

## **Ambassador Richard Morningstar's Remarks at the Azerbaijani American Chamber of Commerce Lunch**

**As-Delivered**

**September 28, 2012**

**Ambassador Morningstar:** First of all, thank you very much, Ilgar Veliyev. Thank you, Nargiz Nasrulayeva-Muduroglu and the entire American Chamber of Commerce. I'm extremely happy to be here. I'm also happy that Ambassador Peter Bateman from Britain is here. He's my new good friend, although we'd met once or twice before, we've seen each other a lot over the last 31 days or so since I've been here. And I think that American and British cooperation with respect to the issues that we are talking about is very, very important, and we need to work cooperatively with other countries as well that are here in Azerbaijan.

I'm really happy to be here, and I'm excited to be here. I'm actually somewhat surprised to be here. As Ilgar mentioned, I've been coming to Azerbaijan since 1995, and it's true that I've seen the change from a gradual standpoint, but when I think about what Baku was like in 1995 (in fact staying at the Hyatt Hotel during that time and later), the change is absolutely unbelievable.

What I think is also maybe one of the more hopeful things that one can think about is that as much as there's been change in the last 17 years, there is an equal opportunity to have the same kind of change and more over the next 17 years and longer.

To be here as ambassador is a totally different experience for me. I did serve once before at the European Union as an ambassador, but prior to coming here a month ago, I had never been to Azerbaijan for more than two or three days at a time. So I now have had already by far the longest stay at one time. It's a totally different experience. We've already begun to explore the regions, and we'll be doing more. It's really been a great experience.

I have spoken to AmCham several times before, probably at least three or four times over the years, and when I've spoken before it's only been on the subject of

energy. One of the things that has quickly been thrown upon me is that the issues that I have to deal with now go far beyond the energy area, although energy does of course continue to be one of those issues. I have to deal on an ongoing basis with the Nagorno-Karabakh situation, which I know is an issue of such deep concern to all Azerbaijanis. We work together with the Azerbaijani government on issues relating to Iran, which could become even more so as time goes on.

Azerbaijan has played a tremendously important role in Afghanistan, contributing troops, and it's also a major transit point for materials going to Afghanistan and, leading up to 2014, will be a major transit point for materials coming out of Afghanistan. But we also greatly appreciate that Azerbaijan has committed to stay involved in Afghanistan beyond 2014 and will try to help develop a civil society and hopefully progress in that country.

The whole issue of democracy and human rights is obviously very important, and I think there's a direct connection between those issues and the development of a highly vibrant, transparent market economy.

We have to work on economic issues. We have to work beyond energy. One of my major goals is to help businesses and help companies and help Azerbaijan diversify its economy well beyond the energy sector. The statistics are showing that that's beginning to happen. I think the government recognizes that that has to happen. I know that's a prime goal of AmCham. I want to work very closely with you on that.

I know there are many people here, information technology, the whole hospitality industry, hotel industry, the construction area, service companies of all kinds that are represented here today in any number of industries and business sectors that are also here today. I know there are a lot more than I just mentioned.

Azerbaijan is going to be even more of an important transit connection and transit point between Europe and Central Asia. Azerbaijan has the opportunity to play a major role in the New Silk Road Initiative, which is I think is very important to a lot of countries—including the United States.

I guess the way I would put things right now is that there has been a tremendous amount of progress. There will continue to be a tremendous amount of progress. But there's still a long way to go.

Let me start by mentioning some of the positive things that have happened, which many of you know about, and I'll repeat a few statistics that you may have seen already, at the risk of boring you a little bit. But the 2012 World Bank *Doing Business* report shows that, for example, in the ease of registering property, Azerbaijan ranks 9<sup>th</sup> in the world; and starting a business, 18<sup>th</sup>; in enforcing contracts, 25<sup>th</sup>; in protecting investors, 24<sup>th</sup>. Pretty good.

Since 2004, Azerbaijan's gross domestic product has grown by roughly 300 percent. A lot of that has been with respect to the energy economy. But last year, for example, the energy sector actually shrank a little bit, and the rest of the economy grew by 9.4 percent—at least according to the statistics.

There's also been a significant amount of poverty reduction. The official poverty rate has gone from 49 percent in 2003 to 7 percent in 2011. We can debate the figures. Maybe it's not 7 percent; maybe it's something higher than that. But it's still pretty good and shows a lot of progress.

At the same time, there still continue to be issues that we need to deal with, we need to work through, work together, with the Azerbaijani government and work as partners with AmCham and the United States, working in partnership with other countries, including Britain and many other countries as well.

By other reports, Azerbaijan ranked 170<sup>th</sup> in trading across borders. The whole customs issue is a difficult issue: 172<sup>nd</sup> in obtaining construction permits; 173<sup>rd</sup> in getting electricity. Some of you may have noticed in Baku this morning there actually was an electricity problem. That's actually the first time I've ever, in all my time in Baku, it's the first time that's ever happened while I'm here. But in any event, there are issues there.

I've met with Nargiz and talked to others. I know that obtaining work permits is a problem. Visas continue to be a major issue. And I think that's somewhat of an anomaly that we have to work with Azerbaijan on.

There's been, as you know, a tremendous increase in hotels; there's a tremendous amount of occupancy available in those hotels. At the same time, I keep hearing complaints about how difficult it is to obtain visas.

I had a group at the residence last Sunday night—a traveling Stanford alumni group that happened to be traveling through the Caucasus. There was one person who joined the trip late because she couldn't get her visa in time. That has to be dealt with.

The whole WTO issue is tremendously important. I know that's one of AmCham's priorities. And, frankly, from some of the public statements that have come out in the last week or two, I'm not totally sure how serious Azerbaijan is about joining the WTO at this point and how important they actually see it.

I think it's very important that by becoming a member of the WTO Azerbaijan will have to take the steps to comply with WTO requirements that I think ultimately will be a tremendous benefit to Azerbaijan's economy.

There are problems of competition that we have to deal with. Let's face it. To some extent we're dealing with an oligopolistic economy. It's hard for small and medium enterprises to expand, and as they grow, there's pressure on those companies in any number of different ways. If there's going to be the vibrant economy that is so important, that will be so important for Azerbaijan, these issues need to be dealt with.

So until the economy is really free from the limits on competition, Azerbaijan won't be able to enjoy the full benefits of its geographic good fortune and its natural resources. But I'm confident. I think that at the highest levels of government, there's an understanding of this, and that we have to work with them and work together because the opportunities that Azerbaijan has are just too great to pass up.

Let me say one other thing. I feel like in my job as ambassador I want to help with respect to all of the economy and all businesses coming to Azerbaijan. But I'm also the U.S. ambassador to Azerbaijan. So I am very much interested in more

American companies being involved here. I want to see more American companies here. The president has a national export initiative that we want to be part of here in Azerbaijan. The secretary of state has an economic statecraft initiative. She expects every embassy to work with companies to help develop business.

I want to see more American companies in the energy sector. I haven't spoken much about the energy sector. Look at the Shah Deniz project, for example, which we have so diligently supported from the standpoint of ultimately getting gas to Europe. There's not one American company that's part of Shah Deniz. And I think that it is important that American companies get involved in other projects. American companies are involved, I know, in ACG and, as a result, in shipping oil through the Baku-Tbilisi-Ceyhan Pipeline. In any event, I think it's really important that American companies get involved.

I think it's also important that the benefits go both ways. A perfect example of that are the desires of a company like Azerbaijan Airlines to start flying to the United States. It will be going through a certification process in order to do that.

We should be negotiating with Azerbaijan on an Open Skies agreement so that companies from both sides of the ocean can utilize the airspace of the others'. I think that's a tremendous opportunity, and it will continue to help a company called Boeing—no offense to Peter and AirBus, but in any event, as the ambassador of the United States, I like Boeing.

In any event, we really do want to see more American companies here, and we want to see Azerbaijani companies begin to sprout outwards and do things in other countries.

I'm looking forward to my time here, to my work with all of you and with the government to improve the situation, to build on the important progress that's already been made. Again, I think there's an unbelievable opportunity. And I might just add one thing that Ilgar did not mention. I've done a lot of things before going into the government, including spending about 30 years in the private sector (in total, including in between Clinton and Obama), which really shows that

I'm pretty old. But in any event, I have a lot of private sector experience, so I do know what it takes to be successful.

Let me leave it at that. I've said some stuff. I'm actually a lot more interested and it will be a lot more helpful to me and our team at the embassy if I hear some of your concerns and some of your points. I know it's a big group.

I will say when I came here talking about energy maybe we'd have 40 at most. This is, I'm actually surprised, very nice. What a large group it is today.

So don't be shy. Please ask some questions, and I'd be happy to do my best on whatever points you may want to make. It doesn't need to be a question, just whatever points you might want to make.

I could ask myself a question. [Laughter]. I've been known to do that.

I was told that people are shy at these events.

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