

AMERICAN UNIVERSITY OF ARMENIA

**OPENING ARMENIAN-TURKISH BORDERS
STRATEGIC IMPLICATIONS FOR ARMENIA**

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List of Abbreviations

AEPLAC- Armenian-European Policy and Legal Advice Centre

BSEC- Black Sea Economic Cooperation

CGE- Computable-general-equilibrium

CSCP- Caucasus Stability and Cooperation Pact

NK- Nagorno-Karabagh

OSCE-Organization for Security and Cooperation in Europe

UN-United Nations

TABDC- Turkish-Armenian Business Development Council

TARC- Turkish-Armenian Reconciliation Commission

Literature Review

The issue of opening Turkish-Armenian border is a relevant issue and there are many scholars who have referred to the problem and tried to make some implications or tried to find solutions to it. A famous scholar Ruben Safrastyan have referred to the issue in his policy paper "Armenian-Turkish Relations: From Interstate Dispute to Neighborliness". In his research he addresses the issue taking into consideration the different levels and measurements of the problem, and according to this analysis, he gives some recommendations to overcome the abnormal situation between the two states.

A research was made by independent analysts James Bosbotinis and Irina Ghaplanyan, *who examined* the regional implications of the reopening of the Armenian-Turkish border within the context of geo-economic and geopolitical analysis. This analysis is focused on assessing the costs and benefits of re-opening the border for Armenia, the region, in particular economic development, regional stability, governance and foreign direct investment. The research also focuses on wider regional implications, politico-economic implications for Turkey. What is found out is that the opening of the Armenian-Turkish border will significantly contribute toward the improvement of relations between Armenia and Turkey, provide the framework for economic development in the region, and aid the process of regional integration, reconciliation and conflict resolution. This will enhance the prospects for the integration of the South Caucasus within the Black Sea regional community, and the extended Euro-Atlantic Community.

Another study was done by AEPLAC in 2005, "Study of the Economic Impact on the Armenian Economy From Re-Opening of the Armenian-Turkish border". The study quantified several potential impacts of opening the border, including impact on trade flows and foreign direct investment. An estimate of the overall impact on Armenian national income (GDP) in the medium

to long run was made. According to the study in case the borders open there will be significant changes in the trade, exports and imports of Armenia.

Abstract

This paper addresses the issue of Turkish-Armenian relations, in particular the non-existent relations between them. The paper refers to the historical background and based on it, describes the problematic state in which the two countries are now. The costs and benefits of the current state is identified according to socio-economic and political criteria. According to the findings, some recommendations are made to the Governmental structures on how to address the issue and how to find a solution to the problem.

Introduction

The Armenian-Turkish interstate relations in the XXI century can be considered more than abnormal. In reality, the relations between Armenia and Turkey exist, in the sense that from time to time official representatives of different levels, including the presidents and foreign ministers, have contacts, as well as negotiations are held. But the reality is that there are no legally registered relations between the countries, no diplomatic relations have been established so far.

Turkey refuses to establish diplomatic ties explaining it by several preliminary conditions. It one-sidedly carries out a factual economic blockade and one doesn't know how long these conditions will go on. This policy paper assesses the historical background and the issues at stake in the closure of the Turkish-Armenian border. In particular, this paper will analyse the costs of the current situation and the potential benefits of opening the borders for, Armenia and the wider region.

The analysis will be done according to socio-economic and political criteria. The analysis will be done according to a framework, in the means of which two alternatives will be discussed, in particular we will see what are the conditions in which Armenia is currently, when the borders are closed and we'll see what will change in case the borders are opened. For the research to be done mainly secondary data was used. Finally, according to the data conducted and findings, some recommendations are proposed for the governmental structures on how to address the issue and find a solution to it.

Problem Description

When the Republic of Armenia became an independent state in November 1991, Turkey gained a new neighbor. In fact, Turkey was one of the first countries to acknowledge the newly-independent Armenia, a state with which it shares a 268 km long border, although at that point no diplomatic relations were established between the two countries. Still, in the over fourteen years that have passed since then, no diplomatic relations have been established between Armenia and Turkey. Despite the absence of a formal relationship and despite the official closing of the Armenian-Turkish border in 1993, official attitudes between these neighbor countries have begun to evolve in the recent past, and particularly since the election of Turkish Prime Minister Recep Tayyip Erdogan. Key issues that have defined the relationship between Armenia and Turkey are the differences in official positions regarding the history of Armenians and Turks in the early 20th century and the war over Nagorno-Karabagh (Gosharyan 2005).

There are some key external governmental players who have influenced the discussion of these issues: the European Union; the Council of Europe (of which both Armenia and Turkey are members); the United States of America and the Republic of Azerbaijan. Significant non-governmental actors who have impacted the dialogue surrounding these issues and the relationship between Armenia and Turkey include: the Turkish-Armenian Business Development Council; the Turkish-Armenian Reconciliation Committee; and lobbying and grass-roots political organizations of the Armenian Diaspora. While on an unofficial level, many of these external actors have attempted to alter the relationship between the two neighbors, on an official level there has been no significant change. The border is still closed and diplomatic relations between Armenia and Turkey remain non-existent (Goshgaryan 2005).

Historical Background

In 1923 the modern Republic of Turkey was established and then, virtually all the former Armenian population of eastern Anatolia no longer was present. At least half of the 1915 population had perished during the deportation to Ottoman Syria; the survivors had reached Syria or had fled to the Russian province of Armenia, bordering northeastern Turkey, or to Iran. Meanwhile in 1917 Armenians in Russia had experienced the Revolution that eventually led to the creation of the Soviet Union and of the Armenian Socialist Republic. Consequently, by 1923 the Armenian tragedy of 1915 had become an issue that the international community preferred to forget. However, Armenians, whether in Armenia or in the diaspora, did not forget, and the bitter historical memory of 1915 passed to successive generations. Nevertheless, Turkey and the Armenians pursued their new destinies largely distinct from each other. Their historical hatred seemed frozen because Turkey ignored the issue. Slowly, however, a new, more secure Armenian generation began to revisit the issue. In 1965, anti-Turkish demonstrations were organized in Beirut by the Lebanese Armenians to mark the fiftieth anniversary of the 1915 deportations and massacres. At this time, the Lebanese Armenians proclaimed April 24 as Commemoration Day. On that day in 1965, thousands of Armenians demonstrated in Yerevan and it is since then, that April 24 has been commemorated annually by Armenians and others throughout the world (Gunter; Rochtus 2010).

In late 1991 the Soviet Union unexpectedly collapsed. The 15 constituent Soviet Republics, including Armenia (29,743 sq. km.), became independent countries. Armenia soon got involved in a war with Azerbaijan, over the Armenian-populated enclave of NKR. This conflict renewed Turkish-Armenian animosities and led to the closing of the Turkish-Armenian border, as Turkey gave its political and economic support to Azerbaijan. In the result of all this, economic problems have affected landlocked and isolated Armenia. Moreover, the brief war between Russia and Georgia in

August 2008 further demonstrated to Armenia how vulnerable its position was, and all this prompted Armenia that a rapprochement with Turkey was necessary (Gunter and Rohtus 2010).

Official Positions concerning the Conflict in Nagorno-Karabagh

The Independent Republic of Nagorno-Karabagh is not officially recognized by any nation. Officially, this region encompassing 1853 square miles is still a part of the Republic of Azerbaijan. Armenia's position concerning Nagorno-Karabagh is that the people of Karabagh have a right to self-determination and that ultimately the region should be allowed to develop within "safe frontiers" and with a "permanent geographic connection to Armenia." Armenia's special relationship with Nagorno-Karabagh is impossible to deny. The conflict over NKR began in February 1988 when demonstrations in both Nagorno-Karabagh and in Armenia called for unification of the region with Armenia (Goshgaryan 2005).

These political issues slowly, but surely, escalated to armed conflict. Again in February, pogroms against ethnic Armenian Azerbaijani citizens were undertaken in Sumgait, Azerbaijan. By November of 1988 over 200,000 ethnic Armenians were deported out of Azerbaijan and over 200,000 ethnic Azerbaijanis were deported out of Armenia. In 1989, Azerbaijan began an economic embargo of the Nagorno-Karabagh region. In January 1992, Nagorno-Karabagh declared itself an independent republic. Consistent armed conflict with Azerbaijan followed until May, 1994 when a ceasefire was signed by military representatives of Armenia, Azerbaijan and Nagorno-Karabagh. Since that time, Armenia has occupied 20 percent of Azerbaijan's territory and Azerbaijan has continued its embargo on both Armenia and Nagorno-Karabagh. Attempts have been made at reconciliation, including a promising set of meetings at Key West in 2001 (Goshgaryan 2005).

Then, meetings between the Ministers of Foreign Affairs of Armenia, Azerbaijan and Turkey took place in Reykjavik in May, 2002 and, again, in June 2004. But peace and stability have thus far proved an impossibility, even with the guidance of the Minsk Group of the OSCE which has been involved in mediating peace in the region since March, 1992. Turkey's closing of its border with Armenia in 1993 was seen by the international community as a direct result of Turkey's special relationship with Azerbaijan. Since that time, the Armenian border just 20 km from Kars has remained closed to trade and tourism and Turkey has not allowed aid destined for Armenia to pass over its borders. Turkey sees the Nagorno-Karabagh conflict, and Armenia's occupation of Azerbaijani land, as the principal obstacle to political stability, economic development and regional cooperation in the Southern Caucasus (Goshgaryan 2005).

Another factor that complicates the relationship between Armenia and Turkey is the 1915 events and the different perceptions of them by the parties. In 1915 over a million Armenians were killed by the Ottoman Empire and Armenia demands that Turkey recognize this as genocide. Turkey rejects the recognition and offers that a special commission should be established involving international historians to study and qualify the events of 1915. Since 1993 there has only been one sign of improving relations between the two countries, that was the re-establishment of an air connection between Yerevan and Istanbul in 1996. Civil society groups have also tried to re-establish some cultural relations, but there hasn't been any tangible results. After the Georgian-Russian war of August 2008, the Turkish Prime Minister Recep Tayyip Erdoğan launched a new proposal for a "*Caucasus Stability and Cooperation Pact*" (CSCP). The CSCP aims to bring together Armenia, Azerbaijan and Georgia as well as Turkey and Russia in order to create a new regional security framework. Armenia declared its readiness to cooperate without any preconditions, but it has underlined that the resolution of the Nagorno-Karabakh conflict would be possible only if

Azerbaijan recognizes the right of self-determination of the Nagorno-Karabakh people. (Mikhelidze 2010)

The third President of Armenia, Serj Sargsyan, came to power under controversial circumstances. On March 1, 2008, after series of rallies, protesters who did not accept his electoral victory clashed with security forces. Ten people were killed. The government imposed emergency rule for a month. The US did not congratulate Sargsyan with victory. He became a president with weak legitimacy, in need of a quick success and recognition by the West. In August 2008 the five-day Russian–Georgian war ended with Russia recognizing Abkhazia and South Ossetia as independent states. This changed the geopolitical situation in the region. Over the years Azerbaijan had routinely declared that without an advance in the negotiations over Karabakh, it would go to war. After the Russian–Georgian war, Azerbaijan had to reconsider this rhetoric. To strengthen its image and further weaken Georgia, Russia enhanced its role as a peacemaker in the Armenia–Azerbaijan negotiations and supports – or at least did not hinder – Armenian–Turkish rapprochement. It was before the August war when Sargsyan, while on a visit to Moscow, invited Turkey’s President Gul to Yerevan for the upcoming football game between Armenia and Turkey. Thus began the so-called “football diplomacy” (Ter-Gabrielyan 2009).

Turkey has the foreign policy concept "zero problems with neighbours" and the reconciliation with Armenia has become part of this policy. Armenia has also seemed to change its approach towards its historical enemy. The Turkish-Armenia rapprochement began in September 2008 with the so-called “soccer diplomacy”, when Turkey’s President Abdullah Gül travelled to Yerevan and attended a soccer match between the two countries’ national teams. Later Serzh Sargsyan became the first Armenian president to visit Turkey in order to attend the return soccer match (Mikhelidze 2010).

The Foreign Ministers of Armenia, Turkey and Switzerland issued a statement on April 22, 2009, according to which Armenia and Turkey agreed on a “Road Map” of concrete steps concerning the normalization of bilateral relations without preconditions. Baku’s strong nervous reaction was apparently unexpected by Ankara, causing it to come up with excuses: Prime Minister Erdoğan thus made a speech at the Parliament of Azerbaijan in which he united normalization of the relations with Armenia to the settling of the conflict over Nagorno-Karabakh. President Sargsyan declared that he would only attend the return leg of the World Cup qualifying game between Armenia and Turkey in October 2009 only if the border would be already opened or at least in the process of being so. On August 31, 2009, the Foreign Ministers of Armenia, Turkey and Switzerland pre-signed two Protocols on the establishment of diplomatic ties and the opening of the borders between Armenia and Turkey (Iskandaryan; Minasyan 2010).

The governments of the two countries signed the Protocols on October 10, 2009 at the University of Zurich. Alongside the signatories there were the U.S. Secretary of State Hillary Clinton and the Foreign Ministers of Russia and several European states. However, the actual signing remained insecure until the very last moment, as the Foreign Minister of Turkey had been planning to follow the signing with a speech which had an unacceptable content for Armenia. His Armenian counterpart threatened to retaliate by making a speech containing statements concerning the Genocide. The signing ceremony was delayed by several hours and finally the sides agreed to sign the Protocols without making speeches, but this was only through the mediation of the U.S. Secretary of State. As stipulated by the Protocols, they will only come into legal force following ratification by both countries’ parliaments (Iskandaryan; Minasyan 2010).

The Armenia-Turkey Protocols called for the enhancement of trade, economic and cultural relations especially in the framework of international (UN, the Osce, the Council of Europe, the Euro-Atlantic Partnership Council) and regional (Bsec) organizations. Furthermore both parties have

undertaken the commitment to use the existing transport, communications and energy infrastructure. The protocols shall be ratified by the parliaments of both countries. When these Protocols would already enter into force, the borders would be opened within two months after that. The protocols were approved by the Armenian Constitutional Court in January 12, 2010. (Mikhelidze 2010).

The Court approved the documents, but made references to the protocols underlying three main issues. First, Armenia will continue its efforts concerning the issue of the genocide and Armenia wants to reach worldwide recognition of the 1915 events as a genocide. Second, Armenia would sign the documents without any preconditions, only if the new agreement with Turkey didn't have any connection with the Nagorno-Karabakh issue. Third and most crucially, it stated that the implementation of the protocols did not imply Armenia's official recognition of the existing Turkish-Armenian border established by the 1921 treaty of Kars. By doing so, the Constitutional Court rejected one of the main premises of the protocols, i.e. "the mutual recognition of the existing border between the two countries as defined by relevant treaties of international law" (Mikhelidze 2010).

However these Protocols didn't come into legal force because they weren't ratified by countries' parliaments by political reasons. So in general situation has not been changed and Armenian-Turkish border is closed till the present. Thus the only land access to and from Armenia is via Georgia and Iran. Iran is under embargo by most of the rest of the world. Transport through Georgia a few years ago was associated with bribery, restricted travel time, insecurity, and the poor quality of roads and railways. Because of this situation trucking companies based in Armenia couldn't transport goods competitively to the Black Sea or to Russia (Polyakov, 2002).

Now-a-days transport infrastructure, the legal environment and level of development are changing rapidly. Roads are already dramatically better than they were a few years ago.⁶ At the same time Iranian and Georgian routes are very expensive. The second peculiarity causing the

present economic situation in Armenia is a post-soviet heritage. As other soviet republics Armenia was deeply integrated into the common economic mechanism of USSR. Under the command economy trade patterns were to a large extent determined not by the market forces but by planning authorities (Shepotylo, 2009).

After collapse of USSR all economic ties between Armenia and other republics were broken that was caused by the role played by big industrial plants that produced mostly intermediary goods, with both suppliers and customers located in the rest of the former Soviet Union republics. Taking into account all mentioned above we can characterize Armenia as a small, landlocked and economically blockaded country, which faces high transportation costs that impede to export of manufacturing goods, food, light industrial machinery, rubber, chemicals and electronics (these products were the main titles of export from Armenia to other Soviet republics). Now-a-days Armenia is developing niche markets in lightweight products with low transportation costs and highly skilled labor inputs (such as processed diamonds, precious stones, and computer software) which can be easily airlifted(Hayrapetyan; Hayrapetyan 2011).

This is the way, through which both countries tried to re-approach the issues, and find some ways of having progress. There is, evidently, lack of progress in relations, as well as growing insecurity and mistrust on both sides of the border, and it is doubtful, whether there are any realistic plans or projects that can make some changes in the created situation.

Turkish Armenian border remains closed since 1993. Armenian economy passed a very harsh way of development in the conditions of closed border and very high transportation costs, and the blockade has greatly affected the structure and industrial specialization of Armenian economy. Undoubtedly, opening of the border will have significant effect on the structure of the Armenian economy and trade flows. It is not clear, whether both countries will ever find a room for compromise or not, and whether the borders between the two countries will be ever opened or not.

All these questions are relevant for Armenia and Armenian Government to look for some solution to the existing issues.

A very rough survey of Armeno-Turkish relations over the past several years reveals increased activities between the two states to break the existing deadlock between them. These actions include the creation of the Turkish-Armenian Reconciliation Commission (TARC) and the Turkish-Armenian Business Development Council (TABDC). Created in Geneva on July 9, 2001, TARC became one of the hotly debated and contested organizations in Armenian communities around the world and in Armenia (Gunter; Rochtus 2010).

The objectives of TARC were published in a document called Terms of Reference. According to it, the Reconciliation Commission aimed to promote mutual understanding and goodwill between Turks and Armenians, to encourage improved relations between Armenia and Turkey, to build on the increasing readiness for reconciliation among Turkish and Armenian civil societies including members of Diaspora communities, to support contact, dialogue and cooperation between Armenian and Turkish societies in order to create public awareness about the need for reconciliation and to derive practical benefits. Terms of Reference stated that the Reconciliation Commission would undertake activities and catalyze projects by other organizations and it would also develop recommendations to be submitted to concerned governments. The Reconciliation Commission pledged to support activities in the fields of business, tourism, culture, education, research, and environment (Gunter; Rochtus 2010).

TARC did not deal with the Armenian Genocide or Nagorno-Karabakh problem rather it skipped them since they were deemed difficult to compromise. According to some of the members of the commission, the main idea behind the TARC was to open new horizons for the future and enhance mutual understanding between Turkey, Armenia and the Armenian Diaspora following a method of unofficial or second track diplomacy. The short lived TARC was not able to create the

rapprochement between Armenia and Turkey. Although TARC had unequivocally supported the opening of the Turkish-Armenian border, the discrediting of the members of the commission did not allow it to become a viable force in the process of such negotiations. Moreover the wide opposition that it faced from wide circles in the Diaspora and in Armenia, the Commission lacked the necessary momentum to become an actor in the Turkish-Armenian relations. Having been striped off of official support and not having popular backing, the commission met several time until it was dissolved in April 2004 (Ibid).

Unlike TARC, the TABDC has been more consistent in its efforts. Established in May 1997, TABDC served as a link between the public and private sectors within and in between Armenia and Turkey. TABDC was able to promote close cooperation between the Armenian and Turkish business circles. It also tried to establish direct trade and business links in various sectors, to maintain close ties between the governments of Armenia and Turkey to enable them to forge global economic policies (Ibid).

Policy Options

While designing policy alternatives for the Turkish-Armenian relations, the Armenian Government will need to consider whether it is realistic enough; taking into consideration the possible outcomes of the opening borders: both the negative and the positive sides.

Having the problem defined already as a real, relevant problem for Armenia, some policies must be thought about concerning the issue, the policies must be the most appropriate and the most applicable ones. Something really must be done concerning Armenian-Turkish relations. Something to make progress in the relations, and the issue of opening borders. First of all there are two ways to address the issue, the first solution can be to leave everything as it is, not opening the borders, not changing anything, staying with no diplomatic and no other relations. In this case, actually no policy is needed, not much should be thought of and not much should be done. The second option is to leave aside all the things that happened before, and start diplomatic relations with Turkey, open the borders somehow trying to make progress in these relation and do it in a way that will be most beneficial for Armenia.

Criteria

In order to be able to analyze each of the alternatives and see which one is the best, we have chosen to address the issue in the following way: we'll see what can be the economic and social, as well as the political consequences in case of each of the alternatives. Socio-economic aspect is an important one, as closed borders with a neighbour country first of all has influence on the economies of those countries, and when the economy is not developing, that has its direct influence on the society and its development.

As Bryan Roberts states in his research "The Economic and Social Impacts of opening the Turkish-Armenian Borders: Summary of Conference Research Findings"; *"The closure of the border between Armenia and Turkey is a type of economic sanction. Economic sanctions are implemented by a country, groups of countries, or international bodies such as the United Nations in order to influence the policies of the targeted country. Sanctions bring about a range of economic and social impacts that are intended to make the costs of defiance of the sanctions' goals higher than compliance"*. This research will look at the possible effects of this economic sanction in Armenia, then, we'll try to see what can be the possible positive and negative impacts of opening borders, from this perspective. We will try to see what can be the possible changes in the economic relations of the two countries and what benefits and costs Armenia will have in case the borders are open.

The economic arguments put aside, the opening of the Turkish-Armenian border also has political implications which could influence not only the politics of both countries but also the overall geopolitics of the South Caucasus. So, in case Armenia and Turkey start to normalize their relations, there may be a shift in the balance of power in the region. The formulation of foreign policy is dependent on different variables some of which include the geographic location and geography of the country, the state of the economy, security issues and the overall well-being of the state itself. All these factors are sometimes referred to as Realpolitik, corresponding to the conduct

of politics in a realist way without being influenced by emotion, ideology, religion or historical experience (Kotchikyan 2005).

In the case of Armenia, conducting a foreign policy based on Realpolitik is difficult but not impossible. That is why there are some political issues related to the Turkish-Armenian border opening and we'll try to find out what implications the opening of borders can have on the political outlook of Armenia.

Findings

First Alternative

At present there are no diplomatic relations between Turkey and Armenia, and the borders have been closed since 1993. Not to do anything means not starting diplomatic relations with Turkey, and not opening the borders. In this case the current circumstances will remain as they are. When saying current circumstances we understand, that there are some factors which make the reopening of the borders more and more difficult.

First of all there is the conflict of Karabakh, which was the main reason why Turkey took the policy of closing the borders. Ankara views the war over Karabakh as an international conflict opposing the Armenian and Azerbaijani republics, not a civil war between Karabakh's Armenians and the Azeri government. Since the borders are closed, Ankara has been underlining that the normalization of relations with Armenia depends on Yerevan's compliance with the principle of territorial integrity and its willingness to resolve the conflict. Turkey also has claimed that its closure policy will remain in place until a negotiated agreement between Armenia and Azerbaijan is reached. Armenia's official position is that negotiations should begin without preconditions. It argues also that the road between Yerevan and Ankara should not, pass through Baku (Tocci 2007).

Then, there is the the problem related to the 1915 events. Turkish and Armenian sides interpret them differently. The Armenian side holds that there were some 1.5 million deaths in an organised killing campaign which constitutes genocide, whereas Turkey rejects the term and interprets the events as unplanned massacres. Armenia has had foreign policy agenda to get to international recognition of the 1915 events as genocide, and Turkey's aim has been to block such development, as recognition may have its legal consequences such as territorial and financial compensation demands. Thus this is also a factor making the normalisation of the relations between the two countries difficult (Ralchev 2010).

There is one more point, which is problematic, it is that Armenia continues to be ambivalent over its recognition of its common border with Turkey. Turkey continues to demand an official acknowledgment that Armenia has no territorial claims on Turkey. Ankara points to Armenia's 1990 Declaration of Independence, which describes the Eastern part of Turkey, where most Armenians lived until 1915, as 'Western Armenia'. Turkey insists that Armenia should officially recognize the current Turkish-Armenian border. Armenia instead continues to assert its acceptance of the border, and both its President and Foreign Minister have stated to the Turkish media that Armenia recognizes the Treaty of Kars and the current border between the two countries. Yerevan refrains from issuing a formal declaration regarding the status of the border, arguing that this should be part of the wider negotiations between the two states, not a precondition for negotiations (Tocci 2010).

Overall, these are the main factors that complicate the normalization of the relations between the two countries. Yerevan states that Turkey's policies contradict the free trade provisions of the WTO, the Millennium goals and other provisions in international law which refer to the need to guarantee access to the sea for landlocked countries. Turkey retorts that the closure cannot be qualified either as a blockade or as an embargo, from the point of view of public international, both being terms with specific legal definitions and meanings. Turkey claims that there are no sanctions on Armenia and repeatedly points to the existing links between the two countries. According to Armenia's Ministry of Foreign Affairs and its Ministry of Industry and Commerce, bilateral trade turnover amounts to \$70-150m per year while the IMF estimated bilateral trade turnover in 2005 at \$56m. There are some 20 Turkish-Armenian joint-ventures, and Turkey is reportedly Armenia's seventh largest commercial partner, although export destinations are usually registered as lying in Georgia or Russia, as exports tend to originate from third-party firms. Turkey mainly exports foodstuffs to Armenia and imports copper. Armenia's increase in purchasing power in the 2000s, its booming construction sector and the improvement of transit conditions through Georgia after the

‘Rose Revolution’ have all increased Turkish commercial interests in Armenia. Beyond trade, human contact between Turkey and Armenia is rising, as evidenced by the growth in bus companies shuttling between Istanbul and Yerevan, the air corridor between the two capitals opened in 1996. According to the data provided by Istanbul’s Atatürk International Airport and the Turkish Anatolian agency, 11,000 Armenian citizens visited Turkey in 2003 (Mediamax 2004). The actual figure may well be much higher as many tourists and small businessmen travel to Turkey via Georgia (Tocci 2007).

Actually these are the current circumstances that exist in the relations of the two countries. And when thinking about some policies to implement in this sphere, the government should take into consideration all the factors that contribute to the complication of the relations between the two countries. So, the relations are not normal at present, and this is a matter that should be solved.

The Second Alternative

The second option, as it has already been mentioned above, is to leave everything that happened previously, as it is, to leave aside all the preconditions, the protocols that didn't have a success, and start a cooperation between the two countries, start diplomatic relations, open the borders.

There are opinions that opening borders will be harmful for some sectors of the Armenian economy, especially the monopolies, such as the sugar and oil, which will suffer from external competition (Tocci 2010).

According to Iskandaryan and Minasyan Open borders will allow hundreds of thousands of people to visit the neighboring country about which they know absolutely nothing. Armenians will get the chance to visit those regions of Turkey that form a part of Armenian history and in which the ancestors of many contemporary Armenians were born and lived. Armenian tourists will certainly be upset by the sad state of Armenian historical heritage in those regions. Among the Turks, visitors from Armenia may evoke memories of the Genocide. On one hand, this may have a negative reaction from some people. On the other, this may expose the already existing discourse about “crypto-Armenians,” i.e. Turkish citizens having some form of Armenian identity who are direct descendants of those Armenians who adopted Turkish identities during the Genocide and thus avoided deportation. All this can lead to intolerance and nationalism immediately after the borders are opened. With the border open, nationalist ideologies will no longer rely only on history but also on everyday problems and conflicts that do not happen now because there is no interaction between the two nations (Iskandaryan; Minasyan 2010).

Many authors have referred to the positive side of the opening borders. According to Stefan Ralchev it is time to open the border and start cooperation in a number of areas. For this kind of

cooperation to happen, a political decision is to be made, even if formally no diplomatic relations are established. The date of April 24, 2015, is approaching when Armenian people will commemorate the 100th anniversary of the Great Catastrophe of 1915. It would be wise to have some progress until then, which would be a good basis for further development of relations (Ralchev 2010).

According to Ralchev trade exchange and the economic advancement of the two countries are the areas that will be beneficial for two countries to cooperate. In case the borders are open, the country's GDP will grow by 2.7 %. Employment will grow by 0.43%, total exports will rise by 17.73% in Armenia (Ralchev 2010).

The border is closed and this is why there are no land communications to and from Armenia. Azerbaijan, Georgia, Turkey and Iran are bordering countries to Armenia. In addition to the closed border with Turkey, Armenia's eastern border with Azerbaijan is also closed, as a result of the conflict in Karabakh. Only its Georgian and Iranian borders can therefore be used for land communications. This is all the more serious in that Armenia is a landlocked country, and its only practical access to the sea is also through Georgia and Iran. Landlocked, with two of its borders closed, connected to its distant markets through Georgia and Iran, which are much more expensive, Armenia's development is handicapped because of the border closed (Tocci 2007).

The present geographical and product compositions of Armenian export are insufficient: trade relations with the most of the main trade partners, including two neighboring countries – Georgia and Iran, have no potential to develop. As well Armenia has exceeded its export potential almost to all the CIS countries. Current trade relations of Armenia with the EU countries should be re-considered along the lines of advancing of Armenian products to the markets of France, the UK, Spain, Italy, Sweden, Poland, and Greece. Re-opening of the Armenian-Turkish border will present the possibility to increase total Armenian export to Turkey by 40.72 US\$ millions. With regard to

product composition of Armenian export the most perspective groups seem to be “Industrial supplies”, “Food and beverages”, and “Consumer goods” (Hayrapetyan G; Hayrapetyan V. 2011).

The studies and presentations of the AIPRG conference on “The Economic and Social Impacts of Opening the Armenia-Turkish Border” each address different aspects of the impacts of the border closure. Their key findings are an estimate of the overall impact of the closed border on the Armenian economy (Roberts 2006).

One of the key impacts of closing a border is to restrict transport options for trade flows of the target country, boost the cost of trading, and thus reduce trade and income. Prior to the conference, several studies quantitatively evaluated this impact. The first was Polyakov (2001), who used a gravity model and found that opening the border would increase Armenian exports by 200% and GDP by 38%. Gravity models are those that, in case of pairs of countries relate the level of trade flows to factors such as the size of their economies, distance between the countries, policy variables such as free trade agreements, having a common border and/or common language, and other factors. The estimates of a gravity model can be used to evaluate the impact of the closed border on trade, in order to predict what level of trade should take place, and then comparing this prediction to the actual trade level. This can be done for trade flows between a pair of countries as in case of Armenia and Turkey, or for the total trade flows of one particular country (Roberts 2006).

Freinkman, Polyakov and Revenco (2004) (hereafter FPR) subsequently used a trade-openness model and a gravity model to evaluate the impact of the closed border on Armenian trade flows and GDP and they found out that in fact influenced the exports and GDP of the country. Actually the GDP declined from 40% in the 1990s to 30% in the 2000s. The trade-openness model relates the ratio of trade to GDP to explanatory factors such as country size, participation in trade blocs, and institutional quality (Roberts 2006).

AEPLAC uses a gravity model to estimate the impact of border opening on Armenia's trade flows and embeds this into a computable-general-equilibrium (CGE) model in order to evaluate impacts on GDP. CGE models explicitly model the structure of an economy and take into account the interactions between different sectors and induced (secondary) economic impacts of changes such as opening the border. In the gravity modeling of trade flows, assumptions were made on the ability of trade flows to respond to shocks such as opening the border in the short, medium, and long run. In particular, capacity constraints on the ability of Armenian exporters to respond to border opening in the short run were imposed. The key results of this study, which were presented at the conference, are that border opening will result in increases of 17.7% in exports, 13.0% in imports, and 2.7% in real GDP over the medium run (5 years.) These impacts are much smaller than those of Polyakov, whose research was made in 2000 and the research made by FRP in 2004, who used a trade openness model (Roberts 2006).

A research done by Tigran Jrbashyan, Hayk Barseghyan, Vadym Slobodyanyuk, and Artashes Shaboyan " Study of the Economic Impact on the Armenian Economy ;From Re-opening the Turkish-Armenian Borders; Implications for External Trade" tried to find out the possible outcomes of opening the borders for a short-term basis, mid-term and long term ones. They came up with the conclusions that closed borders between Armenia and its neighbouring countries have a negative impact on the Armenian economy. It is not argued that a re-opening of the borders with Turkey will bring many benefits to Armenian economy. According to the research the main problem for the economy which can be solved, is the high transportation costs for exports from Armenia and also imports to Armenia. The transportation costs for Armenia today are very high, as cross country comparisons show. This is quite a serious problem for the economic development of Armenia, in particular for growth of exports and imports (Jrbashyan; Barseghyan 2007).

Re-opening of the borders will lead to considerable changes in the industrial structure of Armenia. This is of great importance in view of developing trade relations with the EU. In reality Armenia cannot expect serious improvements in the short-term opening of the borders. A re-opening of the border does not imply an imminent massive trade turnover. Trade relations are an inertial process: they periodically need reformulation, new trade contracts and market analyses, which cannot be achieved within one year. In this case, the only change that can be expected is the reduction of transportation costs, not only because Armenia will start using Turkey's roads, but also because Georgian transportation companies, faced by competition, will be forced to reduce the charges for their services. Moreover, the Mediterranean seaports are of greater interest for Armenia than those of the Black Sea. The Black Sea ports do not allow the use of ocean container vessels. This is why the cost of freight forwarding from Poti to Marseille is 700-800 USD per container, and from Beirut to Marseille 100 USD, since in the latter case ocean ships are used that have a large capacity, and therefore a low cargo transportation cost price. As a result of a re-opening of the Turkish-Armenian borders, Georgia will be forced to reduce its charges for freight forwarding services, and Armenia will also get the opportunity to use the Mediterranean ports, which will lead to considerable savings. Armenia cannot expect to attract large investments in the short-term though this would expand its domestic production and increase external demand (Jrbashyan; Barseghyan 2007).

In the medium-term, Armenia will have the opportunity of setting relevant mechanisms for entering the EU market via Turkey. The current turnover volumes with Turkey will rise to some extent, considering the fact that the turnover will now be realized directly, not through a third party, which is Georgia in this case. As a result, the prices for Turkish goods in the domestic market will considerably decrease. At the same time, the Armenian exporters will have a wider opportunity to study the Turkish market capacities without an intermediary. In the medium term, we also expect

that transportation costs will continue to fall. In a five-year perspective, we do not expect serious structural changes and large investments that would allow Armenia to respond appropriately to drastic changes in the external demand (Jrbashyan; Barseghyan2007).

In the long-term Armenian and Turkish markets will become interconnected. Armenian producers will have to start competing with Turkish producers and this will contribute to the modernization of Armenian enterprises. Armenian producers will have every opportunity to effectively enter the Turkish markets. This means that there is a possibility of changes in the export structure in favour of “heavy” commodities (for example, construction materials, chemicals etc.) Exports of electrical power would also be facilitated (Ibid).

One could outline a scenario that would differ from these ones, for example, with an active economic policy supporting export oriented industries, foreign investors on one hand and the involvement of Turkey in the EU on the other hand, in this case Armenia may end up on a different path of development (Goshgaryan 2005).

The closure of the border has had a massively detrimental effect on the Armenian economy and of the regional economy more generally. It has also contributed to the atmosphere of resentment, antagonism and conflict in the region. The economic losses inflicted by the border closure are difficult to calculate, but from the existing data one can immediately estimate that Armenia’s GDP has been significantly reduced, and its growth distorted (Barseghyan 2005).

The closed borders have also influenced the development of the industrial sector in Armenia. This has favoured light, high-value added industries; diamonds, precious metals, information technologies, et cetera. Armenia has the potential of developing it's industry (under the Soviet Union, Armenia had a very developed industrial sector); however, this potential can only be developed under more favourable trading conditions. If the borders open Armenia will have greater

access to the markets of the EU and can thus further increase the volume of trade, subject to the lifting of the blockade (Barseghyan 2005).

The economic benefits of re-opening the border are not as one-sided as it might appear. Turkey's GDP in 2005 amounted to \$574 billion and per capita GDP constituted \$8,200, which is respectively 40 and 2 times greater compared to Armenia GDP of \$13 billion and per capita income of \$4,500. However, compared with the economic growth rate and per capita income of the eastern region of Turkey, bordering Armenia, the disparity in income and development is reversed. The opening of the Armenian-Turkish border through enabling cross-border trade will significantly contribute to the development of the eastern region of Turkey (Bosbotis; Ghaplanyan 2006).

According to official estimates, in the case of Turkey's accession to the EU and if the current Structural Fund's allocation mechanism remains unchanged, almost 80% of these funds will have to be allocated to Turkey for the development of its eastern regions. This may serve as an incentive for Turkey to reopen the border thus contributing to the development of its eastern region, as there will be an increase in the local trade turnover, growth of employment and per capita income. There will also be some communication interests for Turkey in re-opening the border with Armenia. The Kars-Gyumri railway constitutes a major transportation link for Turkey connecting it with the countries further to the east, including its regional partner Azerbaijan and the whole of Central Asia. The development and construction of the Kars-Akhalkalaki-Tbilisi-Baku rail-link is a highly negative development for Armenia and the region, due to its intention to replace the Kars-Gyumri rail-link and ensure the continued isolation of Armenia and its exclusion from the regional trading system. The restoration of the Kars-Gyumri railway could have a positive effect on the Armenian economy. Gültekin (2004) cited a study by the Armenian Ministry of Industry and Commerce; this concluded that in the event of the blockades of Armenia being lifted, thus allowing the restoration of its four

trans-border rail-lines, would result in the doubling of exports. The gains from this would exceed \$300 million (Bosbotis; Ghaplanyan 2006).

Public opinion concerning opening the borders

In the societies of both countries one can notice a growing aspiration, probably not at the official level, to see an end to the antagonism that exists between Armenia and Turkey and to see the border open. Since 1998, the President of the Kars Chamber of Commerce Mehmet Yilmaz called for the opening of the Armenian- Turkish border. "We want to open the border - it will mean jobs for everyone. Armenians will visit Kars to shop for foodstuffs and textiles," Yilmaz said. The Turkish Armenian Reconciliation Commission also supported the opening of the border. "The city is dying," one of TARC's Turkish members, Üstün Ergüder, was quoted as telling TARC Chairman David Phillips after visiting Kars, a town near the Armenian border, in 2003 (Goshgarian, 2005).

Kotchikian (2006) reviews results from existing polls and surveys to evaluate Armenian public attitudes to opening of the border. Survey results indicate that experts have a significantly more favorable view on developing relations with Turkey than the broad public. A 2004 survey indicated that a plurality of the broad public favored opening the border, but a 2006 survey indicated the opposite. A 2005 survey indicated broad public support for the establishment of diplomatic and economic relations with Turkey (Roberts 2006)

Mkrtchyan (2006) summarizes the results of a public debate that AIPRG convened in Gyumri in 2006. The audience that attended the debate was not representative of the Gyumri population as a whole, and is best taken to represent the "expert" or "elite" sector of the city. There was broad support among the group for opening the border. Large majorities perceived that both exports and imports would rise after border opening. Interestingly, a large majority perceived that Armenian agricultural products would be competitive on the Turkish market. A majority did not perceive that border opening would be followed by significant migration. There was broad support

for Turkish ownership of property in Armenia and vice versa. 42% viewed Armenian-Turkish relations becoming more positive in the future, whereas 37% viewed them as staying the same, 5% viewed them as becoming worse, and 16% could not answer the question. 60% felt that the government should control the process of reconciliation as opposed to stakeholders-businessmen and traders (25%) (Roberts 2006).

Taken together, the evidence suggests that Armenian elites strongly favor normalizing relations with Turkey and opening the border. For the broad public, attitudes are more mixed, with roughly half of those providing answers favoring opening of the border (although there does appear to be broader support for establishing relations with Turkey as long as the “past is remembered.”) (Roberts 2006).

The Implications for the South Caucasus, Turkey, and Europe

The estimation of the economic benefits of reopening the border is a rather delicate task. It is subject to political, social, geo-strategic and cultural factors. The World Bank in 2000 estimated a 30% increase in economic growth for Armenia with the removal of both the Turkish and Azerbaijani blockades, whereas the Armenian-European Policy and Legal Advice Centre (AEPLAC) estimates an additional 2.7% rate of growth in the long-term. Nonetheless, the opening of the Armenian-Turkish border is vital for regional development both in economic and political terms. The opening of the Armenian-Turkish border will also provide an opportunity toward regional reconciliation. If Turkey lifts the blockade it will be, above all, a political statement and enable bilateral engagement between Turkey and Armenia. Besides aiding the normalization of relations between Turkey and Armenia, it may also assist in moderating Azerbaijan's stance over the Nagorno-Karabakh conflict and will move the conflict resolution process forward in a positive direction. The creation of a more stable regional political environment is a necessary prerequisite for establishing favourable conditions for increased foreign direct investment into the region. If FDI increases in Armenia, it will contribute to the improvement of governance, economic and social development, thus strengthening the country internally and lessening its dependency on Russia, both politically and economically (Ghaplanyan, Bosbotinis 2006).

The opening of the Armenian-Turkish border will also have negative implications for Armenia, in particular, through increased exposure to organised crime and narcotics trafficking. Turkey remains a key transit route for Southwest Asian heroin to Western Europe and to a lesser extent the US. Major Turkish, Iranian and other international trafficking organizations operate out of Istanbul; laboratories to convert imported morphine base into heroin operate in remote regions of Turkey (some close to the Armenian border) and near Istanbul. Armenia has been somewhat sheltered from regional organised crime due to its closed borders, and if the borders are actually

opened, Armenia will have to invest in border control measures, so as to limit the flow of drugs in and out of Turkey (Barseghyan 2005).

Another negative aspect is the pressures of external competition from Turkish producers, that Armenian economy will have to face. This should contribute toward the development of Armenian industries but may also serve to encourage the development of protectionist policies to defend ‘infant industries’ and may serve to divert regional tensions from the political to economic spheres (Bosbotinis; Ghaplanyan 2006).

Political implications for opening borders between Armenia and Turkey

In order to formulate a foreign policy, one should take into consideration different variables, such as the geographic location and geography of the country, the state of the economy, security issues and the overall well-being of the state itself. All these factors sometimes refer to political issues. And we can not discuss the issue of opening borders between Armenia and Turkey without taking into consideration all the aspects concerning the issue, which in this case are the economic and social as well as political aspects. Referring to the political aspect of the issue we'll try to see what will be the possible implications and reactions in case the borders are opened.

Since the 1990s, some entities have been opposing the opening of the border between Armenia and Turkey, and these entities included the Armenian Diaspora, nationalist groups in both Armenia and Turkey and most importantly Azerbaijan. On the Armenian side the major groups opposing the opening of the border are the Diaspora and several political parties in Armenia (such as the ARF). In order to be able to find out what will follow we should look at the views of each of these groups regarding the issue. There is no doubt that Diaspora can be influential on the successful foreign policy of Armenia. At the time of independence Armenia had the most exposure in foreign media, which was stemming from the efforts of the Diasporan Armenians. Since the first days of independence, the majority of the Diasporans have supported the foreign policy efforts of the new republic, that is why Armenia received economic and humanitarian aid from international donors and institutions (Kotchikyan 2005).

In the case of Armenia, conducting a foreign policy based on Realpolitik is difficult, because there is the Diaspora factor and their demands play an important role in Armenia's foreign policy. For the Diaspora, or at least a large section of the Diaspora, as well as a number of Armenians from Armenia, Turkey remains an enemy, which not only refuses to accept its responsibility for the

Genocide and the subsequent dispersion of Armenians all over the world, but also engages in an active policy of denial, and this policy strengthens the position of Diasporan Armenians who perceive Turkey as that default enemy. This is why any agreement that the Armenian government makes with Turkey is viewed with skepticism by the Diaspora, which considers Turkey's recognition of the Genocide to be a starting point of bilateral state-to-state relations. For their part, foreign policy makers and formulators in Armenia view Turkey as a regional power and a neighbor with which Armenia must establish diplomatic relations and engage in political and economic activities. In this formula, the history is not forgotten, but is put on the backburner, or at least used as a card to exert pressure on Turkey. Taking into consideration this factors Armenia's foreign policy makers need to think about how Realpolitic can be balanced with the wishes and demands of the Diaspora and those of the nationalists in Armenia, which contributes in no small degree to the various economic and social development plans and projects in the republic. As for Turkey, those opposing the opening of the border include Turkish politicians and nationalists and the Azerbaijani lobby. Whenever the issue of opening up the border became a topic of agenda, Turkey emphasized that this was out of question as long as Armenia did not comply with several of the conditions that they have put forward (Kotchikyan 2005).

As for Azerbaijan, it has always been confident that that Ankara would not open up the border with Armenia until the Nagorno-Karabakh issue is solved. This has been reestablished on many occasions when the late Azerbaijani President Heydar Aliyev visited Turkey. At the end of almost every visit, President Aliyev reconfirmed that Turkey is taking into consideration Baku's views in regards of the border opening (*ITAR-TASS News Agency 2000*).

There have been many instances when it has been stated that Turkey would improve its relations with Armenia at the expense of Azerbaijan or Azerbaijan gave a positive response to the desire of Turkey to improve relation with Armenia. These statements, however, were disowned by

Azerbaijan and Turkish officials. For instance in September 2003 when the Turkish and Azerbaijani foreign ministers—Abdullah Gül and Vilayet Guliyev—met in Ankara, they came up with a joint statement dismissing claims by Armenian Defense Minister Serge Sarkissian that the border would be opened in the near future (*Turkish Daily News*, 2003).

Taking into consideration all the factors mentioned above we can say that from a political perspective, Azerbaijan would become a loser, in case the borders opened, because its attempts to isolate Armenia and bring it to “submission” through blockade would fail. Besides, Azerbaijan would have to face pressure to deal with the Nagorno-Karabakh conflict while Armenia is able to transcend the economic embargo. From the Armenian perspective the opening of the border could be translated as a great diplomatic success and victory against Azerbaijan. Armenia will prove its ability to end the country’s isolation without concessions in such issues as the Nagorno-Karabakh. Geopolitically speaking the border opening could also lessen Armenia’s dependence on Russia. Similarly the direct contact between Armenia and Turkey could make Georgia’s role as a transit country less important and hence put the relations between Tbilisi and Yerevan on a more equal footing. So, the political gains for Armenia promise to be high (Kotchikyan 2005).

Table of Findings

	Economic	Social	Political
Alternative 1	<p>1.Closed borders</p> <p>2.No economic relations</p> <p>3.No land communication to and from Armenia</p> <p>4.Turkey's policies contradicting the free trade provisions of the WTO, the Millennium goals</p> <p>5. bilateral trade turnover amounts to \$70-150m per year while the IMF estimated bilateral trade turnover in 2005 at \$56m</p> <p>Some 20 Turkish-Armenian joint-ventures;Turkey is reportedly Armenia's seventh largest commercial partner</p>	<p>1.Human contact between Turkey and Armenia is rising, as evidenced by the growth in bus companies shuttling between Istanbul and Yerevan, the air corridor between the two capitals opened in 1996.</p> <p>2.11,000 Armenian citizens visited Turkey in 2003</p>	<p>1.No diplomatic Relations between Turkey and Armenia</p> <p>2.Karabakh issue</p> <p>3. The 1915 events</p> <p>4.The issue of acknowledging the borders</p>
Alternative 2	<p>1.An opportunity to increase total export to Turkey</p> <p>2. Increases of 17.7% in exports 13.0% in imports, and 2.7% in real GDP over the medium run (AEPIAC)</p> <p>3. The pressures of external competition from Turkish producers, that Armenian economy will have to face</p> <p>4. Turkey's GDP in 2005 amounted to \$574 billion and per capita GDP constituted \$8,200, which is respectively 40 and 2 times greater compared to Armenia GDP of \$13 billion and per capita income of \$4,500.</p>	<p>1. Everyday problems that do not happen because there is no interaction</p> <p>2. Increased exposure to organised crime and narcotics trafficking</p>	<p>1.The opening of the border could be translated as a great diplomatic success and victory against Azerbaijan.</p> <p>2.Ability to end the country's isolation without concessions in such issues as the Nagorno-Karabakh</p> <p>The border opening could also lessen Armenia's dependence on Russia.</p>

Conclusions and Recommendations

There can be many strong platforms in Turkey and Armenia for the reconciliation process, the intellectuals can be engaged in finding new common ground, and if there is willingness of officials to discuss new ideas, then maybe there will be some prospect of normalising relations between Armenia and Turkey. What is, in fact, found out in this research is the following:

Closing the border has not proved politically successful, but is instead harming both countries economically. Opening the border will promote security, stability and openness, and serve as a new incentive to European integration of both Turkey and Armenia. For a long time Turkish-Armenian relations were bound to progress in the Nagorno- Karabakh conflict. In 2008 Turkey seemed to have softened its policy on this, which is considered a positive step. It is essential that the relations between Turkey and Armenia are released from any pre-condition that involves third parties. Keeping the issue of relations to other countries separate from the Armenian-Turkish dialogue both at societal level and in state politics. Turkey and Armenia should put historic emotions aside, at least for a while, in order not to harm the normalization process. The genocide issue should be kept separate from political negotiations. Developing economic relations between Turkey and Armenia would have benefits both economically and at the societal level.

My advice to the Governmental structures include in it proposals on creation of specialized mixed groups, which would consist of both independent experts and diplomats. These groups should have exact tasks on elaboration of specific joint proposals on overcoming the conflicting situations in different spheres of the Armenian-Turkish relations. In the final result, all the measures that have been proposed would contribute to normalizing the Armenian-Turkish interstate relations.

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