

THE DIPLOMACY OF QUALIFYING INDUSTRIAL ZONES

An Alternative Scenario of American Brokerage between Armenia and Turkey

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ABSTRACT

The author investigates an alternative, indirect settlement between Armenia and Turkey expected to lead the negotiations out of the dead end into which they were pushed by the refusal of Ankara and Yerevan to ratify the Zürich Protocols. On the one hand, American-Swiss mediation and the shuttle diplomacy of 2008-2009, crowned by the sensational signing of the Turkish-Armenian protocols, inflated international expectations. On the other, the euphoria created by what looked like a fundamental solution to one of the most complicated conflicts of the twentieth century proved to be short-lived.

In the rapidly changing geopolitical situation around the Southern Caucasus, the opening of the Turkish-Armenian border has acquired a new meaning in the context of regional and global security. This problem calls not for mind-boggling initiatives inevitably doomed to loud diplomatic failures (this is what happened to the signed and not ratified protocols), but for less ambitious, albeit implementable programs.¹ We must study and apply the successful experience of trade and economic programs elaborated for bor-

der regions of geographical neighbors divided by political conflicts.

This article offers for discussion the Qualifying Industrial Zones (QIZ) project the Clinton Administration proposed in 1996 to Israel, Palestine, Egypt, and Jordan to be applied within the framework of normalizing Armenian-Turkish relations. The author contemplates the possibility of limited opening of the Armenian-Turkish border as a natural and necessary result of QIZ in the Kars-Gyumri border region and looks further into the political feasibility of setting up two more QIZs. One of them can be set up at the border between Armenia and the Nakhchivan Autonomous Republic (an exclave of Azerbaijan), the other, at the meeting point of the borders of Georgia, Armenia and Azerbaijan. In both cases this might prove to positively affect the Nagorno-Karabakh conflict and intensify integration in the Black Sea region and the Southern Caucasus. At the same time, these developments might contain Baku's negative response to the opening of the Armenian-Turkish border. An Armenian-Turkish QIZ set up with the U.S. brokerage might become a serious stabilizing factor against the background of new challenges to regional and global security and the deepening dividing lines in the Southern Caucasus and around it.

¹ See also: R. Shougarian, "Armenian-Turkish Diplomacy: Track I Failures and Track II Prospects," *Armenian Review* (Boston), Vol. 54, No. 1-2, Spring-Summer 2013.

KEYWORDS: *international mediation, normalization of the Armenian-Turkish relations, the American-Swiss initiative, opening of borders, Qualifying Industrial Zones (QIZ), Free Trade Agreement (FTA), the U.S., Obama, Clinton, Israel, Palestine, Egypt, Jordan, Georgia, Azerbaijan, Nakhchivan Autonomous Republic, Nagorno-Karabakh conflict, Russia, Customs Union, regional cooperation.*

Introduction

The Turkish-Armenian reconciliation of 2009 was one of President Obama's first foreign policy initiatives; it relied on confidential talks organized with the help of the Foreign Ministry of Switzerland with the obvious aim of scoring an impressive foreign policy success at the beginning of the president elect's first term.

Under the pressure of President Obama's ardent desire to play a decisive role in the complicated dialog between Ankara and Yerevan before the 100th anniversary of the Armenian genocide, America poured unprecedented diplomatic efforts into the process to achieve the Turkish-Armenian Protocols signed in Zürich. The prospects of establishing diplomatic relations between the two countries and opening the Armenian-Turkish border looked like a tectonic geopolitical shift in the Black Sea/Southern Caucasus region and an important factor in the context of global security and protection of American interests at the crossroads of Europe and the Middle East.

Yet what began as a sensational piece of news about the Turkish-Armenian Roadmap, which led to the historical ceremony of signing the documents in Zürich, ended in a diplomatic impasse. The protocols turned out to be another castle in the air—they were never ratified. Today, new approaches to mediation of normal relations between Armenia and Turkey have become vitally important.

Euroatlantic Interests and the Closed Turkish-Armenian Border

The following factors of geopolitical semantics of the Turkish-Armenian border as seen from Washington clarifies the logic of the Euroatlantic interests in the Black Sea/Southern Caucasus region and the reasons behind America's sudden interest in and active mediation of a dialog between Ankara and Yerevan:

- the closed gates between Armenia, a young country with a million-and-a-half-strong diaspora in the United States, and Turkey, America's main ally in the Middle East;
- the closed central gates between the countries of the Black Sea basin and the Southern Caucasus;
- the closed central gates between Armenia (the Southern Caucasus) and NATO;
- the closed central gates between the country-candidate of the EU and the countries involved in the European Neighborhood/Eastern Partnership program;

- the closed gates between Turkey and Central Asia;
- the closed gates that block direct access to the historical Silk Road, communications and energy sources;
- the closed gates that block direct access of the United States to the region bordering on Iran, Iraq, and Afghanistan;
- the last and only closed border in Europe.²

Certain Regional Arguments in Favor of Opening the Armenian-Turkish Border

The economic expediency and mutual profitability of opening the Turkish-Armenian border are obvious. In his article “Economic Impacts of Re-opening the Armenian-Turkish Border,” Haroutiun Khachatryan writes: “Right now, the only regional markets accessible to Armenian producers are the Armenian domestic market of 3.2 million people and Georgia with its 4.5 million inhabitants. As both countries are poor, this poses weighty restrictions on Armenia’s economic activity. Two other neighbors, Azerbaijan and Iran, are well nigh inaccessible to Armenian exports, the former for political reasons, the latter because of its high trade barriers. Thus, opening the Turkish market to Armenia would greatly improve the country’s investment rating, which is presently stymied by the narrow limits imposed on its foreign trade...”

“The opening of the Turkish-Armenian border would benefit Turkey, too. First of all, it would stimulate the regions of Turkey bordering on Armenia. The provinces of Erzurum and Agri are among the least developed in Turkey with a per capita GDP of less than half the Turkish average (and also less than in Armenia).”³

International intermediaries should create maximally clear political and economic mechanisms to arrive at an efficient Armenian-Turkish settlement. The academic community of the European Neighborhood and the EU countries started talking about corresponding integration mechanisms even before Georgia, Armenia, Ukraine and Moldova were invited to join the Free Trade Area within the Eastern Partnership project in 2013.

This means that Turkey and Armenia, likewise, should create a corresponding infrastructure before moving toward normalization of their bilateral relations. As is said in the Europe Report the International Crisis Group (ICG) submitted in 2009: “The 325-km land border was closed throughout most of the Soviet period. There are two main crossing points: the rail link between Kars and Gyumri and the Markara/Alican road bridge over the wide Araxes River near Yerevan. The rail link opened in the 1980s, when passenger trains began to go both ways once a week. Turkey stopped the service on 3 April, 1993 as part of sanctions when Armenia captured the Kelbajar district of Azerbaijan. No road link has been formally opened in modern times. Although the roads themselves exist,

² See also: R. Shougarian, “Evolutsia interesov SShA v Chernomorskom-Iuzhnokavkazskom regione i posrednichestvo v armiano-turetskikh otnosheniakh,” *Voprosy regionalnoy bezopasnosti: 2011*, SPECTRUM, Tsentr startegicheskogo analiza, Yerevan, 2012.

³ H. Khachatryan, “Economic Impacts of Re-Opening the Armenian-Turkish Border,” 13 May, 2009, available at [<https://www.boell.de/en/navigation/europe-north-america-6760.html>], 11 October 2012.

investment will be required to open up the two crossings, as well as significant capacity building and training of local officials to deal with customs, taxes, trade and border traffic for which there has been little preparation.”⁴

The Sources of the QIZ Concept

Regional cooperation is of key importance at all times; it is even more important for the countries locked in a political crisis, as well as the countries burdened by memories of the common tragic past. There is nothing new in this. After the failed ratification of the Zürich Protocols, the United States might try to revive the idea of QIZ; in 1996, the Clinton Administration elaborated it for the Middle Eastern countries, Israel, Palestine, Egypt, and Jordan, in particular.

It was expected to maintain peace in the region by encouraging regional economic integration and cooperation, in particular, between the countries that were at daggers drawn. The QIZ sanctioned and specified by the American Congress opened duty-free access of Egyptian and Jordanian products to the American markets. Under the Israeli-Jordan QIZ agreement, Israel’s quota was 8%, while an 11.7% quota was presupposed by the Israeli-Egyptian QIZ agreement.

According to the Congressional Research Service of U.S. Congress, as distinct from the free trade areas where decision-making and the right to establish conditions of functioning belong to the host country, QIZs

- “(a) have operations in two countries (Israel and either Jordan or Egypt);
- (b) produce goods solely for export to the United States; and
- (c) operate under both the authority of the host countries and the oversight authority of the United States...”⁵

In the early 2000s, this mechanism was used for Chile, which joined NAFTA through QIZ. The Chilean QIZ has no political component, but it has confirmed that the usefulness of trans-boundary industrial parks is not limited to the countries involved in political conflicts and that neighbors wishing to widen their economic cooperation will also profit from them. “The QIZ initiative began to take shape in 1994-1995. It resulted from the strong conviction of both the Congress and the Clinton Administration that the economic aid requirements of the West Bank and Gaza at the post-Oslo Agreement stage, and Jordan at the post Israel-Jordan Treaty of Peace stage, well exceeded the significant, yet insufficient, funds that the United States was able to provide. Both the Congress and the Administration were, therefore, looking for ways in which they could assist the economies of the West Bank, Gaza, and Jordan without having to raise the annual foreign assistance level.”⁶

⁴ International Crisis Group Europe Report No. 199, *Turkey and Armenia: Opening Minds, Opening Borders*, 14 April, 2009, available at [http://www.crisisgroup.org/~media/Files/europe/199_turkey_and_armenia__opening_minds_opening_borders_2.pdf], 6 November, 2013.

⁵ M.J. Bolle, A.B. Prados, J.M. Sharp, *Qualifying Industrial Zones in Egypt and Jordan*, CRS Report for Congress, Foreign Affairs, Defense, and Trade Division. Order code RS22002, updated 5 July, 2006, available at [<http://www.au.af.mil/au/awc/awcgate/crs/rs22002.pdf>], 14 November, 2013.

⁶ J. Singer, “The Qualifying Industrial Zone Initiative—A New Tool to Provide Economic Assistance to Middle Eastern Countries Engaged in the Peace Process”, *Fordham International Law Journal*, Vol. 26, Issue 3, 2002, Art 3, p. 560.

Geopolitical Repercussions of QIZ in the Black Sea/Southern Caucasus Region

QIZ has been intended for textile and high-tech industries, the products of which are exported and realized in the United States on a duty-free basis. If Armenia reaches an agreement on this issue with the Customs Union, this trade initiative and transboundary industry can be used in relations between the EU and the European Neighborhood/Eastern Partnership countries and Turkey. Its positive effect on conflict settlement and European integration can hardly be overestimated. It will be indispensable for the protection of American geopolitical interests in the strategically important region, especially if Turkey and Armenia and, later, Turkey, Armenia, Georgia, and Azerbaijan set up joint QIZs with the long-term prospect of signing individual FTA with Washington. These mechanisms will make a single region out of the Black Sea basin and the Southern Caucasus, a possibility hinging not on the obsolete formula of ethnic kinship between Azerbaijan and Turkey, but on real improvement of relations between Armenia and Turkey; in the final analysis, this may bring reconciliation between the two peoples.

Even partial opening of the Turkish-Armenian border, without any political stipulations, will completely change the region's geopolitical identity. After carefully studying the functioning of QIZs in Jordan, Israel, and Egypt and readjusting them to South Caucasian specifics, the question of a QIZ in the Kars-Gyumri border area can be resolved with support of the U.S. Congress without much trouble. Limited access to joint production and trade (which will require partial border opening) will become the first important step toward normalization of bilateral relations. There is no need to wait for ratification of the Zurich Protocols (with each passing day this looks less and less likely). As soon as the Turkish-Armenian border is open with the help of a QIZ or any other industrial-trade mechanism, the region will acquire a new and geopolitically justified name—the Black Sea/Southern Caucasus. Prior to that, it will remain on maps that do not reflect the geopolitical reality and come in handy only for academic discussions and creative games.

Prehistory of the QIZ Project in the Armenian-Turkish Public and Official Diplomacy

David Phillips, former coordinator of the Turkish-Armenian Reconciliation Commission, writes: “(QIZ) could be established to catalyze joint enterprises between Turks and Armenians. A QIZ is an industrial park and a free-trade zone, which is linked to a free-trade agreement with the United States. Goods qualify when partners contribute raw material, labor, or manufacturing. Kazan, an area in Armenia on the Turkish border, would be a suitable destination for joint ventures in textile and piece goods manufacturing.”⁷

It should be said that back in 2002 Turkey made a failed attempt to acquire permission to start its own QIZ in the east of the country. Its diplomats and its lobby in the United States tried to capitalize on the laws that had been already passed by the Congress to join the functioning Israeli-Jordan QIZ. In his comprehensive study of the Middle Eastern QIZs and their fates, Joel Singer has written: “The QIZ initiative has enjoyed great success on the ground, and the United States should be guard-

⁷ D. Phillips, “Armenia and Turkey at Loggerheads,” 26 March, 2013, available at [http://www.huffingtonpost.com/david-l-phillips/turkey-and-armenia-at-log_b_2957700.html], 12 June, 2014.

edly optimistic that the extension of the QIZ concept to other borders in the Middle East could encourage parties to resolve differences through political negotiations. Due, in large part, to the success of the QIZ initiative, the U.S. Congress is presently considering a second amendment to the U.S.-Israel FTA Implementation Act that would authorize the President to also extend duty-free treatment to goods produced in QIZs to be established in Turkey.”⁸

Significantly, in 2008, the behind-the-scene talks in QIZ were revived in Turkey with an important new element that radically changed the format of this initiative. In the old format, it could not be squeezed into the agenda of the 107th and 108th Congress. This time Turkey was not seeking a QIZ for itself, but suggested sharing this zone with Armenia, its geographic neighbor. It is equally significant that this discussion ended very soon after the peak of the Armenian-Turkish “football diplomacy.” Here is what *Hurriet Daily News* wrote: “The Turkish Armenian Business Development Council, or TABDC, which has been operating on a non-official basis since 1997, proposed the establishment of a Qualified Industrial Zone, or QIZ, between Turkey and Armenia that would allow co-produced goods to enter the U.S. without customs duties and taxes. The proposal was based on a similar model used between Jordan and Israel, which had political disputes.

“The establishment of a QIZ concept has been our leading assignment since 2003. A group of textile professionals visited Turkey and Armenia to promote this concept as the best out of the ordinary model to bring the two nations together, said the co-chairman of the TABDC, Krikor Salbashian. Although the QIZ proposal was not discussed during the first-ever meeting between President Abdullah Gül and his Armenian counterpart Serge Sargsian, Salbashian said they had used this historic opportunity to promote their proposals after Sept. 6. Since then, the TABDC has been receiving encouraging response from Turkey, Armenia and the U.S., Salbashian said.

“In order for a QIZ to be established the U.S Congress would need to pass a special law. ‘We believe opening the border between Turkey and Armenia is the key to further promote it with the U.S. Congress,’ Salbashian explained.”⁹

Kaan Soyak, Turkish co-chair and founder of the TABDC, confirmed the above and went into the details of the proposed QIZ. He specifically pointed to the textile sector as the most promising: “We can use this to the advantage of both sides. ... In Turkey, we have machines and fabrics, and there is a labor force in Armenia. It is possible to produce cost-effective textiles and sell them in the United States without taxes and customs tariffs.”¹⁰

It should be said that the idea of joint Armenian-Turkish QIZs reappeared on the horizon in the latter half of 2008 within the framework of public diplomacy when the Zürich Protocols accepted the final touches within official diplomacy.

It seems that at that time the TABDC looked like a mechanism of secondary importance to be used for comprehensive reconciliation.

The amendments to the U.S.-Israel FTA Implementation Act, which extended the duty-free regime to commodities produced in Turkish territory, were not included in the agenda of the 107th and 108th Congress in 2002-2003.

- First, the textile companies of California were dead set against them;
- second, it was feared that the American Armenian lobby, likewise, would bury the amendment as soon as it appeared on the agenda.

⁸ J. Singer, op. cit., p. 569.

⁹ “QIZ Proposal for Turkey-Armenia Trade,” *Hurriet Daily News*, 22 September, 2008, available at [<http://www.hurriyetdailynews.com/default.aspx?pageid=438&n=qiz-proposal-for-turkey-armenia-trade-2008-09-22>], 12 January, 2013.

¹⁰ Y.P. Dogan, “Turkish-Armenian Businessmen Await Normalization of Relations,” *Today's Zaman* (Istanbul), 9 February, 2009, available at [http://www.todayszaman.com/newsDetail_getNewsById.action?load=detay&link=167060], 14 January, 2013.

In fact, the Armenian leaders were not surprised by the idea of a QIZ on the Turkish border. In 2003, a top-ranked delegation of the Armenian Foreign Ministry visited the United States and Israel to gather all the relevant information.¹¹

In Washington, Tel Aviv, and Jerusalem, the sides informally discussed the possibility of a joint Armenian-Turkish QIZ, along with other relevant issues, including the possibility of sending a fact-finding mission to Jordan, which, very much like Israel, had an FTA with the United States and hence the right to become the provider of a Turkish-Armenian QIZ.

Politically, the Israeli version was much more attractive, but Jordan as the provider was a neutral, stable, and secure option.

The informal consultations in Washington, Jerusalem, and Tel Aviv, likewise, looked positive or even promising; their follow-up proved to be less consistent, while the final decision was delayed indefinitely. The reports and even the memory of these consultations were lost in the whirlpool of another bout of American-Swiss brokerage and “football diplomacy.” The QIZ initiative was pushed into the shadow of pipe-dreams about fast and comprehensive normalization of Armenian-Turkish relations.

It seemed that the international mediators and the sides in the talks should have performed a U-turn after the failed ratification of the Zürich Protocols and moved to a gradual settlement between Ankara and Yerevan. As long as Turkey continues to correlate its relations with Armenia with public opinion in Azerbaijan and its political pressure, a package solution will remain out of reach. I have already written above that we have come close to less ambitious, albeit more realistic solutions. QIZ, an instrument that has already proved its efficiency in the Middle East, might point to a way out of the impasse and become an important step toward an open border between the two countries.

QIZ in Egypt: A Success Story

In 2004, after signing the QIZ agreement in Cairo with the Israeli vice premier and an American trade representative, Rachid Mohamed Rachid, Minister of Foreign Trade and Industry of Egypt, summed up the political and economic components of transboundary projects in the Middle East started with American mediation: “We have high hopes that this arrangement will contribute to economic prosperity in the region. Indicators for success are very promising. No less important is the fact that the signing of this protocol today will help us start negotiating with our U.S. counterparts for a free trade agreement. However, economic interests are not our only goal for cooperation.

“It is our deep belief that the establishment of Qualified Industry Zones will contribute to just and comprehensive peace in the region — a peace that started many years ago with Egyptian-Israeli peace treaty. The time has come now to work hard, to spare no effort, and to leave no stone unturned as we strive to further the progress of peace in the region.”¹²

Within a very short period, seven more QIZs were set up in Cairo and Alexandria, as well as in the Suez Canal area.

The United States has FTAs with twenty countries: it takes about five years to reach an agreement with the candidate country and enact the agreement, a fairly long process if not supported by

¹¹ The present author headed the delegation and participated in detailed consultations with the American and Israeli diplomats and QIZ experts.

¹² [<http://www.ustr.gov/about-us/press-office/speeches/archives/2004/december/remarks-after-signing-qualified-industrial-zon>], 11 May, 2012.

special efforts and political motivations. In fact, good relations with a candidate country and the prospects of prompt economic gains do not accelerate the bureaucratic machine. Chile was a NAFTA member when the U.S. signed a bilateral FTA with it in 2003, a fact taken into account by Congress when it discussed a FTA with Chile. Panama, Colombia, and South Korea were the last countries that managed to squeeze into the exclusive FTA club.

Obama's Administration and FTA

The crisis of 2008-2009 dampened the Obama Administration's desire to start negotiations and extend the list of the U.S. FTA partners. It seems that tiny Georgia, the regional neighbor of Armenia and Turkey, will become the only exception, at least in the near future, and with serious limitations. In January 2012, President Obama decided to start FTA negotiations with President Saakashvili for purely political reasons: Georgia is the 113th on the list of America's trade partners. In their article called "U.S.-Georgia Free Trade Agreement: Time to get Moving," Ariel Cohen and James M. Roberts wrote: "Although recent U.S. trade agreements with Colombia, Panama, and South Korea took more than five years to implement, there is no reason why the U.S.-Georgia FTA cannot be done in a fraction of that time..."

Georgia has greatly contributed to U.S. and allied security in international peacekeeping missions in Afghanistan and Iraq, punching 'above its weight...' An FTA would be a win-win for the U.S. and Georgia. It would benefit Georgia by making the country a more attractive destination for international investment. It would also send an additional signal to Russia that Georgia is viewed by Washington as a friend and partner. Georgia needs and deserves America's continuing strong support."¹³

It should be said that the U.S. Administration invited Georgia to the exclusive FTA club in early 2012 when the efforts to revive the Turkish-Armenian protocols on an open border became hopelessly stuck in an impasse. Since the central gates to the countries of the Black Sea/Southern Caucasus remained closed, Washington revived its interest in a side entrance into the region. On the one hand, it was a politically motivated decision: the White House wanted to reward Saakashvili for his loyalty to Washington. On the other, the signed and not ratified Zürich Protocols were rapidly losing their geopolitical relevance. The Zürich failure was no longer splendid, while the United States still had to protect its interests in the Black Sea and the Southern Caucasus: "Moving in a timely manner to implement a Georgia-U.S. free trade agreement (FTA) would promote economic freedom and prosperity in both countries and would serve U.S. security goals in Eurasia."¹⁴

All of a sudden, in the first half of 2012, American support of Georgia practically reached the level of the eve of the August 2008 war in South Ossetia.

The near future of the American-Turkish FTA is dim, not only because the Obama Administration has been avoiding new FTA talks with individual countries after the 2008-2009 crisis, but also partly because it is busy readying a much bigger economic deal, a FTA with the European Union with possible direct and indirect repercussions for Turkey's economy. In their article "U.S.-EU Trade Talks Risk Damaging Turkey Ties," Cenk Sidar and Tyson Barker wrote: "Turkey formed its customs union with the EU in 1995, with a view to eventually joining the bloc. The terms of this union stipulate that the government in Ankara can't pursue a bilateral free-trade agreement with any country

¹³ A. Cohen, J.M. Roberts, "U.S.-Georgia Free Trade Agreement: Time to Get Moving," 27 July, 2012, *The Heritage Foundation*, Issue brief 3684, available at [<http://www.heritage.org/research/reports/2012/07/us-georgia-free-trade-agreement-time-to-get-moving>], 19 October, 2012.

¹⁴ Ibidem.

until the EU has established one already. By contrast, when the EU signs a trade deal with a third country, it gives access to Turkey's market without Turkish consent...

"Turkey will have to negotiate its own agreement with the U.S., or else find itself lowering tariffs on imports from the U.S. with nothing in return. The U.S., meanwhile, would have little economic incentive to sign a separate deal with Turkey once a trade pact with the EU is in place, because it would already get the benefits of such an agreement. This has been the result when the EU signed trade deals with several other countries."¹⁵

Opening the central gates to the Black Sea Basin and the Southern Caucasus remains a U.S. foreign policy priority. If Washington is ready for a politically motivated exception for Georgia, then a corresponding Congressional decision on Turkish-Armenian QIZs on the border between the two countries could be a possibility.

No matter how strange it looks, influential Armenian-American lobbyists might close ranks around this draft law. In fact, the expected negative response from this lobby failed the amendment to the U.S.-Israel FTA Implementation Act because it was limited to Turkey. Nearly all organizations of the Armenian diaspora were openly displeased with the Zürich Protocols, or even objected to them. Today, there are no reasons to expect a similar response to a less binding method of normalization of Armenian-Turkish relations.

The Armenian Interest Group of 140 members, which carries a lot of weight in U.S. Congress, and the Turkish Interest Group, which recently swelled to 157 members, could have moved forward with an unprecedented initiative to co-sponsor an amendment on the Armenian-Turkish QIZs. Sensation-seekers will love this even more than the Zürich Protocols. What is really important is the possibility that this course and its political success will prove to be more viable and less contradictory than the Armenian-Turkish "football diplomacy."

In view of the current situation in the Middle East, the state of Turkish-Israeli relations and a certain amount of political constraint in relations between Yerevan and Tel Aviv, the American Jordan FTA looks like a more reliable source of a corresponding amendment on a Turkish-Armenian QIZ.

The American-Georgian FTA, which stands a good chance of being signed any time soon, will offer new opportunities to the Black Sea/Southern Caucasus region and new alternatives of economic and political development.

During Vice President Biden's visit to Ankara and Istanbul in December 2011, it became clear that Turkey had practically no chance of signing an FTA with the United States: "The United States is currently not open to signing a free trade deal with Turkey, which would boost mutual trade, according to a top Turkish business representative. The focus for the U.S. is Asia today, senior U.S. trade official confirms."¹⁶

It should be said that even before Armenia joined the Customs Union of Russia, Belarus, and Kazakhstan, it tried, with the help of its strong support group in the Congress and during the working visit of Prime Minister Tigran Sargsian to California, Boston, and Washington, to find out whether there was any chance of signing an FTA with the United States. The answer was vague, neither positive, nor negative.

Today, the delimitation of borders and Armenian-Turkish QIZs (if the U.S. Congress passes a corresponding law) looks like the most realistic roadmap leading to modest, although sustained success and normalization of bilateral relations between Yerevan and Ankara.

¹⁵ C. Sidar, T. Barker, "U.S.-EU Trade Talks Risk Damaging Turkey Ties," 12 May, 2013, available at [<http://www.bloomberg.com/news/2013-05-12/u-s-eu-trade-talks-risk-damaging-turkey-ties.html>], 12 August, 2014.

¹⁶ G. Kurtaran, "No U.S.-Turkey Free Trade Zone Deal in the Pipeline," *Hurriyet Daily News*, 4 December, 2011, available at [<http://www.hurriyetdailynews.com/no-us-turkey-free-trade-zone-deal-in-the-pipeline.aspx? pageID=238&nID=8422&NewsCatID=344>], 26 January, 2013.

*Afterword***The Prospects of Post-Zürich QIZ Diplomacy.
Wider Geography of Peacebuilding**

After the complete failure of the official “all or nothing” diplomacy, the QIZ initiative could have moved to the fore as the main factor of normalization.

Indeed, both Armenia and Turkey meet all the necessary conditions for setting up a QIZ, either under the aegis of the American-Jordan FTA, or if a necessary amendment to the U.S.-Israeli FTA Implementation Act is finally adopted. Turkey and Armenia belong to the WTO and have the status of the Generalized System of Preferences (GSP), which ensures duty-free access of a limited number of their products to the American market.

It is an open secret that from the very first days of “football diplomacy,” ratification of the Zürich Protocols was doomed: under the strong pressure of Azerbaijan, Turkey tied the open frontier and diplomatic relations issue to progress in the talks on Nagorno-Karabakh. This made comprehensive normalization impossible and failure inevitable. All of the countries involved in the process—the international brokers and the sides in the conflict, Turkey in particular—extracted tactical advantages, however the strategic goals of “football diplomacy” remained beyond their reach.

This means that, on the one hand, informal/public diplomacy should move forward once more, while, on the other, the sides involved in official talks should abandon their maximalist approaches to concentrate on separating Armenian-Turkish normalization from the Nagorno-Karabakh peace



Source: National Geographic magazine.

process. On the one hand, Ankara will be free in its talks with Yerevan, while on the other, it will be no longer able to justify the absence of free will by the political pressure of Baku.

Delimitation of the borders and a QIZ at Kars-Gyumri, the geography of which is best suited to this purpose, will bring the sides closer to the desired aim. The economic situation in both regions is far from perfect; they need new jobs, while their infrastructure is best suited to partial/limited opening of the border between Turkey and Armenia.

Later, Azerbaijan might be invited to join the Turkish-Armenian QIZ as one of the sides in mutually profitable regional cooperation. This calls not for a simplistic explanation of avoiding potential losses, but is a pragmatic step otherwise described as containment through involvement in projects geared at peace and economic stability in the region. These programs and these approaches will help avoid dependence on Baku and its position and, at the same time, will give it a chance to profit from the gradual settlement between Ankara and Yerevan.

Turkey, in turn, will acquire a unique opportunity to be involved in the Southern Caucasus, if the regional project of its cooperation with Armenia and Azerbaijan is implemented. A future Congressional amendment might permit one more QIZ on the border between Armenia and the Nakhchivan Autonomous Republic, a poor and barely developed exclave of Azerbaijan.

Delimitation of the borders and a Georgian-Armenian-Azeri QIZ (with Turkey or without it) in the vicinity of the city of Kazakh, where the borders of the three South Caucasian states meet, is a matter of the more distant future. The project looks logical and possible since Georgia has already launched talks on an FTA with the United States.



Source: National Geographic magazine.

It should be said that Armenian-Turkish QIZs will help the United States to protect its geopolitical interests in the Black Sea/Southern Caucasus. Even mid-term, temporary normalization of relations between Ankara and Yerevan might prove to be highly important for Washington.

Turkey and Armenia will find the project absolutely profitable, both as a confidence-building tool and a long-term trade and industrial program that goes beyond the usual limits of world construction. The QIZs will continue functioning even when the borders have been opened and the two countries establish diplomatic relations.

In light of the unprecedented intensification of the political and economic contacts between Turkey and Russia after the 2008 Georgian-Ossetian war and because of Moscow's obvious intention to prove its usefulness during the talks in Zürich, Russia might be interested in the Kars-Gyumri QIZ. Indeed, in December 2012, President Putin went as far as inviting Turkey to join the Eurasian and the Customs Union of Russia, Belarus, and Kazakhstan.

This means that none of the regional actors, international brokers, or sides in the official talks on the Armenian-Turkish roadmap, who profited, albeit briefly, from the splendid failure of "football diplomacy," have any reason to oppose the less splendid, yet more realistic projects. Conflict settlement, especially settlement of complicated and painful problems, such as Armenian-Turkish relations, calls for the wiser policy of moving from one small aim to another. It is too easy to miss far-away targets. We should keep in mind that each lost opportunity worsens the situation and decreases the chance for reconciliation.
