for many of those in think tanks, I'm afraid the South Caucasus has become something of a second-tier issue rather than a first priority.

Now that prioritization is not, I have to say, due to a reconsideration of the strategic importance of the region. It's just because of the bandwidth and the capacity for dealing with foreign policy crises. And if we think about all the crises that we've just been reading about on the front pages of the papers today, it's pretty obvious why we can't spend as much time in looking at the issues in the South Caucasus as we did, you know, perhaps in the 1990s.

And, again, it's been the function of the difficulty of adapting our vision for the prosperity, stability and security of the region to a rapidly changing geopolitical environment and how to deal with this and also, frankly, diminished resources because

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over time we've had so many competing issues on our portfolio. I mean, the European Union now is grappling with so many different crises that it's very difficult to figure out, you know, where we go forward.

So this is why we wanted to really do this report when we started off about 18 months ago -- because we've seen in our interactions with people here and our various visits to the region that at least the perception of Western entrenchment, especially on the part of the United States and the European Union but also on the part of Turkey, has had consequences. There's been real, genuine consequences on the ground in terms of attitudes of political elites but also on the level of the population, and it's showing up in opinion polls, and it's certainly showed up in all of our interviews.

There were many people who have become very invested in the relationships with the United States and Europe over the last 25 years in terms of business and trade ties, people-to-people ties, but also expectations about association with Western institutions. And these were all institutions and relationships built up as a means of diversifying their options, not as an either/or in many cases.

But now people feel very much burned, and that was really the message that we got from our various study trips -- a real sort of sense of frustration and, in some cases, anger with the perception that the United States and the E.U. have started to leave the scene in the last couple of years.

One relationship in particular that I want to flag -- and, presumably, Eric and others may say more about this -- the bilateral U.S.-Azerbaijan relationship having been such an important relationship in the 1990s and early 2000s is now, it has to be said, almost on the rocks. And it's a result of dashed expectations on both sides, not just on one side or the other, and a great deal of frustration.

And it's also hard to say that Azerbaijan and Europe's relations are in the

best of shape either, and there's a number of factors for this which we outline in the report.

But, overall, I just want to stress that the United States and the West are in the region, in the South Caucasus states and you know, more broadly, viewed as weak and neglectful at this particular point. And we feel very strongly that that has to be addressed, which is one of the reasons that we wanted to write the report and then do this event today, to discuss about how this might be tackled, because there's still a great deal of demand in Georgia, Azerbaijan, and Armenia for workable, constructive, sustainable relationships with the United States, with the European Union, and with Turkey, as well as with Russia and other players in the region.

So some of the issues that we tackle in the report I'm just going to run through very briefly and then, hopefully, to hear the reactions of my colleagues here.

The first thing that we lay out in the report is that we have to recognize that the South Caucasus is an extraordinarily complex region. I guess that's a bit a "duh" kind of moment. Yes, of course it is. And, that there are many factors and interests at play here.

But there tends to be a rather superficial discussion outside of the region about these issues, a not sufficient of a recognition of the local, meaning the sub-national factors, and each of these are multi-ethnic, multi-regional countries in and of themselves. I mean South Caucasus countries of Georgia, Armenia, and Azerbaijan are complicated even in their internal configuration. So you have local, national, regional, and international perspectives that you have to factor in.

It's a place, a region, where events move at a very fast pace. Since we completed the report, we've had the aftermath of the Turkish elections, which we were only hinting at in the report, and ongoing attempts to form a government, which will

obviously have some impact. We've had protests in Armenia over electricity price hikes, which there wasn't particularly a sign of when we were there in our interviews. And now there's the Iranian deal, which people talked about in the region, but no one anticipated would actually announced the day before we do the launch of this report.

So, sorry, we didn't have time to really talk about this too much in the report. Now all of these issues will have a bearing on regional developments.

And while we were on our trip the Georgian government underwent a massive upheaval, Russia signed Association Agreements with Abkhazia [in-and](#) South Ossetia, and Armenia signed the Eurasian Union agreement with Moscow, and that was all in a few days.

So you can see that in the South Caucasus events change all the time, but none of these events are necessarily game-changers. What it shows is that there's a great dynamic there and a lot of interplay factors and events that make it hard to say what's decisive in the region's trajectory.

The other thing that's very clear in spite of the small geography is that this is no longer a cohesive region. In the 1990s, we tended to think of the South Caucasus and Central [Asia](#) first together; that was quickly dispelled. Eric no longer has to cover, I mean, basically a territory that is larger than Europe although there's just as many countries and it's just in one small space.

But in the case of the South Caucasus, Armenia, Azerbaijan, and Georgia cannot be said to be on the same trajectories, and it really struck us when we were traveling around the region about how much the individual countries define themselves in opposition to the other. Just on a very superficial level, Georgia describing itself as Western-oriented; Azerbaijan talking about being unaligned, nonaligned, even with very strong economic ties to Europe under the European Union; Armenia describing

itself as closely tied to Russia and, yet, with its heart in the West. I mean a very, you know, kind of complicated set of descriptions.

The other thing is there are no firm regional institutions to bring the countries together. I mean, there are lots of external institutions where other countries are members -- the OSCE, the Council of Europe -- but in the region itself there's been no formal regionalism that has occurred over the last 25 years. Central Asia has the Shanghai Cooperation Organization, admittedly with Russia and China, but the Caucasus don't have anything really similar.

And the recent wars and ongoing conflicts keep pulling all of the states apart. Even though Georgia has good relations at least, you know, on many fronts with Azerbaijan and Armenia, as well as Turkey and to some degree, Iran, of course, Georgia has very strained relationships with Russia. So no matter where you look there's a complication, and in the relationships it doesn't really help to bring the region closer together in terms of trade -- and trade and politics.

So what we do in the report -- not to go on too much longer because, hopefully, you'll be able to have a quick read through it. We've tried to keep it short, understanding that people have limited bandwidth for what they can read these days, as being among it. As well, it's painful writing something long, as I can attest.

We run through the shifting role of the regional players, including Russia. We emphasize very strongly, for those of you who are wondering, that Russia remains the dominant player in the region in terms of economic and political issues, not just in terms of security, and that we have to factor in Russia's position in current and future policy, and especially now with the impact of the annexation of Crimea and the crisis in Ukraine this has had on the South Caucasus.

We also look at a range of other factors at play beyond Russia, and the

main conclusion that we've had is, unfortunately, there's no real silver-bullet policy that we can recommend to shift the regional trajectory. That might be a bit of a disappointment for those of you who might be looking for it. It was a disappointment for us, too, to realize that there's not really one thing that you can recommend for moving forward.

But that may, in itself, also be an innovation because at many times in the past, as we outline in the report, many of the regional players have tried to have a big signature policy to try be a game-changer in the region, and those have really not succeeded in the ways that we have hoped.

But one of the key innovations that we want to point out is actually recognizing the role of Turkey in the South Caucasus, and that's actually, you know, one of the reasons why we have Ünal here and we wrote the report. Now that's not just because we have a Turkey paper series, which we're very grateful that is funded by TUSIAD, but it's because it's obvious that Turkey has been a longstanding historic regional player and it's also a player that's neglected in many of the other calculations in the region.

Turkey, because of its membership in NATO and relationship with the E-U-, has a significant role. It's actually seen as part of the West in the three South Caucasus countries. And Turkey, obviously, has an important relationship with Russia that is evolving and has changed quite dramatically over the last 10 years.

But apart from in a few instances, some of which we note in the report, there's been very little coordination among and between the United States, the European Union, and Turkey, not to say it hasn't happened because all three people will attest that it has. But there's a great deal of room for improvement here and even a division of labor if we think creatively looking forward in terms of enhancing regional security, stability, and

economic growth because all three players have very similar goals and interests in the region. I think there's much more commonality than there is differences. It's not the same kind of situation that we really had faced with Russia.

And as we discuss in the report, there's quite a bit going on at the respective foreign ministry and regional specialist level, the working level, but we could easily step this up. And that's something I know that Eric has been working on in his position.

So one of the things that we do recommend is figuring out how the three players of the E.U., U.S., and Turkey could work together at different levels, looking forward.

One of the aspects that we thought the three players could really focus on is the idea of soft regionalism rather than this idea of official, formal regional institution-building in the region, which hasn't been very successful so far. What we mean by that is building up on the people-to-people and grassroots contacts that are already there in the South Caucasus and that we saw in ample evidence on our trip and that everybody here sees on a regular basis. Even Turkey and Armenia, beyond the official structures, have done a lot to move forward their relationship in spite of the lack of formal diplomatic relations, and Georgia has played a key role in this.

One of the aspects of soft regionalism is really kind of finding workable models and mechanisms for this, and that's something Ünal Çeviköz has been very active in. So we were hoping that he might talk about this as well.

We do also think that Turkey's fairly positive relationships with all of the players, with the exception of Armenia, obviously, but not at a grassroots level, could actually help to play some important role here.

Now in talking about the idea of soft regionalism to substitute for the lack

of formal regional institutions, we also want to recognize that those are not sufficient in themselves to address many of the problems in the South Caucasus, and there are many people in the region who expressed to us that lots of the track two, civil society, people-to-people contacts simply paper over the real problems in the region. So we shouldn't be forgetting the real problems with conflicts and many of the fractured relationships, but they can, nonetheless, be catalysts for confidence-building and for forging a sense of belonging to a shared geographic space even if you don't see the South Caucasus as anything particularly coherent.

And when we talk about soft regionalism we're also thinking much more broadly than just the three states but also including with Russia, with Turkey, and now potentially with Iran, as well as much more broadly across the Black Sea and Caspian in different directions.

Everything that we heard in the South Caucasus was that regional populations, elites, businesspeople, you name it, want to have options. They don't want to be trapped in a rather self-contained geographic area. They want to be able to have every imaginable connection with the outside world, and soft regionalism can be one way of pushing that forward.

But for this to happen, as we say in the report -- and I just want to wrap up now -- we do need to tackle some of the ruptured U.S. and E.U. and Turkish relationships at the diplomatic level, and that means U.S.-Azerbaijan needs to have particular attention, not just the usual Armenian-Turkish or Turkish-Armenian or Georgian-Russian relationships. We have to pay attention to the whole complex of current restrained relations.

One of the other things that we have to do is do no harm. I mean that -- I think that was one of the messages that came out loud and clear. A lot of people were

nervous about us writing this report. It wasn't just that they didn't want their names in the report. They just said, "We hope you're not going to recommend something that will backfire, and you know, lead to more problems."

You know, just look at what happened with the Association Agreements with the E.U. This wasn't intended, but these intended consequences. You have to be rather modest in expectations. Don't raise people's ideas of what's going to happen here and then have them dashed.

One of the cautions that we heard pretty much at every single interview that we had was no imitation policies, and what people meant by this was saying that we're going to do something that we can't sustain over the longer term. So the idea that we dash in with an idea, and then we dash out when it fails, and then we sort of disappear.

Now none of the major international players have actually disappeared, but it's the perception that once we have a single big idea that then doesn't really go anywhere that we take a step back and then, you know, we don't seem to be as engaged as we were before. But Eric and Klausyle and UManal will tell us, we are still engaged and we have to figure out then how to be creative.

Another idea that came up was thinking about innovative relationships outside of the box. The Swiss government, for example, have government, for example, has played a very active role in being creative on all kinds of different ways of resolving issues across borders. I won't talk too much about this, but you know, this might come out in some of the discussion.

And also, we were told very strongly that we have to think outside the regional box on other players coming in. Iran, I keep stressing, is going to be a logical player in the region. And once we see what happens out of this deal we can expect that

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Iran will have some kind of role, as it always has done in the South Caucasus, but also China.

One of the issues that kept being stressed was the idea of the "New Silk Road." Now in the South Caucasus that has not become the reality that it has in Central Asia and on the routes from China all the way through to Europe, but Azerbaijan has been stressing that in its regional policy, about the idea of becoming a transportational infrastructure hub across the Caspian and for Europe. And we heard similar discussions in Georgia about the buildup of Georgian ports and Georgian infrastructure.

So the last thing that I wanted to leave us with is the idea that while the South Caucasus might have been a hub for hydrocarbon, gas, and oil exports in the past, perhaps we're soon to be looking at a road where it becomes more of the crossroads for trade and economic ties that it used to be in a more distant past. And so perhaps there is some promise here of a new future for the region.

So thank you very much. I did go over a bit more than I anticipated.

Hopefully, everybody will read the report.

And, Eric, you can have at us with your critiques. We'd be very appreciative of that.

MR. KIRIŞCI: Well, thank you very much, Fiona.

I mean, I was involved in putting the report together, but I have to confess that I would have never managed to distill it in the fashion that Fiona has just done.

Eric, as we turn to you, that suggestion of Fiona as part of this notion of soft regionalism, the "Silk [RouteRoad](#)," I was wondering, Eric, whether the American government could make sure that no left-hand drive vehicles are allowed on the route of the region. Would we be on the same page on that?

MR. RUBIN: Well, thank you.

And I should say I've been on that road and, even with a right-hand drive vehicle, passing those trucks is a little scary. So I can visualize the experience.

But let me start out by saying thank you to Kemal and Fiona and Brookings for sponsoring this talk. I'm really glad to be here together with Ünal and Klaus, to have this conversation, because I strongly endorse the idea that we need to pay more attention to the South Caucasus, to all three countries, to the issues that in many cases have defied resolution for many years, and also to the lack of sufficient regional initiatives, not just integration, but cooperation, trade, and conflict resolution.

I think Fiona's description of the complicated international situation in 2015 is fair and accurate. There's no question that there are conflicting demands and crises that are confronting all of the major players on the world scene, and certainly the United States and the European Union are included in that.

I think I'm pleased to say that one of the real success stories of my tenure in this job and of the past several years, I think, has been the growing cooperation and coordination between the United States and the European Union, most specifically between Washington and Brussels, but also with the Member States, in capitals. This is something that I think we've always strived to do and, to be fair, probably gave a lot of lip service to. But it's really in recent years that we have really worked to ensure that we're pushing in the same direction, that we're exchanging information, and on the ground in this entire region, specifically the South Caucasus but more broadly the entire region, that we are working together and across purposes.

And I really do consider that a success story because there's so much broadly that we share in terms of objectives and interests and concerns. And with the Association Agreements that the three countries have now signed and are in the process

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of ratification, that also becomes more immediate at the same time that we're moving toward TTIP and negotiations on creating one big Transatlantic economic space.

Let me step back for a minute and just say that it's true that I was 12 years old when I started working on these issues, and that was in 1988. So I have indeed seen the entire arc going back to before independence, when I was the Internal Politics and Nationalities Affairs Officer on the Soviet Desk in the Office of Soviet Union Affairs at the State Department, working in 1991 to set up relations with all the new states of the former Soviet Union, traveling to the region in the late 80s in the wake of the Armenian earthquake and the independence movements.

So I have seen the entire arc, and I have to say that there's much to be very positive about in how far all three countries have come from what was probably the most tumultuous corner of the former Soviet Union at the time of the breakup.

But at the same time there is so much unfinished business, and there is so much that remains to be done. And in that regard I would say this report is very welcome because I think it needs to be emphasized that the status quo is not acceptable, is not satisfactory, certainly not to the United States government; I think not to anyone who looks at this region.

And I think to the governments and the peoples of all three countries in the South Caucasus, no one would argue that this is as good as it can be; as a matter of fact, definitely to the contrary.

What I do think is very positive in the report -- and I welcome it -- is the idea that we cannot shy away from trying to solve the big problems and the big conflicts, but at the same time we have to not let failure to solve those problems prevent progress. I wouldn't even say on the margins because that's a dismissive way of describing it, but on parallel tracks, whether it's government to government or people to people or regional

integration, because the big issues are not going to be settled easily. They would have been settled already if it were easy.

And to some extent that can be an excuse for saying, well, then it's hopeless; there's nothing we can do. We rejected that approach consistently in all of the major areas of effort that we've worked on. We've rejected in our role as a co-chair in the Minsk Process, trying to bring a fair, just resolution to the conflict between Armenia and Azerbaijan. We've rejected that in our participation in the Geneva discussions on Georgia, which again, 20 years later, remains a set of very painful and difficult issues that have defied resolution but can't be ignored.

| And at the same time, in a positive sense, we've insisted that we ~~try-tried~~ to bring in a regional perspective. That was the idea behind our support for the negotiations that led to the protocols that I know Ünal was very deeply involved in, an effort that we still believe was the right thing to do and ultimately does have the kernel of vision and wisdom that can lead to, I think contribute to, a settlement there even though the past several years have not been a success story in terms of implementation of that agreement.

And that is also, I think, very much behind our strong support for the vision of the South Caucasus as a global hub, as a global nexus, as a center for trade and, obviously, the investment and infrastructure that comes with that trade. That's a vision that has already taken big steps forward.

| And I think I myself was not aware until recently of just how far the infrastructure has developed, but many of you may know -- but some of you may not know -- that we're less than a year away from the key part of that vision, which is a shipping container being loaded onto a train car in Guangzhou and being unloaded in the Port of Adana or Bersen, or on the Black Sea, or maybe even if there's capacity,

transiting the Bosphorus Tunnel by train into the rest of Europe and beyond. That's this year, and that is a very, very big deal.

And, obviously, that vision is still in its early stages. Obviously, it's just the beginning of what we hope to see.

And I think it fairly needs to be said that, unfortunately, that effort so far does not include Armenia, and ultimately, I think for this vision of the South Caucasus to be successful all three countries need to be part of it. Obviously, that will require resolution of some of those big-picture issues that are hard.

And I think we do, as Fiona said, have to be realistic in not overpromising and not saying that we think we can do things that we're not sure we can do. But at the same time we really shouldn't be defeatist. And I think we feel very strongly that we cannot be defeatist in saying that these problems are too hard and it's been too long and they'll never be solved, both because that's not right morally -- there are too many people whose lives are still affected in a horribly negative way by the conflicts in the South Caucasus and the impact that's had on real human beings -- but also because I think there may be moments coming in the not so distant future where there will be a readiness to start dealing with the hard decisions that need to be made.

This, I think, is happening on multiple tracks. It will need to continue to happen on multiple tracks. We have the formal processes, the diplomatic negotiations. We have parallel tracks between and among governments. We have facilitators such as the co-chairs in the Geneva Process and in the Minsk Group. We have the support of others, including the United States, European Union, Turkey in some instances.

And we do have the people-to-people track two efforts which, I agree with Fiona, are not a substitute and ultimately are limited to some extent by the diplomatic realities, by the government-to-government realities but do make a huge difference in

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opening channels of understanding and lessening tensions.

And we've seen this in other conflicts around the world, not a substitute for the diplomatic progress but can be a contributor to it, and it's something that we've been proud to support and will continue to support with not just support in principle but also with funding and whatever efforts we can help to do that.

I think in a sense of why the South Caucasus is important. I think the report addresses both the positive vision, the vision of the South Caucasus as a hub, the vision of three sovereign, independent countries. That has been at the core of our relationship with all three countries since we established diplomatic relations in 1992.

But I think also in the negative sense, in that failure to pay sufficient attention, failure to devote the effort to solving these problems, leaves us, the world, the region, open to some real dangers. This is, after all an area where there are still unresolved military conflicts, not just political conflicts but military conflicts, that have the potential to flare in ways that can be unpredictable and ultimately dangerous.

Fiona pointed out -- and I think she's absolutely right -- how striking it is how little commentary there was in the past year during the crisis in Ukraine about 2008 and before 2008 and the fact that this is now 20-plus years that we've had 2 unresolved conflicts in the South Caucasus, both of which have had involvement of the Russian Federation, and that this is part of a regional pattern. This is not isolated. You cannot really separate the two.

So I think remembering how important that is but also remembering the dangers of not resolving these conflicts, the dangers of unpredictable events or things that just happen. We know how history is written. Sometimes things happen that weren't intended and weren't expected and have consequences. So that's one of the reasons I think I can say that we are strongly committed to keeping our active involvement in the

conflict resolution.

The other thing, I would just say the trajectory going forward. I think the emphasis on the economic piece has to be, I think, stronger than it has been because ultimately that is also a factor in either the stability or the instability of this region.

And the truth is there's been a lot of progress in many respects if you look back to 1991-92, but at the same time there are still way too many people in all 3 countries who have not achieved the basic standard of living that they aspire to -- the vision that they had at the time of independence. Some of that can be addressed by trade, by regional integration, and I think that is part of it. That has been the focus of our assistance efforts.

And I think it's fair to say that, while they continue, this is also an example of challenges in terms of all the other things going on in the world that we need to keep involved in supporting economic growth and development.

And the other last piece I would say is on energy. I think also it is accurately stated that it's also one of the most important pieces in the effort to ensure that there's a diversity of energy sources and that there are secure, multiple energy sources for all the energy-importing countries in the world, whether it's gas or oil. And I think the South Caucasus continues with, obviously, Azerbaijan as the crux of that, to be a key part of that.

So I think that sort of sums up where we are.

I think I just want to end by restating that at a time of multiple challenges and commitments we very strongly are committed to doing everything we can to help not just improve the relationships with the three countries but to advance the conflict resolution, advance economic growth, and to support that original vision that I was privileged to be part of back at the time of independence of all three countries. This is

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still a very live process. This is still a real page of history that's being written. And I'm very glad that you've given us the opportunity to focus on it.

So, thank you.

MR. KIRIŞCI: Eric, thank you very much. You've given us a lot of material.

But I'm well aware that time is flying by. So, Klaus, I'm turning the floor to you and invite you to be within five to seven minutes in your interventions. We're not all Super Powers, you know.

MR. BOTZET: Very true. Let me first thank you, Fiona, Kemal, for inviting me. It's a great honor and a pleasure to be with such distinguished colleagues here on the panel.

And I would like to second Eric in what he said at the outset, that the cooperation between the United States and the E.U. on the region, and in the policy in helping the region's three countries there to move forward, has been outstanding and is really a success story. And, as we speak, this coordination continues and has become our standard modus of operation.

Now the E.U. has already, a number of years ago, in the midst of the 2000s, developed the Eastern Partnership Policy to help 6 countries in its eastern neighborhood to move towards democracy, good governance on the political side; on the economic side, develop free market economies and basically decide about themselves, about their own political future.

This policy has been taken a step forward now significantly in May at the Eastern Partnership Summit in Riga. And this summit, which had a very high attendance of heads of state and governments, exceptionally high, brought a number of messages.

The first is really that the E.U. is, and remains, committed to make this

policy effective and to bring the countries ahead. But the change is it takes into account the choices the countries have made in a differentiated manner.

Georgia has signed the Association Agreement, and we're already applying provisionally a deep and comprehensive free trade agreement with a lot of success. The exports of Georgia to the E.U. have jumped already in the first 6 months of the application of the agreement by 12 percent.

Moldova, further in the north, not part of the region but still also one of the signatories of a deep and comprehensive free trade agreement, could see its exports rise by 20 percent.

So commitment, differentiation, the strategic horizon.

And we're perfectly aware that the aspirations in the country -- countries are high and patience is low, but we're now in the phase of the hard groundwork. Reforms need to be made. Institutions need to be strengthened. Good governance needs to be followed through not only on paper but also in daily practice, and that includes the fight against corruption.

We need to move ahead on people-to-people contacts, visa facilitation regime. Again, the example of Moldova, which is benefitting now from a visa-free regime without any problems in the E.U., is a very good example.

And looking to Georgia, the visa facilitation agreement is in place, and the Commission is looking favorably at the end of this year to make a report and recommendation to Member States.

So the financial support of the E.U. for the region remains strong. Two hundred million euros have been committed to support the development of small and medium-sized enterprises in Georgia and Moldova.

At the same time, the European Partnership Policy remains inclusive.

We remain engaged with Armenia and see where we can move ahead after Armenia's decision to join the Eurasian Union. Of course, a trade agreement is off the agenda.

We remain engaged with Azerbaijan.

We strengthen our cooperation in the various sectors, including energy, electricity, and gas interconnections also in the South Caucasus.

And the overall financial commitment is very substantive. We made 3.2 billion euros available to partner countries in the timeframe of 2010 to 2014, and in 2014 around 730 million have been granted.

So I take Kemal's suggestion to be brief.

I agree with much of what has been said. We must not be defeatists. We must remain committed.

The E.U. is committed. It's putting consideration resources on the table, and it's prepared to work with the countries where they are politically. The E.U. will not, by no means, give up on its values. Our democratic values, human rights, free speech, free press -- these are essentials for us, on which we will continue to work with all partner countries.

So where are we? The Eastern Partnership Policy is work in progress, and it will continue to be so, and we remain committed to it.

As our representative said, nothing of this is really sensational, but it's beneficial for the countries in the region. And I think that's a good way to sum it up.

MR. KIRIŞCI: Well, *merci finalement* for being brief.

And now turn to Ünal to receive a Turkish perspective before we engage you in a question and answer session.

MR. ÇEVIKÖZ: Thank you very much, Kemal. First of all, thank you for your initial remarks while you were introducing me. You almost defined me as a

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contemporary of Brezhnev, and that is something that I --

MR. KIRIŞCI: But you were five years old then. So it's okay.

MR. ÇEVIKÖZ: I started my diplomatic career in the former Soviet Union in 1981, and for 3 years I was in Moscow as the Second Secretary of the embassy. And at that time, of course, I never thought that there would be a time when we would not see the Soviet Union as an immediate neighbor, a land-bordering neighbor of Turkey, but it would be replaced by three independent countries like Georgia, Armenia, and Azerbaijan.

But it happened, and it only happened 10 years after my beginning of my career abroad in the former Soviet Union. This doesn't mean that I'm responsible for the developments in the 10 years after 1981.

However, I was very pleasantly surprised. And during my career, actually, I had been at least in two rounds back in the Foreign Ministry in Ankara, being responsible for the region -- once as a Deputy Director-General for the Caucasus and Central Asia and, secondly, as the Deputy Under Secretary for being responsible for the region again.

And in both of these occasions I just figured out that the region has problems and the problems of the region are very difficult to tackle. As Fiona has mentioned, it's a very complex region, and the problems are the vestiges of the disintegration of the former Soviet Union. But they are not very easy to resolve, and probably a united effort has to be put in practice, particularly on the part of the three actors that we have now mentioned here -- the U.S., the European Union, and Turkey.

Turkey has always been one of the most important actors in the region. And, frankly speaking, I have to underline this; Turkey has been there, and Turkey has been trying to get a resolution to the problems in the Caucasus for 25 years, but in the initial phase of these 25 years Turkey has been left alone.

The United States and the European Union have not been particularly siding with Turkey in the first years of the independence of these countries. It has been only Turkey who has tried to bring these countries into the international community by helping their membership in the OSCE, in the Council of Europe, and also in the United Nations. That is something that I have to underline.

But then in time, when, of course, the United States and the European Union started to look into the region and started to see that these three independent countries are important actors in the region, then coordination probably started between the three actors.

Now I have to make two observations, very important observations here. One is the role of Turkey in the Caucasus region as an actor, and particularly as an actor who has developed an opening policy to the region, and for that matter I have to underline that this is pertaining to the Turkish-Armenian relations starting with 2008. And the second one that I want to underline is the role of Turkey to offer a kind of multilateral platform for bringing these countries together in the region.

The first thing that I want to mention is: How did we come to the development of Turkish-Armenian relations and how did we look at the normalization process in 2008? I think it is important to underline that this was a very logical outcome of the Turkish foreign policy which was pursued at that time. Turkey was opening to new geographies, and Turkey was trying to overcome the bilateral issues which were pending in its immediate neighborhood, and Turkey was looking to develop a problemlesess region in its neighborhood.

And Turkish-Armenian relations was one of the pending black holes, let's say, and Turkey was being unable to develop a comprehensive Caucasus foreign policy or, for that matter, a comprehensive Caucasus policy in its foreign policy agenda because

it was only able to develop bilateral foreign policy formulae independently with Georgia, with Azerbaijan, and also looking at Armenia again in a separate file.

The lack of Turkish-Armenian diplomatic relations and lack of Turkish-Armenian relations was prohibiting Turkey to become a real stakeholder in the Caucasus region. And that was the reason why Turkey, in a way, started to overcome this difficulty.

I think it is mentioned in the report that the Turkish-Armenian normalization process had, of course, its miscalculations. I wouldn't call these miscalculations, but perhaps I would refer to them as misunderstandings because we had a very functional division of labor between Turkey and Armenia during the talks that we had for the normalization of our bilateral relations. Armenia was going to explain what was happening between Turkey and Armenia to the Russians, and we were, in a way, having our obligation to explain what was happening there and what was our intention to our Azeri friends.

I think we both successfully explained this to our counterparts, and we have also explained that the Turkish-Armenian normalization process was never intended to be independent of the realities of the region. And we have also underlined that the Turkish-Armenian normalization process would go parallel to the development of peace talks between Armenia and Azerbaijan. So these two processes would be mutually reinforcing one another, and this has been very clearly defined right at the outset, both to the Armenian side and also to the Azeri side.

Now what has happened in the process was we came to a point in 2009 when we were able to finally sign the two protocols in Zurich on the 10th of October 2009. Well, after that, the protocols had been sent to the parliaments of both countries, of Armenia and Turkey. But due to several developments that couldn't be of control, we got stuck with the ratification process in the parliaments. It has been five years, and both

countries are still unable to go on with the ratification of these two protocols.

Now this is a situation which, of course, brings us back to square one because we have done a lot of progress and we have tried to overcome the difficulty that we had in the Turkish-Armenian bilateral relations, but we have been unable to go forward. We have just made the possibility of signing those two protocols, which is also a very important breakthrough because since the Kars Treaty it is the first time that the two countries have undersigned two protocols which makes, of course, a historical development in the history of Turkey and Armenia.

Now almost at the same time Turkey took a very important and a very bold initiative, and that was the launching of the Caucasus Stability and Cooperation Platform. The Caucasus Stability and Cooperation Platform was intended, in a way, to bring an atmosphere of commonality to the countries of the region. It was intended to bring Georgia, Armenia, and Azerbaijan together with Russia and Turkey because these two were the most important neighboring actors of the region.

And, in the format of these five countries, we just thought that such a multilateral platform would give us an opportunity not directly to address the political problems or the bilateral issues among these countries but perhaps to create a common understanding for their peoples, for their societies, that there could be other issues that we could find which would bring the peoples of the region together, closer to one another. The Caucasus Stability and Cooperation Platform was launched in 2008, and we had successfully at least 3 meetings at the level of deputy ministers, and we have been able to identify certain parameters which would allow us to continue on.

But now when we look at the region -- and I think we are perhaps referring to the report here -- none of the actors, neither the United States nor the European Union nor Turkey have the Caucasus region as a priority item on their agenda.

This is simply not because of the fault of the three actors or because of the developments in the Caucasus region. It is simply because of the reality of the other geographies which are imposing themselves.

And Turkey has, of course, a very important priority issue on its foreign policy agenda now. It is the south border of the country, it is Syria, it is the Middle East, and it is the Eastern Mediterranean.

But this does not mean that we should forget about the Caucasus, and this does not mean that we should simply ignore what is happening or what may happen in the future in the South Caucasus. And that's the reason why I would simply refer to the issue of soft regionalism in the report, which is a very important idea to come forward.

And I think it is also proper to mention here the concept that I very much appreciate from Joseph Nye. He was in London at the London conference organized by Chatham House at the beginning of June, and he made it very clear that the international relations of the 21st Century is not going to be only between the states and the international organizations, but we have to take into consideration the newcomers, the new actors which are nonstate actors, which are NGOs, which are civil society organizations, and they are going to be a very important element which will perhaps add to the dynamism of international relations. And here comes the soft regionalism.

And that is the reason why I want to emphasize that on page 23 there is a very interesting observation of the report, which says that the U.S., the E.U., and Turkey have been unable to coordinate and unable to come forward with coordinated joint efforts. But this is a time when perhaps we should start to bring our forces together between U.S., the E.U., and Turkey so that we can come forward with coordinated efforts.

And, there, I would simply plea that the idea and the concept of the

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Caucasus Stability and Cooperation Platform should be revisited at the level of civil society, and probably it will give us a better opportunity for bringing the interests of the peoples of the region together.

Thank you very much.

MR. KIRIŞCI: Many thanks, Ünal.

I realize time has gone by very quickly, and rather than intervene with my own remarks and questions to the floor I'd like to take very quickly three questions, and even maybe four, because time is very limited.

Let me start with you, sir. Okay. And then maybe in the back, too. All right.

QUESTION: Hi. Yusuf Bevalny, AzerTAc.

My -- I have a two-part question, but I'll be really quick.

In July this year, maybe like two weeks ago, the Armenian parliament ratified an agreement with Russia according to which Russia will extend a \$200 million loan to Armenia for the purchase of Iskander-M -- the NATO call this SS-26 Stone -- ballistic missiles. Now this is a highly sophisticated, hypersonic ballistic missile which has a range of 500 kilometers, which means it can hit any target within Azerbaijan, any oil infrastructure. And, needless to say, it will be deployed right next to a NATO member, Turkey.

And it was also reaffirmed by the Deputy Defense Minister of Armenia that that loan will be used for none other than military means.

So has -- why is it that the administration officials or any NATO official did not make any comments or given any reaction concerning this issue to the Armenian government?

And the second part of the question has to do with the foreign policy of

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Armenia. In April this year, the -- I'm going to give you two quotes. The first one is by President Sargsyan. He was giving out an interview to the Russian channel [Russia 24](#), in which he said, quote, "Armenia will coordinate its foreign policy with Russia," end of quote.

The second quote is from Bakhshivan, the leader of the illegal regime on the occupied territories of Azerbaijan. He gave an interview to a prominent Argentinian newspaper, *Clarín*, in which he said, quote, "We must say that Russia is actually helping our force, and our officers are constantly training with our Russian colleagues," end of quote.

And he actually said that it's actually up -- it's a time issue that Nagorno-Karabakh will join Armenia, will be united with Armenia.

So what does that tell you about the actual chain of command in Southern Caucasus and the realities that are actually behind the curtains and not some talk about the self-determination or independence of Armenia, which is virtually not independent?

Thank you.

MR. KIRIŞCI: All right. Thank you.

I encourage you to think of matters beyond the high politics that may be vehicles to addressing these specific questions that were raised.

Bill, yes, we'll go there.

QUESTION: Bill Drozdiak with Brookings and McLarty Associates.

I know it's at an early stage, but I wonder if we can get the views of the panel on what could be the impact of the lifting of sanctions on Iran, the opening of new trade relationships -- particularly, Turkey and Azerbaijan are contiguous and have had in the past important relations with Iran -- and particularly on the energy sector, whether gas

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and oil supplies, will affect the geopolitical picture in the region.

MR. KIRIŞCI: Thanks, Bill.

I need to be balanced in terms of the distribution here. I can't avoid here, but I did promise someone way back. We'll come to you.

QUESTION: Eric Ismalian.

Going back to the question posed by the Azerbaijani representative, just making a comment on it, like comparing the Azerbaijani military expenditure to Armenia's military expenditure, there's a drastic difference. And, in fact, Azerbaijan increased its military expenditure up to three billion, which is more than Armenia's entire budget.

And my question is: Is there going to be some condemnation of the constant Azerbaijan ceasefire violation and the recent downing of the Armenian helicopter that was flying in Armenia's territory?

My question is like: Is someone is going to condemn that before like making any accusations to Armenia?

Thank you very much.

MR. KIRIŞCI: Eric, I'm still pleading to go into soft regionalism. So I hope you will do that for us.

MR. RUBIN: Okay.

QUESTION: Thank you for a great presentation.

I'm Elliott Hurwitz. I'm a retired economist and State Department official. I traveled to Armenia in 1989 and 1990 after the earthquake, and there was no energy at all in the entire country because the gas pipelines from Azerbaijan were closed. Please be more specific about the energy availability in the South Caucasus.

I saw the oil being pumped in Azerbaijan. I visited in Armenia seven times. I visited Azerbaijan three times and Georgia three times. So I just would like

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some specifics about the energy availability.

Thank you very much.

MR. KIRIŞCI: And, many thanks.

I think we have just enough time here to reflect on two very different sets of questions and remarks that I think very much captures the dilemma that we have in terms of pushing the region into a more positive, constructive future.

Eric, you're sitting right next to me, and some of those tough questions may be addressed more easily by you.

MR. RUBIN: Well, certainly. Let me start by tackling the question of military acquisitions.

I think one of the reasons we do believe that the Armenia-Azerbaijan is dangerous is because of the dramatic increase in spending on the highest technology weapon systems that are available, primarily for both sides, coming from the Russian Federation. And we do believe that there is a danger that this increased level of sophisticated armament increases the risk of conflict. And so that is a concern we've expressed in the Minsk Group; it's a concern we've expressed publically.

We think that there is no military solution to this conflict. We think the vision of a just and peaceful, lasting, mutually beneficial solution is the vision that needs to be kept in everyone's mind. That's a vision that's been pursued now for two decades, so far unsuccessfully. But again, as I said earlier, there is no better answer and all the other alternatives are too horrible to contemplate.

So I think emphasizing that there's no military solution, emphasizing that for both countries we hope that there will be a renewed commitment to making progress in the negotiations. It's not easy. There are choices that have to be made to achieve a settlement that are difficult on both sides. That's why it hasn't been achieved yet. We will

do everything we can, together with the other two co-chair countries, to support that and to try to bring that about.

I would add -- and in that regard as well -- it's too early to say, and it's not my role to say, what the impact of the agreement with Iran will be. Obviously, this has been watched very, very carefully in the region. Obviously, all three countries have important relationships and equities.

I think it's safe to say there will be an impact, and the hope is it will be positive. I think at this point I can't go beyond that because it is premature.

But I think looking at the vision of regional integration, obviously, some day that vision should include all the countries of the region. I think that's something also to key off what Ünal was saying, that this needs to be broader in terms of all the participants.

In terms of the incidents that have occurred along the line, in terms of the clashes and sniper incidents and other things, we've also been very clear that we think it's very important for both countries to do everything they can to avoid exacerbating what's already a very tense and dangerous time. So avoiding incidents is critical. This is where the OSCE plays such an important role with Ambassador Kasprzyk and his team on the ground.

Again, there's a danger to developments that are unintended but that happen, and I think it makes it even more critical.

Finally, just to touch the energy piece, I'm not the right person to talk about the supplies, but I do remember the days in the 90s when in Georgia and Armenia the energy situation was catastrophic. It's come a long way since that -- then, but there needs to be a lot more regional development, a lot more diversification in supplies, to ensure that there's energy security.

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MR. KIRIŞCI: Thanks, Eric.

If I'm ever given another chance, I'd like to start my career at the age of 12 in Moscow to be able to handle difficult questions so eloquently.

Fiona, I thought I'll leave you to the very end to make the final wrap-up.

Klaus, would you, please.

MR. BOTZET: Just very briefly. I can only echo what Eric Rubin has said very eloquently and much better than I can do it.

We are concerned about the military tensions. It's not a good sign. And we just as much believe there cannot be a military solution to the conflict, and it would be disastrous if it were to be attempted.

On the energy side, I must say -- I must admit I do not have now very concrete numbers with me.

I understand the situation has much improved in the past years, and we've been involved from the E.U. side in talks on the southern gas corridor and on the expansion of the South Caucasus Pipeline, the Trans-Anatolian Pipeline, and the Trans Adriatic Pipeline. So there is conceptual work going on to further increase energy security and energy supply for the region together with the countries of the region.

MR. KIRİŞCI: Thanks. Thanks, Klaus.

Ünal, your turn to reflect on the tough questions and the more economic integration-oriented questions.

MR. ÇEVIKÖZ: Yes, very much along the same lines, just like Eric said and just like Klaus said, Turkey does not wish to see any kind of military escalation in the region, and it has been a very long period for the Nagorno-Karabakh problem.

And the Minsk Group has been, of course, in action for more than 20 years, and Turkey has always been very much involved in the Minsk process. Turkey is

a member of the Minsk Group.

And contrary to the understanding which is generally prevailing in the international community, Turkey has been probably -- in addition to the 3 co-chairs -- that is to say United States, Russia, and France -- Turkey has been the third and a half co-chair of the Minsk Group because the 3 co-chairs have been always in good coordination with Turkey because Turkey is the only other member of the Minsk Group, which is composed of 11 countries, which is adjacent to the region and which is neighboring to the region. So Turkey has been following the activities of the Minsk Group very closely.

I think Turkey is probably one of the countries which has been quite forthcoming in drawing the attention of the danger of escalation in the region, and I am sure the Turkish Foreign Ministry has made a lot of declarations about these kinds of incidents which have taken place at the ceasefire border. And in the last example of the incident, I think the Turkish Foreign Ministry has also made a similar declaration, drawing the attention of the international community and also of the two parties to the danger of military escalation.

That is the reason why I think we should look at the opportunities of developing a kind of platform which would bring these countries at a different level, and that is the importance of soft regionalism. Otherwise, it would be disastrous if either of the parties attempts to resolve the problem through use of power or military means.

When it comes to the energy issues, Iran is now going to reunite with the international community, and Iran may become an important game-changer in the energy equation in the region. Certainly, the lifting of the sanctions is not going to happen overnight. There is a program, and it will be expanded on a period of several years, and gradually we will see the importance of Iran coming into the region as an important game-changer in the energy equation.

But I think we also have to make it very clear that although there is a possibility of Iranian oil and gas coming further to the West, and perhaps adding in that matter to the TANAP project in the south corridor, most of the Iranian exports will be probably continue to go through the Gulf. And when it goes through the Gulf, it will probably be heading towards Asia and to the Far East because traditionally both China and Japan and the countries in the Far East, have been the main customers of the Iranian energy exports. So this is also something to be taken into consideration, which will not make a very drastic change in the overall energy balance.

The third issue that I want to mention is, of course, for the region itself. I think all the countries in the region -- Georgia, Armenia, and Azerbaijan -- would not be willing to see themselves being dependent on only one source of energy. Particularly in the case of Armenia, this is certainly Russia. So Iran's coming back into the energy equation and being a possible contributor to the energy issues of the South Caucasus may help all the countries in the region to diversify their sources.

MR. KIRIŞCI: Many thanks, Ünal.

I think in the remaining minutes I'd like to turn to Fiona to wrap up today's event and draw some conclusions.

Fiona, thanks.

MS. HILL: Thank, Kemal.

I think this --

MR. KIRİŞCI: We have five minutes exactly.

MS. HILL: Yes. This question of Iran is a very important one, and it did come up in many of our interviews. And I have to confess that we really didn't give it its due in the report because there was so much of a kind of -- so many questions.

I think Ünal has expressed perfectly about the questions about the

energy balance, that it will obviously have some impact, but it may not be to the extent that we anticipate because of the competing demands on Iran's exports from Asia. And, of course, that's obviously the fastest growing region in terms of energy demand, and Iran would be foolish not to look east as well as to west.

But I think some of the infrastructure projects that China is planning, that include Iran, also open up other questions about trade and transportation around in the region, through Iran, and into the South Caucasus.

We already saw actually, when Armenia's energy situation was so dire in the period you described, that supplies were actually sent from Iran. And Iran remains a key neighbor of Armenia and a key trading partner.

What we saw over the last several years is that countries like Georgia and Armenia actually had to step down their trade and relationships with Iran because of sanctions.

Georgia, in fact, had quite flourishing trade relations with Iran until relatively recently and actually a very open visa regime. Iranians were able to travel freely to Georgia for business and also for tourism, and Georgia, when it began its negotiations with the European Union for visa liberalization, obviously had to put more restrictions on Iranians visiting Georgia. And up until then you actually saw a lot of low-level trade, a lot of smaller Iranian businesses, but that were adding to a rather flourishing economic dynamic.

So you can expect on low levels of trade, not on the high level, that you would see a lot of economic developments with Iran becoming an important trading partner, perhaps not on the highest level and that we'd be talking about big shifts, but certainly on the levels of commerce, on retail, and kind of wholesale goods, with all three countries.

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Obviously, the Azeri-Armenian relationship -- Azeri-Iranian relationship, rather, has been quite tense on Caspian demarcation, and we might have to pay close attention to this when Iran is, you know, fully back in the picture again, but I think that there is a lot of promise with Iran.

So the message from all of this is that the dynamics that we normally focus on, including the Armenian-Azeri military tensions, are not the only games that we're going to be seeing in the South Caucasus. And perhaps as more players become involved, as China moves in, and Iran regains its regional position, there actually might be an inducement to Armenia and Azerbaijan to think very differently about their own future.

And I have to say that in our visits to the region there were two things that really disturbed us the most.

It was the level of bellicose rhetoric from both Azerbaijan and Armenia, much more so from Azerbaijan about Armenian, which led to questions about Azerbaijan's future role as a hub because if there's a constant threat of conflict it makes it very difficult to imagine the security of trade and commerce there.

But also, in Armenia -- and I want to just be very blunt about this because I'm not a diplomat -- we were also disturbed by how much Armenia has just decided the Nagorno-Karabakh issue is, in many respects, territorially resolved. All the tourist maps in Armenia have Nagorno-Karabakh just as part of Armenian territory.

And in an atmosphere where we have major questions about the annexation of territory by a major player in the European security format -- Crimea and Russia and the "horse" crisis eastern Ukraine -- this is, frankly, not helpful. Even for tourists, it's not helpful. But it's certainly not helpful for anybody who knows anything about the situation in the region. So I think Armenians have to do a bit of soul-searching

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here as well.

If we're thinking about getting out of the problems that we're in, these are the issues that we have to tackle. I just want to stress again that we've all got our work to do.

As Klaus and Eric have said, there is a lot of coordination that's been happening more and more over the last few years between the E.U. and the U.S. It's certainly something that's been a major and very important development.

But I do hope that as we're listening to Ünal, who is personally now doing an awful lot of work behind the scenes, that we can do an awful lot more with Turkey and not to exclude Russia, Iran, China, and other players from this either; that's not the intention of this report.

There are a lot of questions about Russia's regional role, not least the fact that Russia is selling all of these weapons to everybody. Russia is the security guarantor of Armenia and, yet, is selling the same kinds of sophisticated military equipment to Azerbaijan. And in fact, in the negotiations with Iran, the S-300s that Russia was talking about at one point selling to Iran ended up being sold to Azerbaijan, presumably not to defend Azerbaijan against Turkey or Iran, presumably against Armenia, but also not clear. And, yet, Russia is a security guarantor of Armenia.

So there's a lot of contradictions that, if we're honest about, need to be resolved here. But as Eric and Klaus and Ünal said, none of these means that we should give up, and there are many different ways in which we can address this. So we do hope that that this report will be a modest step in this direction.

There are many other people working on this topic. We gave a list of suggested reading at the back for other things that people have been doing. They're all short.

And I think there's a lot of really good ideas out there about different configurations in which we can all work together.

MR. KIRİŞCI: Thanks, Fiona.

Before we conclude, please allow me to chip in my substantive point on this exercise. Thirty years of teaching was struggling with two perspectives on international relations for me -- one coming from this realist Hobbesian perspective, and one from the more Kantian but, dare I say, E.U. experience of international relations.

And one thing I always felt frustrating in those 30 years is the way in which let's call it the E.U. perspective was always taken lightly, attributed to naivety, in maybe one of the regions where the risk of this being raised is the South Caucasus.

Whereas, I'd like to argue against the background of those 30 years that soft -- the notion of soft regionalism or civil dialogue does contribute, maybe slowly, often in very inconspicuous ways, towards achieving some stability and peace.

And I have, frankly, seen that in the Armenian-Turkish relations. There's still a long way to go, but it's taking place, and I think it's taking place mostly as a function of that second perspective. And I really look forward to the day when that will also be the case between Azerbaijan and Armenia, bearing also the remarks of Fiona.

I really wholeheartedly thank you for being with us today and hope that you will follow up on our report and future events in this area. Thank you.

Thank you, Rick. Thank you, Fiona. Thank you, Klaus. Thank you,
Ünal.

(Applause)

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