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**Opening the Turkish-Armenian Border:
Weighting the Economic Implications**

**A Master's Essay Submitted to the Faculty of the Graduate
School of Political Science and International Affairs**

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Introduction

The humanity has already stepped into the 21st century. Yet, it still confronts unacceptable issues, such as wars, closed borders, economic blockades, and adversary attitudes among nations. Most of these problems are inherent to Armenian-Turkish relations, which officially do not exist. Playing a great role in the establishment of comprehensive peace and cooperation in South Caucasus, the Armenian-Turkish closed border from time to time appears in the center of national and international attention (“Noah’s Dove Returns: Armenia, Turkey and the Debate on Genocide” 2009). Despite the fact that there are number of studies indicating the mutual benefits of opening the last closed border in Europe still remains hermetically sealed.

In 2009, both countries made some efforts to normalize their relations. One such big step was the Protocol signed by Armenian, Turkish and Swiss Foreign Ministers at the University of Zurich to establish diplomatic ties and open the border between Armenia and Turkey. However, the process of rapprochement did not succeed because of the preconditions imposed by Turkey (Giragosian 2009).

As a result of the blockade, Armenia faces harsh economic difficulties. Being a landlocked country and having the entire western border (as well as the eastern border) closed, Armenia has no access to the Mediterranean Sea, one of the critically important crossroads of the international trade. In addition, Armenia’s access to the European market through the Turkish routes is very limited and passes through Georgia’s territory, significantly making the transporting costs significantly high.

The given research undertakes the examination of weighing economic implications and considering public views that Armenia might face after the opening of the border. It argues that the economy and trade flows, in particular, will significantly benefit. In addition,

it foresees that after getting access to the Mediterranean Sea, which equals to getting access to international trade, the country's exports potential will dramatically increase. This may lay ground for the exponential increase in the foreign direct investments (FDI) as well, thus contributing to the inflow of production and capital capacity.

Considering the significance and sensitivity of the issue, numerous research studies are devoted to the Turkish-Armenian open border's potential political and economic implications. The significance of the given study is embedded in its strong accentuation on public perceptions about the potential economic impact of the open border.

Literature Review

After the dissolution of the Union of Soviet Socialist Republics (USSR) in 1991, Armenia proclaimed itself an independent country. Unfortunately, independence and challenges arrived abreast. Devoid of any economic ties with former Soviet countries, the newly emerged republic inherited a devastated economy and an inextricable issue of Nagorno-Karabakh with Azerbaijan. In support of their brotherly bond with Azerbaijanis, Turkey imposed an economic embargo on Armenia. Under the condition of the two-sided blockade, Georgian and Iranian routs were the only ones to bridge Armenia with European and the Middle East trade markets. Considering this, Georgia and Iran increased the costs of transportation, which hindered the export of food, manufacturing goods, electronics, and chemicals. During the Soviet times, these were the main export products. Currently, Armenia cannot afford expensive freights for transportation of heavy commodities (Tocci et al. 2007). Therefore, it is developing niche markets in lightweight products which do not require special conditions or equipment for transit (meat, glass, flowers, etc.) and consequently cost comparatively cheaper. These products include precious stones, jewelry, base metal, informative technologies and others ("National Statistical Service of Republic of Armenia" 2012). As previously mentioned, they are predominantly exported via Georgia and Iran.

Georgian routes, though, prove to be more preferable as they are cheaper, faster and shorter, whereas Iranian ones take longer to transit goods (7-9 days) and are burdened with severe restrictions on cigarettes and alcohol (Poghosyan, Soyak, and Ghazaryan 2011). Armenian-European Policy and Legal Advice Center's (AELPAC) study, though, anticipates positive changes in the overall economic performance of Armenia after opening the border (Jrbashyan et al. 2007).

Analyzing the potential costs and benefits for Armenia, Giragosian suggests that the opening of the border will serve as a milestone for the normalization of Armenian-Turkish relations. As he puts it, the “win-win” position will create a platform for economic development, reconciliation and regional integration(Giragosian 2009). Khanjian, on the other hand, considers that assessment of potential winners and losers less predictable. He agrees, though, that several manufacturing sectors will benefit first. These are steel, iron, aluminum and copper with articles thereof, cement, handmade clocks and watches and others (Khanjian 2007). Furthermore, given the large-scale constructions in Turkey, Armenia is likely to become a possible exporter of high-quality cement. This portrays a possible image of mutually beneficial cooperation, where Armenia gets a chance to increase its export potential and Turkey satisfies its demand for high-quality cement with the wholesale price of \$50 per ton instead of \$110-120, offered by local Turkish factories (Suvaryan et al. 2010).

Regarding the economic implications to follow the opening of the border, researchers diverge in their forecasts. In 2001, Polyakov, for instance, implemented the gravity model designed by Baldwin to estimate the possible trade flows between Turkey and Armenia and arrived at the following conclusions: Armenian exports may increase by 200% and Gross Domestic Product (GDP) by 30-38%. He estimates the export profits from construction materials and electricity \$230 million, which is equal to the country's aggregate GDP in 1996 (Polyakov 2001).

Beilock and Torosyan, however, criticized Polyakov for his too optimistic forecasts, stating that the gravity model of trade holds precise estimations for developed countries with interconnected markets only. To illustrate the feasible trade flow changes between Turkey and Armenia that the open border may yield, scholars employ the gravity model, however, this time for a wide range of states, including Turkey, Israel and most of the European countries. Authors calculate that for GDP of 2004, export from Armenia to Turkey will increase by 38%, reaching \$5,404,574. Every 10% decrease in a distance will lead to an extra growth in exports by 12.6%. As for Turkey, its imports will increase up to \$51,041,170 which is 50% more than in the case of a sealed border. Furthermore, each 10% decrease in distance will lead to an extra growth of Turkey's imports by 15.6% (Beilock and Torosyan 2007).

Interestingly enough, Jrbashyan et al. carried out a study which contradicted to those of Beilock et al. and Polyakov. Jrbashyan et al. mention that opening the border will not bear many benefits to the economy in Armenia. The authors in AELPAC employ the gravity model for estimating the short-run (one year) and medium-run (below five years) effects of the open border. Later, a computable-general-equilibrium (CGE) model is employed for estimating the impact on the country's GDP. The given model considers the interactions among sectors and secondary economic impacts, for instance, opening the border. Meanwhile, the gravity model rests on the capacity of the flows of trade for reacting to unexpected changes, to the border opening in this case, in the long, medium and short run. They implement the model for estimating the trade volumes between Armenia and its 20 most important trade partners. For instance, in the short-run, they expected 4.1% decrease in transportation cost that will lead to 5.9% increase in import and 4.7% increase in export and as a result they expected 0.67% growth in real GDP. In the medium-run, they expected 17.7% increase in exports, while imports will rise by 13%, and overall GDP growth will be 2.7%. In a nutshell, Jrbashyan et al. suppose that Armenia cannot anticipate rapid and serious changes

in the short-term. The only tangible improvement to be expected is the reduction of freights. In the medium-term, Armenia and Turkey will cooperate without an intermediary- Georgia, resulting in the decrease of domestic goods prices in Turkey and enlarged capacities for Armenian exporters in the Turkish market. Finally, in the long-term, the two countries will hopefully interconnect their markets (Jrbashyan et al. 2007). In case Jrbashyan et al. and AELPAC prove to be right in their predictions about transportation costs reduction, Armenia's import and export are likely to increase remarkably.

To continue, scholars vary in their opinions about the possible changes in import and export rates in Armenia as well. Baghramyan and Jrbashyan et al. believe that opening the border will increase exports more than imports. Thus, using the Heckscher-Ohlin model, the trade structures of that of Armenia and Turkey are compared with the pair of Georgia and Iran aiming at illustrating the advantages and disadvantages of Armenia. The authors expect that the imports from Turkey will rise by 2.6 times, meanwhile the exports from Armenia- by 14 times, thus, leading to the unprecedented growth of 3.73% (Baghramyan 2007).

Ergo, the ambivalence in predictions distorts the image of the possible economic impacts of opening the border. Notwithstanding, Tharakan, and Thisse propose a valuable argument in the analysis of the welfare impact of international trade of two states, differing in size. In their efforts to predict which country will benefit most, they apply the Hotelling duopoly model. The major findings of the study are as follows: if there is a shift to free trade and market expansion, the smaller country will gain, whereas the large one will lose (Tharakan and Thisse 2001). Thus, according to their model, if the border opens, Armenia will be the one to benefit, while Turkey will only suffer.

Tsaturayan et al. study (2009), though, argues with the above-mentioned results. They claim that Turkey has diversified custom policies, as a consequence of which, the protection

and opportunities for internal markets and producers are ensured. Furthermore, Turkey has an active competitive internal market, which decreases other countries' opportunities for exports into Turkey. Whereas in Armenia, the free import regime weakens the positions of the domestic market and local producers. In addition, owing to sufficient state subsidies the agricultural sector is not supervised and taxed in Turkey. In contrast, Armenia has an unfavorable geo-climatic location, with the high level of susceptibility to the climate, outdated irrigation systems, and no precise taxation policy. Hence, the open border is not a pledge for Armenia to increase its export potential. It may simply face the expansion of Turkish exports (Tsaturyan, Hovhannisyan, and Babayan 2009).

From the economic perspective, Turkey evidently surpasses Armenia. According to the International Monetary Fund (IMF) calculations in 2011, Turkey may pride itself for being the 16th on the list of world countries with 1.073 trillion GDP in purchasing power parity (PPP) forms. This is 60 times bigger than that of Armenia (17.941 billion) (International Monetary Fund 2012). Here lays the misleading tendency to underestimate Turkey's economic potential it is deprived of because of the closed border. Actually, Eastern Turkey is in a bad situation, and Armenia may become a critical helping hand to catalyze the overall development of these regions (Kotchikian 2005).

In 2006, Kotchikian reviewed the results of an existing poll and a survey to find out the public views on the opening of the border. The results supported the idea that experts feel more positive about reconciliation than the public (Robert 2006).

In 2006, there was a public debate on the opening of the border in Gyumri. Interestingly, the idea of the opening received broad support. However, the majority of the participants did not take into account the large migration flow it could trigger. Most probably Armenians would migrate to Turkey to find a job or to settle in the territories of their

ancestors. The participants of the debate were mainly centered on economic issues; therefore, the major finding of the debate was that Armenian agricultural products would find their ways into the Turkish market. The majority of those present believed that it had to be the government to engage in the reconciliation process, rather than businessmen and traders. Though these predictions are not truly reliable, they indicate that the public antagonism has diminished to some extent (Robert 2006).

In 2007, the Yerevan-based Analytical Center on Globalization and Regional Cooperation implemented a project to find out various opinions among political and public activists in Armenia and Turkey regarding opening the border. Artak Zakaryan, a representative of the largest political party in Armenia- the Republican Party, stated that despite the high rates of economic growth in Armenia, Turkey would contribute to the Armenian economy. He added that Turkey, though, would have its own benefit as opening the border would be helpful for its border regions and its economy. Among the possible negative consequences, he mentioned that Armenian industry would be likely to suffer. Onur Öymen, the Deputy Chairman of the oldest and largest political party in Turkey- Republican People's Party, stated that Turkey had tried to establish contact both on the technical and diplomatic platform, but Armenia had an accusatory attitude. He mentioned that the problem would not be settled unless Armenia leaves the occupied territories in Azerbaijan and abandons its claims for the recognition of Genocide (“Various Voices on Turkey-Armenia Relations” 2007).

In the framework of the same project, Arthur Shakunts, the Head of Helsinki Citizens' Assembly in Vanadzor, was interviewed. By his words, the opening of the border would create new chances to develop the various spheres of the country and help to overcome the existing stereotypes that both countries attach to each other. As for the possible negative consequences, such as smuggling, trafficking and cooperation among criminals and others,

Shakunts considered unavoidable, yet easy to solve (“Various Voices on Turkey-Armenia Relations” 2007).

Interestingly, Ural Aküzüm, the Chairman of the NGO «ARI», mentioned that having a sealed border and the absence of diplomatic relations between Turkey and Armenia served the interests of the Armenian Diaspora. However, if the border was opened, both countries would be able to cooperate on political, social and also on economic issues. Yet, he thought that Turkey would not economically benefit much from the opening of the border with Armenia (“Various Voices on Turkey-Armenia Relations” 2007).

On the contrary, the Crisis Group Europe Report argues that the Diaspora of Armenia altered its fierce approach towards the border opening issue to a more nuanced one. As it was mentioned there, public opinion in both countries is ready, and opening is simply a matter of timing. A bright example of the positive public attitude is indicated by a poll held in 2009 right after ex-President Gül's visit to Armenia. It shows that the vast majority of Turks supported his visit, considering it successful and promising. The report agrees, though, that the main benefit of reconciliation will be the economic one, creating a «win-win» situation for both countries (“Turkey and Armenia: Opening Minds, Opening Borders” 2009).

In the scope of a seminar reported by the Chatham House it is stated that Gül's visit proved to evoke comparatively less vehement reaction in the Armenian Diaspora too. Furthermore, public opinion in Armenia is described as more positive now than it used to be. The possible economic implications, however, were argued to be optimistic (“Turkish-Armenian Diplomacy: Bilateral and Regional Implications of Efforts to Normalize Relations” 2010).

Coming to the conclusion, the existing literature of ambivalent ideas may leave the reader with ambiguous and debatable forecasts. Therefore, further research needs to be

conducted to estimate the potential economic implications of the open border. Since the research accentuates the public opinion on the feasible implications, it needs to provide a detailed theoretical framework to allow itself rough estimations of trade potentials between the two countries.

Theoretical Framework

Most of the reviewed literature on potential economic implications of the closed Armenian-Turkish border predominantly focuses on the estimation of Turkish-Armenian potential *trade volume*. In their attempts to estimate potential import and export volumes of both countries, scholars chiefly employ the gravity model. Owing to its reliability and precision, the given method is largely accepted in economic literature. The major factors involved in the evaluation of trade volume of a country are the economic mass of the country, price differences and distance that exist between the countries.

Given the studies on the given topic were mostly engaged in illustrating the trade potentials, it sounds sensible to apply the international trade theory. The basic argument, underlying the theory, is the assertion that the elimination of trade barriers results in the redistribution of resources and, consequently, in increased productivity and welfare in the state. Ricardo's classical argument implies that redistribution of resources leads to structural economic transformation in case each country specializes in domestic products with comparative advantages. Notwithstanding, the process may take place through reallocation of production amongst firms as well (Collective 2014).

Getting access to foreign trade routes and being geographically located near borders are two main determinants of distribution of a country's production centers and contribution to higher productivity. Being proximate to the market and excluding barriers is a base for new

production centers to emerge. Hence, more economic benefits for the country will be ensured (Collective 2014).

Another approach to be discussed is the Hechscher-Ohlin model, which, at heart, seeks to evaluate the international trade, specifically trade equilibriums of countries with different features. Broadly saying, the underlying theory of the model suggests that international trade offsets the uneven geographic distribution of products. From the empirical point of view, the model is quite useful, as it instructs how countries with comparative advantages can benefit from the export of abundant products thereof and the import of those they do not produce efficiently. It takes into account required factors of production which go far beyond tradable goods and consider other factors, including labor, land and capital (Leamer 1995).

Thus, one may arrive at the conclusion that the opening of borders mainly affects the economies of the neighboring regions of the closed border. With the help of the applied theory, one is exposed to the deduction that in case the Armenian-Turkish border is open, this will increase the volumes of trade and guarantee economic growth in Armenia.

Methodology

Research Question, Hypothesis

Considering Armenia's economic blockade and lack of access to the international market, the given research argues that the sealed border impedes Armenia's economic development. In its framework, it seeks to find out what the public thinks of the opening the sealed border and of the potential economic implications thereafter. The scope of the investigation is narrowed to the following research question and hypotheses:

- **RQ:** What are the public perceptions about the economic implications of the Turkish-Armenian border opening on the international trade of Armenia?

- **H₁:** Public in Armenia views positively on the economic implications of the opening the Turkish-Armenian border on Armenia's international trade.
- **H₀:** Public in Armenia views negatively on the economic implications of the opening the Turkish-Armenian border on Armenia's international trade.

Data Collection

The current study employs a mixed method of research which will allow answering the above-mentioned research question and accept or reject the hypotheses of the research. To conduct the research, both primary and secondary data analysis are necessary.

In nature, the research is explanatory for it aims at explaining what the public perceptions about the potential economic implications are. The design of the research is sequential transformative, which suggests to begin with analyzing the quantitative phase and then get down to the interpretation of the data collected in the qualitative phase. The data collection phase assumes the implementation of the transformative sequential mixed method. Firstly quantitative phase will be analyzed, afterwards the qualitative one.

In the quantitative phase, when the secondary data are gathered, the CRRC 2014 survey results (conducted with 1164 respondents) will be analyzed and interpreted. The particular data are chosen as they are fresh and are conducted among the public to find out their opinions of the opening about the closed Armenian-Turkish border and its economic impact.

In the qualitative phase, when collecting primary data, expert interviews will be conducted with a group of experienced Armenian economists and representatives of several

research centers. Further, the content analysis of the interviews will be helpful to understand how the interviewees estimate the potential economic impact of the open border.

Afterward, according to the findings of the both quantitative and the qualitative phases, either H_1 or H_0 hypothesis will be accepted.

Analysis and Findings

As the transformative sequential design of the study dictates, the results and analysis of the quantitative phase (CRRC survey) are presented first, while the qualitative analysis of the in-depth interviews is to follow. The semi-structured interview questions are attached in Appendix A, and the link to the CRRC survey questionnaire can be found in Appendix B.

Quantitative Phase:

The analysis of the database “Public Opinion Poll: The Ways for Normalization of Armenian-Turkish Relations”, conducted by the Caucasus Research Resource Center (CRRC), underlines the quantitative phase of data collection. In total, the survey was implemented with 1164

respondents in 2014,

December 13-25. The

overall questionnaire

includes five separate

sections. The given

research analyzes the

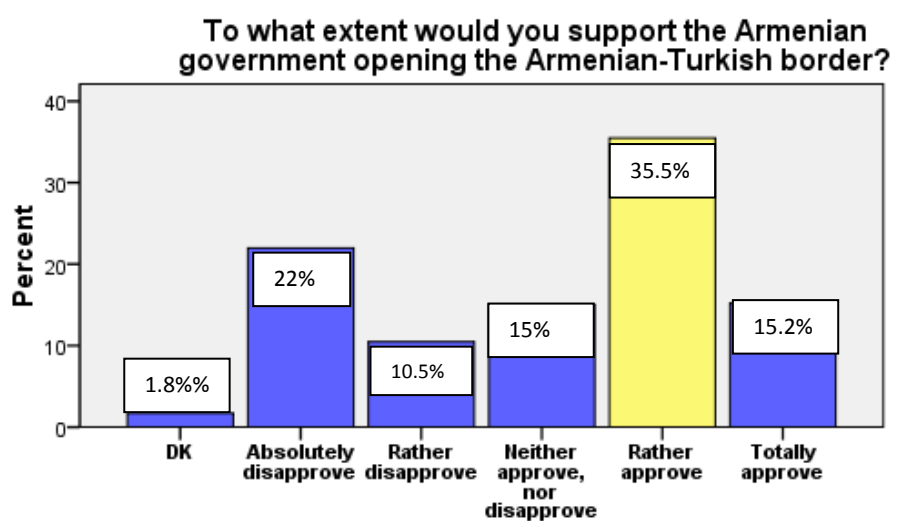
first (overall awareness

of Armenian-Turkish

relations) and the

second (regulation of

Armenian-Turkish relations) sections of the questionnaire. The choice of these particular



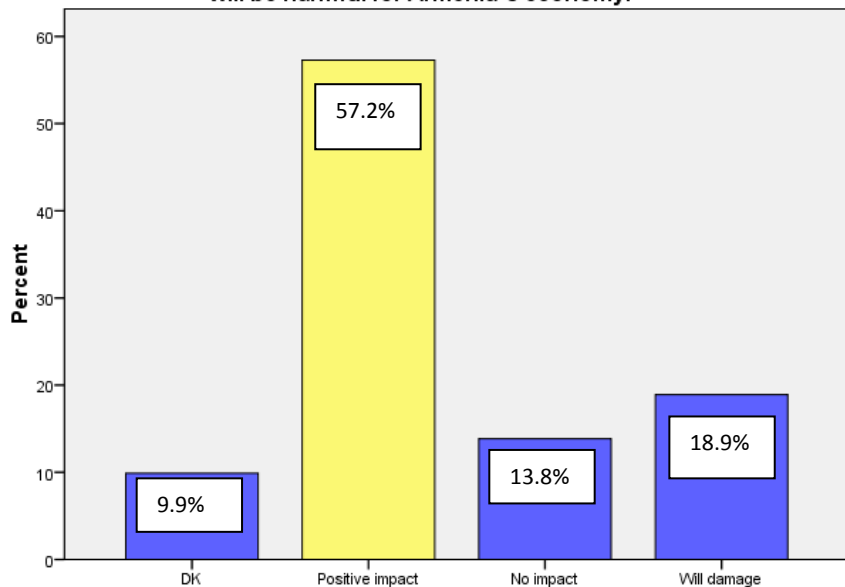
sections is based on the strong and immediate relevance to the questions included in Section A and B to the scope of our study. The database is analyzed via SPSSv. 16.

To begin with, we are interested in how the public views on the opening of the Armenian-Turkish border.

The following descriptive statistics graph illustrates the results of the respondents' answers on the extent to which they would approve the opening of the Turkish-Armenian border. According to the graph, 20 respondents out of 1164 (1.8%) were uncertain about the issue, 256 respondents (22%) absolutely disapproved opening of the border, 122 respondents (10.5%) would rather disapprove, 175 of the respondents (15%) were neutral and finally 177 respondents (15.2%) would totally approve. By and large, the majority of the respondents 413 that is 35.5% would rather approve.

One of the questions of the questionnaire aims at finding out the effects that the opening of the Turkish-Armenian border will have on Armenia's economy, domestic policies and developments, security, role in the region and

The opening of borders with Turkey will have no effect; will be beneficial; or will be harmful for Armenia's economy.



resolution of Nagorno Karabakh conflict. Since we are exclusively interested in the economic implications, we will present only the related results. Thus, the graph below highlights that the 9.9 % (115 respondents) answered do not know, the majority of the respondents

57.2% (666 respondents) believed it will have positive impact, 13.8% (161) respondents answered that opening of the border will have no impact, and 18.9% (220 respondents) answered that it will damage Armenia's economy (note that there were two missing answers for this question).

The table below demonstrates the correlation between those people who think that the normalization of the Turkish-Armenian relations will contribute to creating economic and trade cooperation

between Armenia and Turkey and people who tend to think that the process of normalization will improve Armenia's international trade. The correlation is statistically

Correlations			
		Normalization of Armenian-Turkish relations influences: <i>Economic and trade cooperation between Turkey and Armenia</i>	Normalization of Armenian-Turkish relations influences: <i>Improvement of Armenia's international trade</i>
Normalization of Armenian-Turkish relations influences: <i>Economic and trade cooperation between Turkey and Armenia</i>	Pearson Correlation	1	.451**
	Sig. (2-tailed)		.000
	N	1164	1164
Normalization of Armenian-Turkish relations influences: <i>Improvement of Armenia's international trade</i>	Pearson Correlation	.451**	1
	Sig. (2-tailed)	.000	
	N	1164	1164
** . Correlation is significant at the 0.01 level (2-tailed).			

significant at the 0.01 level. The correlation between the chosen variables is 0.451 **, which means that it is close to moderate correlation between the variables.

Qualitative phase

The qualitative phase of the research elaborates on the in-depth and comprehensive interviews, subjected to meticulous content analysis. As it is inherent to the qualitative stage, several descriptors are codified from the interview transcripts, each underpinning the answer of the research question. Given the equal time period allocated to the interviewees, the

frequencies serve as pivotal in identifying how often the codified descriptors have been mentioned. Afterward, the frequencies of descriptors are calculated. Note that the intensity of the mentioned concepts is measured by a scale of 1-3, which, in a strict prioritization, aims at documenting the significance of the descriptors and highlighting their contribution to answering the research question.

Sampling strategy of the interviewees: Since the research exclusively seeks to weigh the public perceptions on the potential economic implications of the opening the Turkish-Armenian border on the international trade of Armenia, with all the political factors omitted, interviewing distinguished economists, and representatives of acknowledged research centers, holds in high regard. The list of people interviewed is as follows:

- RA Deputy Minister of Transport and Communication.
- RA Former Minister of Finance
- Representative from the Ministry of Economy
- RA Former Deputy Minister of Agriculture
- RA Former Minister of Energy
- Chief executive officer (CEO) of the Caucasus Research Resource Center- Armenia (CRRC)
- Founding director of the Regional Studies Center (RSC)

During the face-to-face interviews, the experts have unveiled valuable information on the issue.

Interviewees	Descriptor1	Descriptor2	Descriptor3	Descriptor4
	Emergence of New Markets	Access to International Trade	Increase in FDI	Elimination of Monopolies
• RA Deputy Minister of Transport and Communication.	3	4	2	2
• RA Former Minister of Finance	2	3	3	2
• Representative from the Ministry of Economy	3	3	4	2
• RA Former Minister of Energy	1	3	2	1
• RA Former Minister of Agriculture	3	4	2	2
• Founding director of RSC	2	1	3	2
• CEO of CRRC	1	3	2	2
❖ Total Frequencies	15	21	18	13
❖ Mean of the Frequencies	2.2	3	2.6	1.8

As the graph suggests, the descriptors are separated into four main categories. The descriptors are: the emergence of new markets; access to international trade; increase in foreign direct investments (FDI); and elimination of monopolies. The frequencies of the descriptors and their means are calculated and the total frequencies are presented abreast. From the table above, it is obvious that the most frequently appeared descriptors from the interviews are *the access to international trade* and *increase in Foreign Direct Investments*, while the other two are mentioned less frequently.

Intensity Scale	1→ Not given much importance	2→ Mentioned as one of the main arguments	3→ Given much emphasis
Emergence of New Markets	✓		
Access to International Trade			✓
Increase in FDI			✓
Elimination of Monopolies		✓	

The graph above illustrates the intensity level of the descriptors with an intensity scale from one to three being set as a milestone. Within the scale, one means that it is not given much importance to the codified descriptor, whereas two means that the descriptor is mentioned as one of the main arguments, and accordingly three means that it is given much emphasis to the descriptor and the descriptor is considered as the main argument.

As the table illustrates, the two most frequently mentioned descriptors also have the highest level of intensity. The interviewees have not only frequently mentioned *the access to international trade* and *increase in Foreign Direct Investments* descriptors, but also, they attached much importance to the given descriptors.

Discussion of the Qualitative Data:

Overall, the interviews catered to the idea that if the border opens the economic implications will be more positive than negative, yet not without remarkable challenges. On shared grounds, the interviewees rest on the idea that in the case of an open border the macroeconomic situation in Armenia will undergo significant changes. Firstly, owing to Turkey's membership in European Union customs union, Armenia will obtain a gateway to the Middle East and European markets via the Turkish transportation infrastructure, thus being granted with Trabzon and Samsun in the Black Sea and other ports closer. Accordingly, there is a great likelihood that the open border will alter the economic climate in our country to the better. Being a country with vulnerable economy both in terms of the transportation and the market, it is expected to transform into one with regular communication routes and transportation schemes. There is also a positive assumption that the border opening will engender favorable conditions to struggle against monopolistic positions in the country. Some of the interviewees are unanimous in their conviction that under the conditions of a closed

and small market, there is an objective ground for any business entity to become a monopolist while in case of competition this factor is doomed to weaken.

Furthermore, it is commonly anticipated that the open border will foster competition in the Armenian market. One may misleadingly deem importing cheaper Turkish products as not profitable. The volume of agricultural product in Turkey is rather big. Thus, given the low cost, the manufacturers will definitely give preference to the market with the price slightly lower but the goods sold immediately. Hence, it may be implied that the competition with Turkish products is inevitable and necessary. What's actually important to consider here is that in the presence of a competitor who offers cheaper prices, we have to shield our Armenian farmers through tariff and non-tariff tools. There are special programs designed once the border is open. There is a recorded import of Turkish goods, so it is false to think that the local goods are out of competition. Strict policies will be implemented and customs duties up to 15 % can be applied. If necessary, Armenia will utilize all opportunities provided by the World Trade Organization (WTO).

Reportedly, some agricultural products are less competitive compared with Turkish ones, which is quite natural, though. Taking this into account, possible short term fluctuations and social outcomes have to be considered beforehand. However, mid-term and long-term perspectives suggest that Armenia owns the potential to be very competitive. The competition between countries does not assume that one country wins and the other loses. This is a common misconception simply. Moreover, the competition between firms can foster both countries specialize and advance, encouraging more competitive sectors of the economy to grow and develop. As a result, the open border helps each country become competitive in the long-term.

By and large, competition is good in a sense that if cheap Turkish products find their ways to Armenia, our manufacturers will have to develop ways of lowering their goods' cost.

This kind of model proves efficient all over the world, however, it does not assume the borders to remain closed. From the manufacturers' perspective, certain difficulties are anticipated in short-term span, as they will have to compete with high-quality, yet cheap Turkish products. From the long-run perspective, competition is the most reliable guarantee of progress.

It is worth mentioning that currently the Turkish agricultural sector is encountering serious problems in regard to the disproportionate development of certain regions. One of the least developed regions is Eastern Turkey, the territory bordering Armenia. As compared to the central Mediterranean part, the regional poverty rate is extremely high and the productivity rate is low. In order to be accepted to the EU, Turkey has to move toward regional equalization. In this respect, the development of Eastern and Southern Turkey is crucial for the country and the establishment of firm economic ties will serve as a great impetus. Fresh fruits and vegetables that Eastern Turkey lacks can be exported from Armenia. In its turn, Armenia will be granted a new market opportunity.

To continue, the border opening will have positive impact on cargo transportation as well, namely for cargo being transferred from the U.S. and European countries. This will become possible due to the transfers via not only the Black Sea, but also Turkish ports by cheaper means of railroad or automobile transportation. If the border opens, Gyumri will become a transportation logistics center, consequently ensuring considerable changes in the situation of the city. We can also arrive to the assumption that as a result of the possible opening of the border, the Georgian side will reduce the tariffs for the cargos imported to Armenia through its territory.

The border opening will trigger exceptional opportunities for the information technology (IT) sector as well. There are several product types that can penetrate into the

Turkish market, including electric energy, construction materials, IT services and others. The IT companies, operating in Armenia, are likely to become highly demanded in Turkey.

In general terms, open borders and affordable roads are vital for the development of tourism. With the opening of the border, we will have the opportunity to develop and sell regional packages and to promote both outgoing and incoming tourism, since automobile and railroad transport will augment the currently prevailing air transportation.

Most probably, the open border will equip Armenia with access to large economies of scale. Turkish raw material volumes provide much higher economies of scale than those in Armenia. As a result, Armenia will be exposed to less expensive raw materials and production inputs. Armenia also has technical advantages in agricultural, textile, IT, jewelry and other industries, the technologies of which could be sold to interested Turkish firms.

Since Turkey is a big market, rather attractive for large-scale foreign direct investments, we can definitely lure some of these investments by deepening our economic diversification level. The regional risks will be reduced after the border opening and direct investments will remarkably increase. By opening the border, we will be endowed new opportunities to become a transit country. Armenia can have an exclusive role in creating a land corridor between Europe and Asia. A huge potential will be created in terms of integration in the regional programs on fuel and energy resources transfers. In the long-term, the Armenian community in Turkey will certainly emerge as an active pool of investors.

Judging from the above-mentioned assumptions, the qualitative part of the data analysis shows that the public has more positive than negative views regarding the potential economic implications of the open border.

Both the quantitative and qualitative data show that the public views positively on the potential economic implications of the open border. Putting aside all the political factors, public tends to view the opening of the Turkish-Armenian border beneficial for the economy

of Armenia and particularly on the international trade of Armenia. Since the results of both qualitative and quantitative data shows positive results, the hypothesis can be accepted.

Accordingly, the research shows that public in Armenia views positively on the potential economic implications of the opening of the border, particularly on the international trade of Armenia.

Discussion

Experience shows that the overall normalization of Turkish-Armenian relations and the opening of the border will prove to be a long process. Any initiative launched towards solving this issue has ended in a deadlock so far. However, the very fact that Armenia and Turkey are constantly trying to find a solution, demonstrates that the countries realize the lost potential that the deteriorated relations and the closed border bring about. Although the countries may harvest different benefits, possible positive economic implications may catalyze the process of rapprochement.

With this regard, the examination of the consequences of the open border between Armenia and Turkey leads to the thought that border opening would have rather positive implications on the Armenia's economy and particularly for the improvement of Armenia's international trade.

From the economic perspective, Armenia will benefit the most from the open border. Interestingly, Turkey will also have considerable gains from the open border. For instance, the establishment of business relations between the countries may result in the development of Eastern Turkish provinces. Thus, once the conflict is settled, it will prospectively improve the economic situation in Turkey's eastern regions as well.

Meanwhile, the opening of the border provides the framework for economic development for Armenia mainly. Due to the gateways, Armenia will be able to access the harbors of the Mediterranean Sea which are also as important as the ones in the Black Sea.

The time period and the distance spent on the transportation of the goods will be reduced, thus leading to lower transportation costs and increase of export potential. Furthermore, stable regional political environment will be created as well. The open border will result in the increase of the foreign direct investments contributing to higher inflow of the capital and production capacity.

Many sectors of economy are likely to benefit due to the open border. Nevertheless, it is worth mentioning that in some sectors obstacles can be inevitably posed. In addition, there are numerous challenges connected to the open border that Armenia has to take into account, particularly the market competition that the open border may create for Armenian producers.

Though the open border will lead to an increase of trade volume between Armenia and Turkey, institutional preparedness and certain reforms are necessary to avoid non-official barriers (for example: unofficial payments) that can decrease the potential benefits of cross-border trade.

However, several negative developments are likely to occur with the open border. That is why Armenia requires well-thought preparation before the border is opened as well as further research and detailed studies in order to avoid the negative consequences of having an open border with Turkey to the much possible extent.

Limitations and Recommendations

The major limitations of the study are the time constraint and the space limitations for the research. If granted sufficient time and also permission to exceed the limit of words, the in-depth interviews would also be conducted with the Turkish experts to find out their position on this issue, thus allotting the opportunity to compare the results of both countries on the same issue.

The goal of this research was to weigh the public perceptions about the economic implications on the international trade of Armenia. The results of both quantitative and

qualitative data analysis revealed that public in Armenia views positively on the opening of the Turkish-Armenian border, thinking that it will have positive economic implications for Armenia, particularly for the improvement of Armenia's international trade. Based on the results, in case we put aside all the political factors, and look at this issue purely from the economic perspective, the main recommendation is that according to the public opinion, the border should be opened. Certainly, after the opening of the border the government of Armenia should implement many infrastructural changes, strengthen its protectionist policies and be ready to face the potential challenges that the open border may pose for Armenia. However, if we finally reach to solving this issue and open the border, further research will be needed to understand the major challenges and to reveal the ways of facing these challenges.

By and large, the given research may serve as a ground for expanding the core topic and examining other neatly related issues. To be more explicit, the topic may be extended to not only political, but also cultural implications, hereby providing a researcher with a lot of room to investigate. Additionally, a researcher interested in this topic may concentrate on particular branches of economy that would undergo possible changes with the open border. Alternatively, he may focus on a specific topic, such as the possible decrease of transportation costs via Georgia and Iran after the open border, etc.

Thus, the given research may have its modest input in weighing the economic implications of the open border or even related issues. When focusing on the given piece of research, though, there is one crucial thing to be taken into account. Given the fact that this study was carried out before the April war between Armenia and Azerbaijan, a researcher who will be interested in this topic may find it useful to conduct one right after it. There goes an assumption that because of Turkey's biased position towards Azerbaijan regarding the Nagorno-Karabakh- Azerbaijan war, pre- and post-war public views may differ and mostly to

the worse. In any case, a researcher interested in economic implications may shift the main scope of the research and extend it to political implications as well.

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Appendix A.

Questions for Interviews (semi-structured)

- What is your opinion on the opening of the Turkish-Armenian closed border?
- How would you weigh the potential economic implications?
- In your opinion are there any specific economic sectors that may benefit more than others due to the opening of the Turkish-Armenian border?
- What will be the possible impact of the access to the Mediterranean Sea on the international trade of Armenia?
- How will the opening of the closed border possibly influence on the competitiveness of the Armenian market?
- Will the opening of the border contribute to the elimination of the monopolies in the Armenian market? If yes, to what extent?
- In your opinion, will the opening of the border stimulate foreign investors to make investments in Armenia?

Appendix B.

The link of the CRRC survey questionnaire

http://www.crrc.am/hosting/file/_static_content/projects/armturk/CRRC_Questionnaire_Arm-Turk%20Relations-ENG_Final%20for%20web.pdf