

**AMBASSADOR YOVANOVITCH REMARKS
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Mr. Prime Minister, Distinguished Guests, Ladies and Gentlemen: Good Morning.

I am pleased to participate in this forum today to discuss something we all hope to see soon: The establishment of diplomatic and economic relations between Armenia and Turkey. Thank you to the American Chamber of Commerce for organizing this event.

I would like to welcome Professor Guven Sak and his colleagues from the Economic Policy Research Foundation of Turkey (TEPAV) and thank them for making this visit to Yerevan. We have an impressive turnout this morning, which attests to the interest in Armenia in developing a strong economic and commercial relationship with Turkey.

And of course, I would especially like to thank the Prime Minister for accepting AmCham's invitation to speak here.

As you all know, the United States Government is a strong advocate of the establishment of diplomatic relations between Armenia and Turkey. Supporting and encouraging the normalization process is one of my highest priorities as United States Ambassador to Armenia. Over the past 18 months - ever since President Sargsian's invitation to President Gul and the start of "football diplomacy" - the Armenian and Turkish governments have made impressive strides in ending their long estrangement. We have been heartened by the talks over the past year and the signing of the Protocols last October, as well as the messages this week between the countries' leaders. I am hopeful about their ratification, and the U.S. government will continue to press for both countries to approve those agreements.

The business communities and NGOs in both countries have been out in front on this issue for some time. I know many of you have worked for years for closer ties between Turkey and Armenia, and some have engaged in cross-border commerce despite the obstacles posed by a closed border. I was encouraged when in December 2008 AmCham and its Turkish counterpart, the American Business Forum in Turkey, issued a joint statement calling for the normalization of economic relations. Then, last October, the co-chairs of the Turkish-Armenian Business Development Council - Kaan Soyak and Arsen Ghazarian - issued a statement in support of the protocols.

Like many of you, the United States Government sees establishment of relations between Armenia and Turkey - and the expansion of economic ties - as a winning proposition for all concerned. Governments that encourage free movement of their citizens across borders and cooperate economically with their neighbors maximize their economic as well as their political stability. There have been a number of studies on the potential economic impact of an open border. The methodologies differ, as do the estimated costs and benefits. But overall, the various studies agree that opening the border would be a positive development for both countries' economies.

Many have expressed concerns about how some industries or regions might be injured economically by an open border. There is fear of competition, businesses going bankrupt and individuals losing jobs. Those concerns should be taken seriously, as a major change like opening a long-closed border will clearly be a challenging event that needs to be carefully managed so that short-term shocks are minimized. But in the end, it will create more opportunity and long-term gains for consumers and entrepreneurs in both countries.

I don't want to under-estimate the challenges here, but I also want to state the obvious: all around the world closed borders and restricted trade between neighbors are the exception - not the norm. And the reason that is so is that countries have found that closed borders are not in their interests. Open borders facilitate trade and political understanding and therefore strengthen security. Opening the border between Armenia and Turkey will require adjustments - some major, some less so, but I am confident that the long-term benefit to Armenia, Turkey and the region - far outweighs any short-term economic impacts.

In meeting with people around Armenia in all segments of society, my experience has been that while some may have reservations about the Protocols - or about some specific economic consequences - they are, in general, overwhelmingly in favor of restoring relations between the two countries and opening the border. Nobody forgets the past, but most are focused on the future. They are concerned about their own prospects, Armenia's development, and they understand how an open border would ease Armenia's isolation, create economic opportunity, and benefit Armenia's children.

During the August 2008 conflict between Russia and Georgia, Armenians – government officials and ordinary citizens - were reminded, once again, of the enormous risk the country takes by depending mainly on one country's transport corridor, especially for its imports. In today's global economy, no country can be self-sufficient or thrive in isolation from its neighbors. It's true of the United States; it's true of Armenia. While President Sargsian had already begun his outreach to President Gul, the events of that month provided a concrete example of how Armenia's isolation threatens its economic security, and how important normalization of relations with Turkey is to Armenia.

The benefits of normalization to Armenia are clear: An end to geographic and economic isolation; expanded export opportunities, especially for depressed communities near the border; opening of new transport routes that would reduce transport costs; easier access to Armenia for Turkish goods; increased competition and choice for Armenian consumers; and new export routes for Armenian products.

An open border immediately allows Armenia to be part of a much larger market - over 70 million compared to 3 million - with all the advantages that brings. In addition, with Turkey and the European Union linked by a Customs Union agreement, for trade purposes, an open border with Turkey would put Armenia on the border of Western Europe. The Armenian Chamber of Commerce recently estimated that trade between Armenia and Turkey reached \$300 million in 2009. With open borders it could surely be several times that amount.

Armenian officials tell us that they are ready -- based on the agreement signed after President Gul's visit to Yerevan in September 2008 -- to begin exporting electricity to eastern Turkey, where it is badly needed. Armenian telecommunications firms are ready to connect fiber-optic cables to Turkey's network, greatly increasing the stability and capacity of the country's telecommunications and internet services, a sector that has already seen impressive growth over the past year. These two initiatives don't even necessarily require a general opening of the border - it's just a matter of stringing wires. Such economic ties would be a welcome step forward – even before an open border – and with the economic benefits so apparent, we think the economics could help drive the politics.

Turkey, also, stands to benefit from normalization. Turkish companies would have new export markets in Armenia, and by establishing operations here, they could take advantage of favorable export tariffs to Russia and other CIS countries, at the same time as they create employment for Armenians. Over time, the interaction of these two business cultures would, in my view, benefit both countries by increasing transparency in business transactions. With an open border we would hope to see, at least, a reopening of the Gyumri-Kars railway, which would not only facilitate trade between Turkey and Armenia, but would help to revive Kars, which went into serious decline after the line was closed in 1993. In political terms, it is clear that Turkey would benefit from normalizing relations with Armenia and an open border, especially as it seeks further integration with the EU.

I am very pleased that the delegation from TEPAV has come to Yerevan this week, and that so many of you turned out for today's event. Whatever political issues lie between Armenia and Turkey, relations between everyday Turks and Armenians are, in my experience, extremely positive, and it is clear that Turkish and Armenian businesspersons are willing and able to do business together. I strongly encourage business organizations on both sides of the border to impress on their respective governments how both countries stand to benefit from an open border. Visits like this one help to advance the dialogue, and can help to drive the process of normalization between Turkey and Armenia.

I look forward to Professor Sak's presentation this morning and to the opportunity for us to engage in a productive discussion about our shared interest in strengthening cross-border ties.

Thank you.