

AMERICAN UNIVERSITY OF ARMENIA

**OPENING OF THE ARMENIAN – TURKISH BORDER
POLITICO – ECONOMIC PERSPECTIVE**

**A MASTER’S ESSAY SUBMITTED TO THE FACULTY OF THE
GRADUATE SCHOOL OF POLITICAL SCIENCE AND
INTERNATIONAL AFFAIRS FOR PARTIAL FULFILLMENT OF THE
DEGREE OF MASTER OF ART**

BY

ARMEN KADIMYAN

**YEREVAN, ARMENIA
DECEMBER 2009**

SIGNATURE PAGE

Faculty Advisor

Date

Dean

Date

American University of Armenia
December 2009

ACKNOWLEDGEMENTS

I wish to acknowledge and express my appreciation to my Faculty Advisor, Mr. Vigen Sargsyan for substantial support that he provided me during the whole process of writing this Master's Essay. I am very grateful to Mr. Vigen Sargsyan for suggestions, criticism, advice as well as readiness to provide any kind of information referring to the topic.

Throughout the process of working on the Essay, Mr. Sargsyan has been diligently answering my questions and kindly showing me the errors on my ways. I find his corrections and changes to this study indispensable and of highest effectiveness. His significant experience in the field of international politics both in practice and theory turned out to be very informative and helpful for me to grasp, analyze and deepen my knowledge about the issues of Armenia-Turkey relations and particularly its contemporary developments where Mr. Sargsyan had and has direct connection and involvement. I recognize his support which was consistently responsive to the needs of my Master's Essay.

Generally, I am pleased to express my gratitude to the Dean, all lecturers and doctors of the Graduate School of Political Science and International Affairs.

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Abstract

The purpose of this Master's Essay is to examine several important aspects of Armenia-Turkey relations, throwing a glance on the latter through the prism of past, present and future. Armenia-Turkey relations have historically been strained. During the last decade the geopolitics of the region has changed and the state interests of the players in the region of South Caucasus have rearranged. The latter provided grounds for the two countries to solve the differences between the two and based on their common interest start cooperating in different fields. Now that accession talks with the EU have started; Turkey is not yearning for an oil pipeline from Azerbaijan; the Armenian Genocide resolution process around the world has gathered steam; Turkey's economy is in crisis mode; and Georgia-Russia tensions proved to be consequential I found it pertinent to analyze all the above mentioned summing up in the Essay and giving possible politico-economic estimations and outcomes for both Armenia and Turkey as well as for the region. All of the above said is enshrined in the Essay flavored with brand new events in the sphere of international relation such as the "football diplomacy" and public daring of the new Armenian administration, which entered an open process with Turkey.

The paper discusses other issues as well including whether or not it is worth opening the border with Turkey and if yes what are the benefits for both sides and if no what are the costs.

Literature Review and Methodology

There is a huge amount of literature concerning Armenia-Turkey relations: the genocide issue; the status of the border between the two countries; the status of the two countries in the region and in the world politics in general. A lot has been written both from economic and political perspectives about the relations of the two countries. Moreover the latest developments and particularly the public daring of the new Armenian administration in the form of “football diplomacy” have more actively involved the international community into the issue. At first sight a very intransigent conflict is close to its resolution especially after the two protocols have been signed between the two governments. The issue which came to be called a conflict mainly after the collapse of the Soviet Union and due to the fact that Turkey backed Azerbaijan after the latter took aggressive steps towards Armenia and towards the destabilization of the region many scholars started to analyze past, present and future developments in the relations between the two countries. Leading scholars of the field have also analyzed the new phase of Armenia-Turkey relations and its possible effects on the regional and international security.

In the book “Zeitgeist” Huseyin Bagci (2008) has compiled nine precious chapters on both domestic and foreign policy of Turkey. In his second chapter Mr. Bagci being of Turkish origin and a citizen of the Republic of Turkey in an unbiased manner has unveiled Turkey’s potential benefits in relations with the European Union. That helped me to construct my hypothesis since I argue that Turkey’s benefits in the reconciliation process with Armenia are primarily of political character and in that context the author mentions Turkey’s bid for accession to the European Union as at the top of Turkey’s foreign policy agenda during the period under consideration. The book also dares to predict what is to come in 25 years which also helps to construct my arguments and put on scales the potential benefits for Armenia and Turkey.

In his study “Changing Trade Patterns after Conflict Resolution in South Caucasus” Polyakov uses the results of the gravity model developed by Baldwin for estimating the potential integration of East and West European trade to assess potential trade flows between Armenia and some of its trade partners, including Turkey (Polyakov, 2001). However, using the results from a model that was originally estimated for developed countries with intensive trade relations among themselves leads to overly optimistic conclusions. For example, Polyakov estimates that potential exports from Armenia into Turkey in industrial products outside of natural resources could be as high as US\$35.6- 65.7 million (the lower bound represents exports flows from Armenia under the GDP levels in 1996; the higher bound uses the projection for 2002 data). Armenia’s exports of energy and natural resources are estimated to increase to US\$230 million, thanks to the exports of electricity and construction materials. Furthermore, due to the multiplier effect the increase in Armenian exports to Turkey is calculated to account for as much as 38% of the GDP.

In his paper Demet Yalcin offers a fresh approach to grasping the implications of Turkey’s membership in the EU for Europe and the region. Drawing on classical and recent studies across several areas of research, I showed how a transition to the market as the primary means of socioeconomic change can liberalize a political culture, fostering in individuals an interest in abiding equal law, and in demanding individual rights and liberties and a state that enforces law and contracts with neutrality. This view is supported with a very wide range of empirical researches in economics and sociology. The strongest evidence for this view, however, is in the fact that every society in history that has been *highly* integrated with a market (where most individuals regularly rely on the market for their economic activities) has had stable and liberal democratic institutions. Every other country, in contrast, has been either autocratic or, if democratic, suffers from political instability, periodic civil violence, and weak governmental respect for individual rights and the rule of law. In this regard Mr. Yalcin’s paper was crucial to show that opening of the border is mutually beneficial.

In their comprehensive paper “Economic Potential for Regional Integration of Armenia and Northeast Turkey” Richard Beilock and Karine Torosyan discuss possible strategies for and the potential economic effect from opening the borders between Turkey and Armenia. In particular, they emphasize the need for gradual (phased) opening of border check points between the two countries to work out the technical and security aspects involved in facilitating the growing volume of trade and human traffic across the border. In other words though the opening of the boarder is not happening with the speed of light it gives both sides and especially Armenia an opportunity to keep their hand on the pulse of developments. They find that there is significant unused trade potential between Armenia and Turkey due to the closed border. The study also investigates how opening of the markets due to better access of Armenian firms to those markets may impact the economy of Armenia. This paper lets us estimating the real potential of trade between Armenia and Turkey after opening the border.

In contrast to Polyakov’s estimates which are very much positivistic and inspiring AEPLAC’s “Study of the Economic Impact on the Armenian Economy from Re- Opening of the Turkish-Armenian Borders” (Jrbashyan, 2005) is, on the other hand too conservative in their estimates of potential economic effects of border opening. The authors estimate a gravity model of trade using data on trade between Armenia and its most important 20 trading partners to calculate short and medium term effects of border opening. The results are then used for a more complete analysis of border opening effects on Armenian economy based on a CGE model of Armenia. The study assumes that transportation costs to various destinations will decrease by an average of 4.1% which will lead to an increase of 4.7% in imports and 5.9% in exports in the short run. Further decrease in transportation costs over medium-term (5 years) and intensification of trade relations with Turkey are estimated to lead to nearly 17.4- fold increase in exports to and nearly 2.3-fold increase in imports from Turkey, as compared to 2003 trade volumes. Border between Turkey and Armenia would affect all countries in and around the region, including: Azerbaijan, Georgia, Iran, and Russia. Due to availability of new transportation routes after

border opening a positive impact on trade between Turkey and other countries in the region is expected.

The Essay utilizes historical/comparative analysis. The main resources for observation and analysis are books, articles in specialized journals, newspaper archives, official documents, Internet information, as well as some historical records. The research analyzes several important aspects of Armenia – Turkey relations unveiled on international scene in the recent decades. The research questions cover the following issues: Armenia – Turkey relations since the independence of Armenia, current state of relations, relations in prospect and finally all of those aspects are flavored with the politico-economic and cost-benefit analyses.

At a preliminary stage the relevant literature about the topic in general has been collected. During the second stage of the research the sources with direct relation to the topic have been selected and analyzed. All of those steps were taken for the sake of proving the following hypothesis right: For Armenia the benefit of normalized relations and open border with Turkey will be primarily of economic nature, while Turkey will be more interested in the political benefits of such reconciliation.

Introduction

Historically the Turkish-Caucasian border, on the edge of the Russian and Ottoman Empires, was the site of battle and conflict. The border however also experienced long periods of stability and coexistence. The 1921 Treaties of Moscow and Kars kept the Turkish-Caucasian border untouched for 70 years. With the collapse of the USSR, Turkey lost its direct land connection with Russia. Instead, Turkey “discovered” its new neighbor Georgia with the opening of the Sarpi border crossing in 1988, and the opening of a second crossing at Turkgozu in Posof in 1994. Besides discovering former Soviet Georgia as a neighbor, Turkey discovered another border with Azerbaijan and consequently the opening of the Dilucu crossing in 1993 created links between Igdir in Turkey and the Azeri exclave of Nakhichevan.

The Republic of Armenia was missing in the list of Turkey’s neighbors with who Turkey established diplomatic relations. While recognizing the State of Armenia as early as in 1991 and repeatedly declaring Armenia not to be an enemy, Turkey did not establish diplomatic relations with Armenia and did not open the border which, by the way, constituted the longest segment of the former Turkish-Soviet border (Papian, 2007). Turkey’s initially even-handed approach towards the Caucasus came to an end and Armenia with the eruption of the Nagorno Karabakh conflict spontaneously became Turkey’s enemy. In 1993 Ankara closed the Armenian rail link. That step was implemented in an attempt to deter the rapid advances of Armenian troops into Nagorno Karabakh territory. In March of that year, Turkey announced it would inspect air craft flying over its territory to Armenia, allegedly to halt arms smuggling. So, since 1993 Turkey, because of the activation of military actions in Nagorno-Karabakh, has closed its border with Armenia. Since that time there has been no full-fledged diplomatic relations between those states, the economic and trade cooperation is implemented through the third parties mainly through Georgia.

One casting a glance back may see that though bilateral relations have been historically strained even after the collapse of the USSR the border hasn't been totally sealed, moreover taking into account the newly independent Armenia's multiple problems Turkey opened the railway between its border town of Kars and the Armenian town of Gyumri (formerly Leninakan/Alexandropol) and agreed to supply much-needed electricity (Jrbashyan, 2005). In 1992 Armenia got a founding seat in an Istanbul-based regional grouping, the Organization of the Black Sea Economic Cooperation (BSEC) (GulTekin, 2000) which by the way is the only building in Turkey where the Armenian flag flies.

Evidently during the following decade there were some interactions between Turkey and Armenia but little positive occurred, despite the fact that Turkey opened the air corridor between Istanbul and Yerevan in 1995 and allowed free travel for Armenians. New strains appeared after international recognition of the genocide became a priority of Armenia's foreign and security policy (Sassounian, 2005). Turkey, which rejects the genocide label on historical grounds and for fear it will give rise to claims on territory and reparations, made it harder for Armenians to visit and suspended airspace clearance for Armenia-bound planes. Visa restrictions were eased again in January 2002, but a real change occurred later that year, when the AK Party came to power and made cooperation in Turkey's neighborhood a foreign policy priority, advocating the use of soft power instead of military threats and "zero problems" with surrounding countries (GulTekin, 2000). Ankara now considers improved relations with its neighbors and consequently with Armenia a strategic opportunity, similar to its efforts to solve old conflicts in Cyprus and in Iraqi Kurdistan (Martin G. Lenore, et al, 2004). The efforts led by the AK party to solve all the problems with its neighbors is to some extent a face saving effort and is an attempt to recover its image of a major regional power which helps to establish stability and not supports instability and chaos. To give a concluding picture of the nowadays border status it is pertinent to mention that the Turkish-Soviet border which stretched over 619 km, is currently divided into three

segments out of which 276 km is now with Georgia, 325 km with Armenia which is closed and 18 km with the Nakhichevan Autonomous Republic which is an exclave of Azerbaijan.

Necessarily we have to mention that whatever the conflict is between the two nations the state interest in most cases is likely to prevail and if both parties realize that the normalization of relations is in the interests of the states the rapprochement will inevitably take place. Turkey and Armenia have a broad interest in improving their relations at this time. Armenia has long wanted an open border with Turkey, a natural trading partner (Sassounian, 2005), and the 2008 war underlined its dependence on a volatile Georgia to its north for the passage of 70 per cent of its imports. Armenians would see normalization with Ankara as a new opening to Western countries and a point scored against their rivals in Azerbaijan. For Turkey, reconciliation would increase the credibility of arguments that it does not need external pressure to address historical disputes with its neighbors, a position that could help stop international qualification of the 1915 events as genocide. It would change Turkey's image and presumably would aid its EU membership bid, which is especially important in the year of 2009, when Brussels will expect Ankara to live up to commitments to normalize relations with Greek Cypriots, something that will be difficult unless there is substantial progress on Cyprus conflict settlement. A breakthrough with Armenia would give stronger arguments to those supportive EU policy makers who argue that Turkey is a responsible beacon of European values in the Caucasus and Middle East. In addition after the war between Georgia and Russia, Turkey was labeled by many as the potential agent for spreading democracy and stability in the region.

In 2008 Turkey and Armenia took substantial steps towards reconciliation that may soon lead them to establish diplomatic relations, open their closed border and begin addressing a range of bilateral differences including historical disputes. The intensification of contacts started when President Gül sent an unusually supportive message congratulating President Sarkisian on his election in February 2008. While visiting Moscow on 24 June, Sarkisian hinted he would invite Gül to watch a football World Cup qualifying match between the two national teams and

therefore sent the invitation on 4 July, which by the way the Turkish side formally accepted only three days before the match and after the Russian-Georgian war in August. The two met for the first time on 6 July 2008 in Astana, at festivities to celebrate the tenth anniversary of the Kazakh capital. In August 2008, after the Georgia-Russia war interrupted usual trade routes, Ankara lifted restrictions on Armenian use of Turkish airspace (www.mfa.am, 2009). Instead on the 6th of September 2008, when Turkish President Abdullah Gül, on the invitation of his Armenian counterpart, Serzh Sarkisian, visited Yerevan to watch a football World Cup qualifying match between the two national teams, Armenia allowed the Turkish president's armored car and security detail full access and unilaterally suspended its visa regime to facilitate the arrival of Turkish fans for the first ever match between the two national teams. Since then barely a week goes by without senior officials meeting (Various Aspects of Armenian-Turkish Economic Relations and of the Turkish Economy, www.mfa.am, 2008). Both parties believe that the reconciliation is at hand and only several final efforts are needed to reach it and as Turkish Foreign Minister Ali Babacan declared in January 2009 "Armenia and Turkey "have never been closer" to normalizing relations"(Beilock, et al 2008). His assessment is largely shared in Armenia.

In 2009 the steps for rapprochement became more vividly coordinated and expressed as the Republic of Armenia and the Republic of Turkey agreed to start their internal political consultations. Those consultations were based on two protocols the "Protocol on the establishment of diplomatic relations" and the "Protocol on the development of bilateral relations" which to be fair came into being due to the effective Swiss mediation. For the first time special and more or less precise format was provided for the establishment and development of the relations between Armenia and Turkey and which is more important for the first time those two protocols not only provided a framework for the normalization of their bilateral relations but also defined that the normalization would take place within a reasonable timeframe. Previously only the joint statement released on April 22, by Armenian and Turkish

officials ,which stated that they had agreed to a “roadmap”, spoke about normalizing relations “within a reasonable timeframe.”

Chapter I

Current State of Relations: Issues at Stake, Negotiations, Results, and Potential Outcomes.

The recent Turkey-Armenia talks aim to secure a comprehensive normalization of relations. Meanwhile both parties are willing to iron out their differences it is pertinent to say that reconciliation is not only a matter of will but also capability since there are many issues between the two countries including the historical dimension and the current politics which haven't been resolved yet. Armenia's Administration and foreign policy elite has long been ready to open the border without preconditions, meaning that it did not expect Turkey to acknowledge genocide before normalization (International Crisis Group, 2009). Instead, Turkey argued that its ability to reconcile with Armenia was hampered by Armenia's efforts to pursue international recognition of the 1915 events as genocide and its refusal to withdraw from Nagorno Karabakh territory. The latter, by the way, is perceived by the Turkish side to be Azerbaijani territory occupied by Armenian troops. Ankara has officially not lifted these conditions, despite unofficial indications of possible changes (Jrbashyan, 2005).

Not surprisingly both Turkey and Armenia want their border to be secure, at least in view of the reciprocal security fears in both countries. Yet, paradoxically, it is precisely these reciprocal fears that are impeding the opening of the border, despite the fact that an immediate opening would increase security on both sides and consolidate the stability and permanence of the border. Giving an opportunity of interaction between the two nations the stability of the border will incrementally come into being. On the other hand that the opening of the border is not happening immediately, it gives an opportunity to Armenia to keep its hand on the pulse of developments in bilateral relations. Threat perceptions stemming from the closed border and the unknown 'other' would slowly disappear through trade and human interactions. It is widely known that the most secure and stable borders are the ones which have disappeared as a result of

intense cross-border interactions and cooperation in different fields. In other words, it is only through an opening that both Turkey and Armenia can assure the stability of their eastern and western frontiers respectively. Daily interactions across a ‘normalized’ border would act as a far greater assurance to Turkey and Armenia than any declaration either side may issue on the matter. Here is where both parties should adopt the principle “the best defense is offense” in terms of facing the issues trying to solve them and letting things go on their own.

Taking into account the fact that Turkey is much larger in population and in geographic size than Armenia and is stronger both in economy and military power it is pertinent to mention that Turkey would enjoy far greater bargaining power in this relationship, given its far superior political, economic, military and geopolitical standing with respect to Armenia. As Bagci Huseyn in “Zeitgest” mentions Turkey has to understand that the language of preconditions is not up to date and it is high time to start talking on the language of compromises, mutual understanding and cooperation: it is high time that Ankara tries a different track, establishing normal diplomatic relations with its neighbors intended to tackle first and foremost the border questions which include security issues in them.

Of course Turkey justifies its activities by the fact that through all these years that the border has been closed there have been constant interactions between Armenians and Turks and Ankara has kept the border “semi-closed” and not totally closed (Beilock, et al 2008). The above mentioned “semi-closed” term is not used by chance but rather very much on purpose trying to emphasize that though borders were closed there was trade between the two countries. Ankara also mentions the border to be semi-closed to show that Turkey’s policies have never contravened the Kars Treaty, 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.

In its turn since the turn of the century, Armenia has contested the legality of Turkey’s closure, or as it is often described, its ‘blockade’ or ‘embargo’ on Armenia (Papian, 2007).

Yerevan argues that Turkey's policies contravene the Kars Treaty, 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 (Jrbashyan, 2008). Turkey retorts that from the point of view of public international law, the closure cannot be qualified either as a blockade or as an embargo, both being terms with specific legal definitions and meanings. Ankara has indeed publicized the existing links between Turkey and Armenia precisely to refute these accusations. Turkey thus rejects all claims that it is imposing sanctions on Armenia. Turkey also repeatedly points to the existing links between the two countries (GulTekin, 2000).

According to Armenia's Ministry of Foreign Affairs and its Ministry of Economy and Trade, bilateral trade turnover amounts to \$70-150m per year while the IMF estimated bilateral trade turnover in 2005 at \$56million. There are some 20 Turkish-Armenian joint-ventures, and Turkey is reportedly Armenia's seventh largest trading partner, although export destinations are usually registered as lying in Georgia or Russia (Turkey is not mentioned as the country of origin – exports tend to originate from third-party firms). Turkey mainly exports foodstuffs and textiles to Armenia, and imports copper. Evidence of these de facto trade relations are the goods found in different markets. 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 and the rise in the number of Armenian citizens working in Turkey. 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.am, 2004). The actual figure may well be much higher as many tourists and small businessmen travel to Turkey via Georgia.

Factors Feeding the Stalemate

There is a well known saying that in order to predict the future one has to look back to the history. That saying or rather the proverbial wisdom has not come into being accidentally but very much on purpose. In order to test the credibility of the saying we have to take an example from real life: hence in order to predict what will be the best outcome for the border status between Armenia and Turkey we have to look to the other countries former experience. The European experience may be the most valuable example in this regard. Through the establishment of the European Coal and Steel Community in 1952, and its gradual development into the European Community in 1970s and successively into the present day European Union, the European countries have been stating their unswerving support for international cooperation of mutual benefits on the continent. Not only have the Europeans realized reconciliation between the bitter enemies France and Germany, but they have also achieved stability and prosperity for several decades. The driving force for the bitter enemies was not the century old animosity and hatred towards each other as it is between Armenia and Turkey but the rather the state interest: economic benefits, prosperity of their nations and future prospective. Before unveiling the interests of both Armenia and Turkey as well as of the region it is pertinent to see what the hindering factors to the reconciliation are:

Since April 1993, the first official reason underpinning Turkey's closure policy and its unwillingness to establish normal relations with Armenia is the 'frozen' conflict in Karabakh. Ankara, like Baku, views the war over Karabakh as primarily an international conflict opposing the Armenian and Azerbaijani republics, not as a civil war between Karabakh's Armenians and the Azeri government. At the same time it is pertinent to mention that Ankara and the Turkish society are not always concordant with the same ideas and political course: and as the former

Foreign Affairs Minister of the Republic of Armenia Vardan Oskanian mentioned in his speech delivered in New York in 2008 the Turkish society is very much partitioned over the issue of putting preconditions before Armenia.

Nevertheless since the closure, Ankara repeatedly underlines that initiating talks over the normalization of relations with Armenia is contingent upon Yerevan's compliance with the principle of territorial integrity and its willingness to resolve the conflict. Turkey also claims that its closure policy will remain in place until a negotiated agreement between Armenia and Azerbaijan is reached and Armenian forces withdraw from Nagorno Karabakh territory.

Another issue of controversy according to Mr. Oskanian concerning the border "quagmire" is that Turkey is concerned that Armenia has some territorial claims from Turkey and continues to be ambivalent over its recognition of its common border with the latter. Although both sides try not to put preconditions before each other nevertheless Turkey continues to demand an official acknowledgment that Armenia has no territorial claims on Turkey.

Related to all this, the border dispute is complicated further by the conflict over the recognition of the Armenian genocide. 1998 was the date of the revival of the genocide issue. That happened mostly due to the new administration and particularly due to the courageous steps of the second President of the Republic of Armenia Robert Kocharyan who made the international recognition of the country's genocide claims a priority of its foreign and security policy. That kind of change in the foreign policy of Armenia was strongly supported by the Armenian Diaspora. Since then the issue of the international recognition of the genocide has been in the center of Armenia's foreign policy at the same time not being a precondition for establishing diplomatic relations with Turkey. Although Yerevan also consistently emphasizes that it does not consider genocide recognition as a condition for establishing relations with Turkey, its demands have raised concerns that it might nurture territorial claims on Turkey. These concerns are fuelled particularly by the debate amongst the Armenian Diaspora. Indeed the possibility of advancing territorial claims on Turkey when the time is 'ripe' remains embedded in

Armenian public expectations and debate. Hence, the talk about ‘historical rights’, i.e., rights that may be reclaimed should the geopolitical balance shift in Armenia’s favor (Sassounian, 2005).

Besides all the above enumerated factors according to Vardan Oskanyan there are internal controversies within Turkish society that hinder the opening of the border. The Turkish society is divided into several layers. In spite of the fact that the Turkish society is partitioned it is pertinent to mention that it is in the interest of the two countries and the whole region to put aside all of their private interests and start thinking of state interest since the current closure not only harms Armenia and Turkey, it also hinders the prospects for conflict resolution and development in the Caucasus, as well as cooperation and integration in the wider region. More specifically, not only has Turkey acted against its developmental, commercial and geopolitical interests, but also, while harming Armenia, Ankara’s closure policy has failed to induce a positive shift in Armenia’s stance on the Karabakh conflict. Hence, turning back to the issues underpinning the closure, it appears that, setting aside the Karabakh conflict, Turkey’s only legitimate concern relates to Armenia’s recognition of its eastern border, a concern complicated by the genocide question. The status quo has too high opportunity costs in terms of trade and cooperation. On the other hand it hinders Turkey’s accession process to EU and impedes the process of political benefits for Turkey.

Fortunately for both countries and the region as a whole the process of reconciliation has started officially to spite Azerbaijan’s face: the interactions on the presidential level have started, officials from both sides had agreed to a roadmap, and finally the Republic of Armenia and the Republic of Turkey have agreed to start their internal political consultations on the two protocols – the "Protocol on the establishment of diplomatic relations" and the "Protocol on the development of bilateral relations" – which have been initiated in the course of their efforts under Swiss mediation. The above means at least that the ice has been broken.

Chapter II

Opportunity costs of the status quo and potential benefits from an opening

Apparently all the above enumerated issues and obstacles point to the fact that bilateral relations have been historically strained entangling such a variety of issues like the genocide issue and the Nagorno Karabakh conflict.

Having piled up all these facts we have to constate that the rapprochement is plausible due to the whim of time and state interests. It is not by chance that both administrations started to talk about establishing relations without preconditions. The latter means that both parties have realized that all that matters is the state interest. Since the time is the most convenient for starting the negotiations on opening the border “they should strike the iron while it is hot” otherwise they will miss the opportunity just as Turkey missed the chance in 1991, with the collapse of the Soviet Union, to establish diplomatic relations with Armenia. Just as in 2004, with the beginning of EU accession talks. So, in 2009, too, although everyone including Russia, Europe, the United States, and Turkey and Armenia wanted the border open, Turkey retreated, under pressure from Azerbaijan, saying that only progress in the Nagorno-Karabakh settlement process can move the situation forward (Various Aspects of Armenian-Turkish Economic Relations and of the Turkish Economy”, www.mfa.am, 2008). Now that both parties have realized that they could find themselves in a “win-win” situation it is likely that the border will be opened.

It used to be accepted wisdom that national self-interest would always be the driving factor for any country's foreign policy. *The distinguished nineteenth century politician Lord Palmerstone once said “Britain had no permanent allies - only permanent interests”.*

The upcoming is to reveal what the Armenian and Turkish interests are in this time period and to guesstimate the possible outcome for the bilateral relations and particularly for the opening of the border.

As we see from the brief review of the history of the closure of the border and the issues at stake there are multiple factors which cause the intractability of the border question. First hindrance on the way of opening the border is a complex entanglement of issues including kin-ties (Turkey-Azerbaijan), ethno-political conflict (Karabakh), internal opposing forces (in Turkey), security fears (Turkey's territorial integrity) and historical injustices (the genocide). Those above are the factors to which Armenia has more or less direct connection but there is also a tangled web of other factors which almost involves all the greatest world actors Russia, USA, EU the whole region of Caucasus etc to which the connection of either party is not direct, but the latter being world superpowers have a great influence on the region and particularly on Turkey and Armenia.

On the other hand, the growing commercial and social ties between the two countries highlight the unfrozen nature of the status quo, inexorably pushing towards de facto normalization. The de facto normalization is not and will never happen spontaneously but rather it will be based on the estimations of the two sides. In short both sides will not come to a consensus ever if the cost-benefit analysis proves to be more harming than benefiting to one of the sides. The moving force is not something supernatural that will eventually bring to reconciliation but rather it is a force or incentive called "state interest" and that very state interest proving not to be deceiving but benefiting will solve the problem of opening the border. Even taking into account the recent developments in Armenia-Turkey relations and the fact that Armenia has adopted the language of "no preconditions in relations with Turkey" still both countries are guided only and only by state interest. In that regard the following hypothesis becomes salient that opening of the border will primarily benefit Armenia economically whereas Turkey's benefits will be primarily of political character. The upcoming attempts to reveal the correctness of the so called "forecast" for the Armenia-Turkey relations. Taking the queue from these observations, the following sections delve into the opportunity costs of the status quo and the potential benefits for all parties involved of a policy reversal.

Armenia's costs and potential benefits

The border closure is a significant obstacle to land communications to and from Armenia. Armenia borders on Azerbaijan, Georgia, Turkey and Iran. 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 with the rest of the world. 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. Consequently out of four its possible exits to the sea Armenia can use only two of them. Apparently that is not the best scenario for Armenia: landlocked, with two of its borders closed, connected to its distant markets via uncertain and expensive routes through Georgia and Iran. Armenia's development is thus heavily handicapped by the current closure. Armenia and particularly its economy suffers much from being enclosed from two sides but how heavily this burden weighs on its development is subject to diverging estimations.

There have been done hundreds of estimations of economic character about costs and benefits of opening the border both with Turkey and Azerbaijan. One of those estimations was done by the Armenian-European Policy and Legal Advice Centre (AEPLAC) which first and foremost paid attention to the reduction of distances and subsequently to the reduction of transportation costs. That project has estimated that opening the border would contribute a one-off additional GNP growth over 5 years of 2.7%; in 2001. A World Bank study estimated the additional growth upward of 30% of GNP – premised however on a combined opening of Armenia's borders with both Azerbaijan and Turkey. The impacts of a combined opening on distances and transportation routes are more vividly seen in Appendixes 1 and 2. A controlled re-opening of the border would undoubtedly benefit the country's economy and society greatly, impact favorably on its political development, and open the way to cross-border cooperation in

the region. In this regard not taking into account other factors and paying attention only to two factors: shorter distance and common border, Armenia's economy will benefit greatly.

Trade, infrastructure and investment

Armenia is cut off from its European, North American and South-East Asian markets. Access to Russia is constrained by topological (mountains) and monetary (high costs for exporting and importing) factors and Russian consumption centers are in any case situated far to the north of the country. As such, a large share of Armenia's potential trade is limited to its immediate neighborhood: Georgia, Azerbaijan, the Central Caucasus, East and Southeast Anatolia and Northwest Iran. These markets amount to approximately 50 million consumers with a combined (PPP adjusted) GDP of \$100bn (Polyakov, 2001). While these may seem modest figures by EU standards, they are significant in comparison with Armenia's modest economy and most probably will cause a boom in the economy of Armenia. Once more to mention the importance of the above mentioned ciphers it is pertinent to mention that Armenia's (PPP adjusted) GDP is \$15.1bn (World Bank, 2007).

Though those figures are modest compared to world standards they are still desired and yet not existing and plausible ones. In this regard we have to constate that Armenia cannot reap even those limited economic opportunities. Georgia, whose border with Armenia is open, represents no more than 2.4% of Armenia's external trade and ranks 12th amongst Armenia's trading partners. Trade with Turkey and Iran represents 2.5% and 4.2%, respectively, of Armenia's trade. In both cases, most trade takes place in major economic centers (Istanbul, Ankara or Tehran) and much less in border regions. Trade with Azerbaijan, through third countries, is more difficult than trade with Turkey, and even smaller in volume (Polyakov, 2001)

Armenia's closed borders thus eliminate trade between Armenia and almost half of its immediate neighborhood: Turkey; Eastern Anatolia and Azerbaijan. In this regard it is pertinent

to mention that the opportunity costs are enormous and in case of trading with those partners Armenia would be far better off. The closure also severely limits Armenia's trade with the rest of its immediate neighborhood Georgia and Northeastern Iran in that the quickest route to major centers in Iran (e.g., Tabriz) passes through Turkish and Azeri (Nakhichevan) territory. An opening of the border would thus benefit Armenian trade with neighboring areas in Turkey as well as in the rest of Armenia's immediate surroundings.

The closure significantly increases distances and thus raises transport costs. For example, the route from Yerevan to the Turkish border town of Iğdir is lengthened by a factor of 10 by the closed border, as traffic must transit through Georgia (Beilock, 2003). It takes 14 hours to travel from the Armenian industrial city of Gyumri to Kars in Turkey despite the fact that Kars might be easily seen from a high point in Gyumri and despite the fact that the distance between the two cities merely constitutes 20km. Since the closure drastically limits trade with Armenia's neighborhood, the country is forced to trade with more distant partners. Although costs for exporting and importing are very high, the EU is Armenia's major trading partners, followed by Russia and the US (3rd), but also Israel (4th), Ukraine (5th) and Iran (6th) (International Crisis Group, 2009).

Even though those countries do not have direct borders with Armenia, however, the closure also substantially increases the cost of trading with these countries. In addition to reducing the overall volume of trade, the increase in distance and transport costs also has a trade distortion effect, in view of the greater negative impact on heavy goods (e.g., building stone) and goods with special transport requirements (flowers, meats or glass). Armenia is thus compelled to specialize only in the export of light products of high value such as diamonds, precious metals and jewellery, or information technologies.

The closure also raises Armenia's trade costs in other ways. Not having alternative ways of transportation Armenia suffers from Georgia's near monopoly over Armenia's access to the outside world. The Georgian border is by far Armenia's most important window to the outside

world. Over 90% of Armenia's trade crosses Georgian territory. But transport through Georgia is disproportionately expensive. In 2001, transport from Yerevan to the Georgian port of Poti cost \$2,000, the equivalent of the cost of freight transport from New York to Seattle, given Georgia's near-monopoly situation in this market (Beilock, et al 2007). Besides being an expensive transit route Georgia is rather unreliable politically. Evidently Georgia has never been a reliable partner in trade relations which it again proved recently by the capricious war with Russia unleashed on a mere whim of the President of Georgia Michael Saakashvili. Moreover transport through Georgia, furthermore is frequently disrupted by that country's disputes with Russia. The closure of land routes between Georgia and Russia, which have occurred repeatedly in recent years, effectively has blocked Armenia's most important land communication with the rest of the world.

Second, the border closure eliminates Armenia's ability to make use of Mediterranean seaports. Yet these are of far greater interest to Armenia than those in the Black Sea, as Black Sea ports do not allow for the use of ocean container carriers and thus imply significantly higher freight costs.

For example the cost of freight from Poti to Marseille is \$700-800 per container, while Beirut to Marseille costs only \$100 (WB, 2008). In the latter case, ocean ships with large capacities are used, thus reducing cargo transportation costs.

Overall, distance, topology, poor infrastructure and monopolistic markets seriously constrain Armenia's access to the world and thus its external trade. A study conducted by the AEPLAC estimates transport costs on goods traded to and from Armenia at 20-25% of their nominal value. This is amongst the highest in the world, on a par with Mongolia, which is ten times more distant from the nearest coast than Armenia (WB, 2008).

Obstacles to trade are not caused by the border closure alone. The absence of diplomatic and consular relations deprives Turkish businessmen operating in Armenia of the necessary support in case of a commercial dispute. Since there is no embargo decision against Armenia,

legally speaking nothing prevents Armenian and Turkish companies from trading directly or Armenian companies from investing in Turkey, or even transporting goods to Turkey. However, Armenia is not listed in Turkish trade statistics (Turkstat, 2005) and especially larger Turkish companies active in Eurasia are reluctant to enter Armenia, fearing political retaliation. EU trade provisions have not been extended to Armenia, in spite of the Turkey-EU customs union. Of eligible EU trade partners, Armenia is the only one (together with Myanmar) to be excluded from the benefits of the Generalized System of Preferences under Turkish trade legislation (Bagci, 2008)

An opening of the border and the normalization of relations would favor Armenian exports to Turkey more than imports from Turkey. As noted earlier, the IMF estimates the trade volume between the two countries at €56m in 2005 of which Turkish exports amount to €54m compared to a mere €2m of Armenian exports. Some studies have argued that an opening would allow Armenia's exports to Turkey to rise by a factor of 14, while total imports from Turkey would increase by a factor of 2.6 ((Beilock, et al 2007)). Others have estimated that opening the border would allow total exports to increase by 17.7% against a 13% increase in imports (Jrbashyan, 2007). Others still have provided higher figures: in 2001 the World Bank suggested that Armenian exports could double if the country's borders with both Turkey and Azerbaijan were opened (Polyakov, 2001). The specific circumstances of the border opening would clearly play an important role in the exact rise in trade volumes. All studies concur however that Armenia's exports, particularly to Turkey, would benefit substantially from a normalization of relations between the two countries and the opening of the border.

Predicting which sectors could benefit and which instead may lose is far more difficult. Some suggest that Armenia's electricity exports to southeast Turkey would rise significantly, at least until the South East Anatolian (GAP) project is complete (Beilock et al, 2007). Armenia's metal, textile and heavy-goods industries could also be possible winners, as well as its tourism industry (www.mfa.am). In terms of losers, prime candidates would be Armenian monopolies

including oil and sugar, which currently maintain their market dominance in view of Armenia's limited access to the world and thus its insulation from potentially competitive importers. This rent economy not only represents an unnecessary burden on Armenia's economy by raising market prices considering the very small proportion of Armenia's exports to Turkey however, this would lead to an increase in Armenia's total exports by a mere 3.75% prices, it also fuels tensions which can and often do have a direct impact on the political and economic situation in the country. On the other hand it may give a violent blow and gives a room for sentiments to the owners of local rest houses and sites of recreation in terms that our compatriots would rather go to Turkey for their vacation (Antalya, Bodrum, Bursa) than stay in Armenia and pay almost the same amount of money.

The border closure also implies that Armenia foregoes the benefits of acting as a hub or transit route for trade, either along a North-South axis (Russia-Iran-Turkey) or along an East-West axis (Turkey-Azerbaijan-Central Asia). The latter route has been identified by TRACECA as being key to transcontinental transport, and it is the only TRACECA rail-link connecting Turkey with the South Caucasus and Central Asia. Geography as well as the road and railway infrastructure inherited from the Soviet Union renders Armenia an obvious hub in land and railway communications between Turkey, the Caucasus, Russia and Central Asia. The railway line that connects the entire region passes through the Armenian cities of Gyumri and Yerevan. Given that the stretches from Armenia to Turkey and Nakhichevan are blocked, this railway is only used for communications between Armenia, Georgia, and Russia to the north. Armenia is now a dead-end, and railways are estimated to operate at 15% of their capacity. The closure also impedes land communications across the region. To address this problem without opening the border with Armenia, Turkey, Georgia and Azerbaijan have agreed to construct a rail-line between Kars and Tbilisi connecting Turkey's railway network with the Tbilisi-Baku line, to be completed by the end of 2008. By circumventing Armenia, this new railway may lead some to think that regional communications can be restored without opening the border. However, not

only Armenia, but also areas such as Nakhichevan (Azerbaijan), and Ağrı and Iğdir (Turkey) will suffer seriously from this development.

Finally, the closure constrains Foreign Direct Investment (FDI) in Armenia, reducing the inflow of capital, production capacity and know-how in the country. FDI in Armenia is less than the country's growth rate would allow; notwithstanding the boost the Armenian Diaspora has already given to it (Beilock et al, 2007). Part of the explanation resides in conflict risk: the possibility that Armenia could fall back into military conflict with its neighbors. Market specialists have rated Armenia amongst the riskiest 10% of countries in the world, on a par with Ethiopia, Liberia and Israel ((Beilock, 2003)). It is estimated that a 30% reduction in conflict risk would lead to a 50% increase in FDI and a corresponding 3-4% increase in GDP (Banaian et al., 2007). This could be achieved through a normalization of Armenia's relations with both Turkey and Azerbaijan. In addition to constrained investment prospects, the closure and conflicts with Turkey and Azerbaijan have also led to a disproportionate role of the military in Armenia, with defence spending amounting to 15.5% of the state budget and 2.6% of GDP in 2004. This disproportionate investment in the military is an unnecessary burden on Armenia's economy. A reduction in military expenditure resulting from a normalization of relations with Azerbaijan and Turkey would allow for the reallocation of government expenditure towards education, health and other productive sectors.

Overall effect on the Armenian economy

We have illustrated that opening the border would have an overall beneficial impact on Armenia's economic performance, even if some economic sectors could suffer from external competition. How much of a boost the economy would experience is difficult to predict. Within a year of the opening of the border, AEPLAC expects a modest 0.67% increase in GDP, generating an increase in real wage rate of 0.28% and the creation of around 1,500 jobs. Related

knock-on effects include an increase in per capita income of 0.50% and additional government revenue of 1.16% of current tax revenues (Jrbashyan et al., 2007). This would be a meaningful contribution to growth, even though Armenia cannot expect massive improvements in the short term. In the long term, expected benefits are far higher. AEPLAC's study estimates a 2.7% growth boost over 5 years, leading to an increase in disposable income (+1.62% per capita), domestic consumption (+1.02%) and government revenue (+3.5%) (Jrbashyan et al., 2007). Further studies suggest that there are enough complementarities between the Armenian and Turkish economies to expect that both will benefit from the exploitation of their respective comparative advantages (Dr. Sherwood-Randall et al 2007)..

Societal and political development and cooperation

Opening the Turkish-Armenian border would however have far reaching effects in Armenia that go beyond economic performance. The two countries have been separated since the 1920s. Armenia is a very small country, with a population of 3.2 million, while Turkey's population is 71 million. One can reasonably expect that Turkish human and cultural involvement in Armenia following the border opening would make a significant impact on Armenian society whereas stating the opposite would not sound very reasonable. In this regard it is pertinent to mention that although Georgia and Armenia are of comparable size and both border on Turkey, 10 times more Georgians enter Turkey than Armenians. This is because of the practical difficulties of entering Turkey from Armenia, coupled with the prevailing prejudices and fears in Armenia towards Turkey. It is therefore reasonable to anticipate a substantial increase in emigration of Armenians to Turkey and more generally in human exchange between the two countries once the border is opened. This would be facilitated by the cultural affinities between the two peoples, particularly as many Armenians have their roots in Turkey (Derderian, 2007).

In their turn increased human interactions are likely to promote understanding and awareness of each other's societies, including their cultural, social and ideological diversities. Today mutual ignorance is widespread. A 2005 opinion survey revealed that half of the respondents in Turkey did not know whether Armenia is a large or small country, 16.8% believed that most Armenians practice Judaism while 25.5% did not venture a guess (Kentel et al., 2004). The same survey also showed that while Armenian respondents had a better grasp of elementary facts about Turkey, more had strong negative prejudices towards Turkey than vice versa. The opening of the border and the establishment of diplomatic relations between the two countries would have a gradual but strong positive impact on public opinion in Armenia, by removing the most tangible sign of Turkish hostility towards Armenia.

An open border would also create numerous opportunities for interpersonal engagement, communication, bonds and media coverage of issues lying beyond the conflict, thus educating Armenians about life in Turkey and vice versa.

Opening the border, finally, should create numerous opportunities for joint initiatives, particularly government-led ones. In addition to economic or infrastructure projects, combating organized crime and particularly human trafficking is a prime candidate for bilateral cooperation, given that Armenia remains an important source and transit route for the trafficking of women and girls to the Middle East, Turkey and elsewhere. Natural resources and the environment are also obvious fields for possible cooperation, in view of the rich biodiversity in the region urgently in need of a concerted conservation effort and joint management initiatives.

Turkey's costs and potential benefits

While recognizing the State of Armenia as early as in 1992 and repeatedly declaring Armenia not to be an enemy, Turkey holds that the opening of the border, as well as the normalization of relations with Armenia, hinges upon several preconditions which Armenia has

to comply with. Turkey considers the border closure and the diplomatic boycott on Armenia as the necessary 'stick' needed to shift Yerevan's stance with respect to the Karabakh conflict and the genocide issue.

Are there necessary conditions as well as potential benefits which will make Turkish administration inclined towards the normalization of relations with Armenia? In this regard we have to ask what exactly Turkey's cost-benefit calculation is and could this be improved in Turkey's favor by a policy shift on the border question?

While less immediately obvious than for Armenia, Turkey also loses significantly from the closure from the economic perspective, while having much to gain from a policy reversal. Apparently in the short run the benefits for Armenia are more materialistic and are bound to economic gains whereas for Turkey they are more of a "words and promises" kind and are bound to political gains. But even that point of view is very much contestable and even very much refutable since all those estimations are in the short run whereas in the long run Turkey might have a lot to gain both from political and economic perspective. Apparently the reason why this policy shift hasn't been in sight is not because of Turkey's misperception of its costs and potential gains but because Turkey's own interests were not what they are today.

As discussed above, the current impasse is fundamentally driven by highly politicized and securitized issues, which are thus less susceptible to change on the basis of a rational assessment of the economic, social and political status quo. Yet if one delves, as the sections below do, into a rational and detached assessment of the status quo and its possible reversal, Turkey's interests in a policy shift seem evident.

Armenia-Turkey and EU

The accession to the EU is definitely a political benefit that will be followed by economic benefits. It is also pertinent to mention that Turkey's political benefits will not physically be

feasible whereas Armenia's benefits will be physical in terms of opening the roads and trade. Although Turkey's accession to the EU does not by and large depend on the opening of the border and establishment of diplomatic relations with Armenia still it is the stick that some of the EU members hold in their hands in imposing conditions on Turkey. Huseyn Bagci argues in "Zeitgeist" that the most important political benefit for Turkey's foreign policy is the accession to EU. The Turkish-Armenian standoff has definitely complicated Turkey's much-sought EU bid. Ankara has traditionally argued its case for membership by relying on geopolitical and security arguments. These, while of crucial importance, have by and large not significantly shifted European public opinion in favor of Turkey (Tocci, 2007). In order to shift domestic views in the EU, Ankara will have to find allies and friends within the Union to help lobby its case for membership. Currently opposition to Turkey's EU membership prevails, particularly in member states like France. The state of Turkish-Armenian relations has bolstered the case of the 'no' camp in France and beyond, while inducing the shift to that camp of important European constituencies such as the Armenian Diaspora (Banaian, 2007).

Turkey as a regional player lays great importance on its military strength and is aware that a military vulnerable Turkey could be exposed to any sort of cross-border terrorism as well as regional uprising that could affect the country's security directly. From the realist approach the stronger you are the more influence you have and the more enemies you can defeat. The problem is that all that spending on the modernization of the Turkish Army is not aimed at aggressive purposes but rather at reaching the level of effectiveness to operate and prevent threatening conflicts (Bagci 2008). Turkey spends 4 percent of its GNP on defense, one of the highest amongst NATO countries and obviously a very high percentage for a country that is not at war (Bagci, 2008). Turkey spends annually \$9 billion and if it continues with the same trends until the year of 2020 \$150 billion on overall weapon structure will be spent. The point I'm trying to make here is that Turkey has to do some steps towards the EU accession process to accelerate the latter which will be aimed at transferring all those domestic defense projects and

spending to another; international field and in that case any killed Turkish soldier will be a killed European soldier. That would decrease the number of victims and surely would decrease the amount of money spent on military equipment and preparations and besides will let Turkey breathe easier.

Turkish policy makers and the government in particular definitely understand that the main threat comes from PKK and that Turkey does not appropriate money for military expenditures with great pleasure and it would rather spend that money on its economy. PKK is the main issue of Turkey's EU policies and the more coffins of young soldiers reach parts of Turkey the more Turkish nationalism will grow and the more Turkish government and military will lose their credibility (Bagci, 2008). The only way to shackle PKK activities is to let PKK understand that they are not killing Turkish soldiers but the soldiers of Turkey, that they are harming Turkey who is part of Europe and Turkey who is in the European Union and who has a strong say in that international organization. These are not mere estimations but plausible and "must" projects both for Turkey and the EU.

Since becoming a candidate for European Union membership after the Helsinki summit in December 1999 Turkey must undergo a mental change in the social, political, juridical fields as well as in the military field. Since Turkish soldiers are still being killed by PKK this means that NATO to which Turkey is a member fails to solve that problem and Turkey will choose to be a partner and supporter of European defense projects (Tocci, 2007). The latest discussions on the European Defense and Security Policy (EDSP) have mainly spoken about the acceleration of Turkey's integration into the project. Turkey's military transport machines such as the A400M or Eurojetfighter or transport and marine helicopters such as the NH90 should be participating and reducing the gap in this field (Bagci, 2008). In this regard Turkey-EU relations are a mutual beneficial game: for Turkey being a part of these defense projects will help speed up EU membership and also Turkey's integration into EU will help Turkey cover new fields such as crisis management in humanitarian fields. On the other hand a more democratic and stable

Turkey will be advantageous for Europe as a whole as well as for US since the latter is very much interested to have a democratic ally in the region.

The world has changed recently and Turkey must seize with both hands the opportunity of becoming a stabilizing regional actor. Turkey's unique position of being partners with two global players opens the door to this country's future and in the long run Turkey will be much better off from both political and economic perspectives compared to Armenia. Never before has Turkey been provided with such an opportunity to act as a stabilizing regional power in regional and global developments. Turkey's "bad" image is changing and Turkey is proving that if given a chance it can act appropriately.

Besides the kin-ties with Azerbaijan Turkey also does not dare to anger Azerbaijan because of its dependence of Caspian oil reserves (Shaffer, 2006). In this regard the closest alternative oil reserves are in Northern Iraq: Kirkuk. The Turkish position on Kirkuk is somewhat ambiguous and at the same time very clear: the Kurds in Iraq will be considered not only a potential threat but also a potential trade partner. But the problem is that if a trade is organized between Northern Iraq and Turkey it should be coordinated and controlled otherwise it will be a major threat to the region. During the Third International Institute for Strategic Studies Global Strategic Review conference in Geneva the former Swedish Prime Minister Carl Bildt addressed the global problems from the perspective of transatlantic security relations. When speaking about the Middle East he mentioned an unusual new line: Kirkuk-Ankara-Brussels line (www.isn.ethz.ch, Bildt's speech in Geneva). That kind of policy planning is not done by chance since events in Iraq spontaneously point to the future independence of Northern Iraq. It is pertinent to mention that if Europe fully realizes the amount of benefit it will get from the line it is probable that the EU's policies will go so far as to prepare for such a development.

This momentum is the one that the Turkish administration should seize with both hands. The government of Turkey can and should use this historic moment in its relations with the EU to reach out to the Armenian Diaspora in the European Union. This is particularly important in

so far as the Diaspora is politically diverse and the more moderate segments within it could, under appropriate circumstances, be persuaded of the need and benefits of Turkey's accession. Beyond engaging with the Diaspora, opening the border with Armenia and normalizing relations with it would no doubt win over important European constituencies in favor of Turkey's accession process. Evidently the European Union is not willing to accept a country in its rows like Turkey which besides being too poor, too big and too Muslim has also multiple problems with its neighbor and in addition a closed border (Mousseau 2006).

As mentioned in the hypothesis Turkey's benefits will primarily of political character though in the long run even if only in terms of developing Eastern Anatolia Turkey's benefits will also be of economic character. In this regard here is the second approach to Turkey's benefits from opening the border and liberalizing foreign trade: With the rise of imports and exports with the liberalization of foreign trade in the 1980s Turkey began transitioning to a market-oriented economy. Recent institutional changes towards transparency and the rule of law will facilitate and further accelerate the economic transition. In this way Huseyn Bagci (2008) asserts that the accession process to become an EU member is good for Turkey and the region since it can help the development of liberal democracy. But he also warns that Turkey must also recognize that prolonging the transition and policies for transforming Turkey's economy poses a danger: as long as substantial numbers of people rely on collective linkages then Turkey's democratic institutions will remain at risk. In the worst case scenario extremist nationalist and ethnonationalist movements and Kurdish separatism may gain momentum, giving way to the rise of an extremist political party with an anti-EU platform in power; or increasing civil violence may compel another military coup. Either case may lead to a suspension of the accession negotiations or even EU membership, and this would be very destabilizing for Turkey and the region. It is vitally important that during the accession process increasing numbers of Turks are able to find more opportunity on the market than they find from their collective and social linkages. Specifically, this means an increasing availability of well-paying jobs on the market.

Turkey should be included in the EU's structural aid programs and become adjusted to the EU's Common Agricultural Policy (CAP). But it seems that unlike prior newcomers to the EU, such as Greece, Portugal and Spain, Turkey has the additional hurdle of making the transition without the movement of labor and access to EU subsidies at least in the foreseeable future ((Beilock et al, 2007)). In this way, the start of the accession process should be seen not as the end but the beginning. Leaders of the EU and Turkey must grasp the continuing importance of promoting Turkey's economic transition through a variety of means: for Turkey to consolidate its democratic institutions; for the EU to have a larger internal market and, more importantly, to have a more secure Southeastern Europe with Turkey as a visible model of democracy for the region.

In corollary, however, if the process of Turkish entry into the EU does not result in a monotonic increase in employment opportunities on the market, then substantial numbers of voters will continue to give support to political parties that make nationalist, religious, or other forms of collective appeals perhaps in an anti-EU platform. Elected governments may not enforce law with neutrality, and the EU can easily emerge in the political discourse as a scapegoat that threatens Turkey's security and independence. In short, the longer the transition to a market economy based on the rule of law, the greater the risk that governments unsupportive or even hostile to the EU can end up in power in Turkey. Such a government may even exit from the EU. Needless to say, this would be a disaster for Turkey's liberal democracy and for Europe's security goals in the region. In the 20th century several countries have successfully made the transition to market economies. Both Japan and Germany had predominantly semi-feudal and semi-corrupted economies during World War II but recovered after the war with strong market orientations and substantial help from the United States, which subsidized German and Japanese business in a variety of ways, including direct economic aid and special access to the U.S. market (Beilock et al, 2007). The same pattern occurred with the so-called Asian Tigers of South Korea and Taiwan, where the U.S. promoted their transitions to market orientation by

offering special access to the US market. In Europe the closest cases to Turkey are the Southeastern European states (SEEs) of Spain, Portugal and Greece (Beilock et al, 2007). All of these countries had semi-feudal and semi-corrupted economies under authoritarian regimes before their entries into the EU. But steady rates of economic growth coinciding with EU entry made well-paying jobs increasingly available, and all three countries shortly became stable and liberal democracies with widespread respect for the rule of law. It is notable that both Spain and Portugal made this achievement with very few years of democracy in their collective memories; certainly far less experience with democracy than Turkey has accumulated today.

It is thus critically important that leaders in both Turkey and Europe recognize that the promotion of Turkey's transition to market economy is in everyone's interest: Turkey for the stability of its democracy; Europe for the security of its Eastern front in the struggle in the War on Terror. On this basis, I recommend that Turkish negotiators seek to convince EU leaders of the importance of economic assistance with adjustment policies aimed at transforming Turkey's traditional, semi-feudal, statist and agricultural economy to a modern market economy in which most individuals acquire relatively well-paid jobs on the market.

Revitalizing Eastern Anatolia

Turkey's size and economic dynamism often induce observers to downplay the economic, social and wider political costs to Turkey of Ankara's closure policy towards Armenia. Indeed in PPP terms, Turkey's GDP is over 40 times that of Armenia (World Bank, 2008), and even with the opening of the border, Armenia would continue to represent a low percentage of Turkey's total foreign trade. Yet Armenia could also become a critical economic partner and market for Eastern Anatolia, by far the least developed region of Turkey. The share

in the GDP of the Eastern Anatolian region is 4.14% and GDP per capita is TRY 841 while national GDP per capita is TRY 1837 (World Bank, 2008). According to the socio-economic development index of the State Planning Organization, Muş and Ağrı are the least developed provinces in Turkey (Turkstat, 2008). Underdevelopment and socio-economic inequalities in Turkey have not only hindered growth and development in the country; they have also caused and aggravated serious political problems in Turkey such as the Kurdish question.

Turkish authorities have so far refrained from assessing the costs of maintaining the closed border. National policy-makers consider the region's underdevelopment to be the result of its remoteness from the political and economic centre of the country (Kars is 1800 km away from Istanbul), coupled with the centre's neglect of the region's development. In Turkey's republican history, neglect has no doubt played a critical role in determining Turkey's socio-economic ills, and development programmers have been and remain in dire need of effective implementation. However, moving beyond a narrow national framework, it is clear that focusing on the border question, far from acting as an unwanted diversion from real needs or isolating the east further from the centre, would act as a critical corollary to any serious development effort. The closure has had extremely strong negative repercussions on the economic, social and political development of eastern Turkey, in particular for the cities of Kars, Iğdır and Trabzon.

For decades, Kars was a gateway to the Caucasus and the Soviet Union because of its railway connection, and its cultural and historical proximity to the region. The city is situated 70 km away from the border crossing of Doğu Kapı, formerly an official border crossing between Turkey and the Soviet Union. Despite problems of compatibility between the Turkish and Soviet railway networks, the opening of the border and the construction of the railway network allowed traders in Kars to export goods to the Soviet Union during the Cold War. In the early 1990s, goods began to flow between the province of Kars and the young Republic of Armenia. Daily railway connections allowed Armenian businessmen to travel to Kars relatively easily. However, the closure of the Doğu Kapı border crossing soon thereafter condemned Kars to isolation.

Currently, there are only five exporters in Kars. The dramatic shrinking of exports from Kars induced the local customs department and the Union of Exporters of the Eastern Anatolian Region to be transferred to Erzurum. In addition, Ardahan and Iğdır have been removed from the administrative territory of the Kars province and granted the status of separate provinces. Both Ardahan and Iğdır gained a further competitive edge over Kars with the opening of the Posof/Vale border crossing, which allowed Ardahan to become a gateway to Georgia, and the Dilucu border crossing, which linked Iğdır to Nakhichevan. Thus the closure of the border with Armenia has generated a deep sense of isolation and neglect in Kars. For the local authorities, the rationale behind the closure of the border is hard to see, especially given that Istanbul and the Black Sea Coast are fully authorized to maintain economic and human relations with Armenia through aid transport and transit through Georgia. In this regard, many local politicians from Kars argue that the Black Sea lobby in Turkey supports the closure of the Doğu Kapı crossing in order to reap extra rent, create inefficiencies and exacerbate political tensions within Turkey itself (Mousseau, 2006).

The re-opening of the Doğu Kapı/Akhourian border crossing would yield significant benefits for the local population in the underdeveloped province of Kars. The municipality of Kars has strived to develop relations with Armenia by establishing more cross-border contacts. Indeed, the Association of Industrialists and Businessmen in Kars (KARSİAD), the Chamber of Commerce and Industry and the Union of Tradesmen and Artisans have repeatedly presented the benefits of the re-opening of the border to national authorities. In addition, a group of businessmen from Kars has established a Caucasian business association based in the city. The association, named the Caucasian Association of Businessmen and Industrialists (KAFSIAD), is designed to strengthen business links between Eastern Anatolia and the South Caucasian

According to the data of 2000, exports per capita are \$7 in Kars, \$84 in the Eastern Anatolian Region, and \$2249 on a national level (International Crisis Group, 2009). All this

points to the serious costs incurred by the status quo inducing private citizen initiatives to move towards a higher-welfare equilibrium.

The opening of the border would also have a positive impact on the development of Trabzon in eastern Turkey. The development of Trabzon has been tightly linked to the activities of its port. The port, built in 1905, transformed the city into a trade centre. After its renovation in 1954, it became the biggest Turkish port in the Eastern Black Sea region, but it was not until 1989 that the opening of the border crossing with Georgia created a new window of opportunity for the city. The number of export companies rose from 3 in 1989 to 400 in 1995. However, the port does not have a well-developed hinterland, and has been negatively affected by its remoteness from the country's centres of production and the poor infrastructure of Eastern Anatolia.

Contacts with Armenia were also established in the early 1990s. The majority of Turkish businessmen involved in Armenia are originally from the Black Sea region. Road transportation companies connecting Armenia to the outside world are mainly based in Trabzon or in Hopa. Indeed, with the closure of the Turkish-Armenian border, Turkey is connected to the Caucasus only through the Black Sea region, rendering Trabzon a key transportation hub. This notwithstanding, local officials and the business community of Trabzon have actively advocated the establishment of a direct trade relationship with Armenia. This is because the opening to Georgia through the Sarpi border crossing does not allow the port of Trabzon to realize its full potential. As such, road transporters pay special attention to the opening of the Alican/Magara border gate between Iğdir and Yerevan and Trabzon is located at 450 km from Iğdir. The opening of a direct Anatolia-Armenia connection would thus provide the port of Trabzon with an economic hinterland and allow the city to compete with Georgian ports (Poti, Batumi) which offer a railway connection and have attracted important investments. The Trabzon-Erzurum-Iğdir-Yerevan road axis carries the potential to transform Trabzon into a regional transit port.

Turkey as a transport hub

The current closure seriously impedes Turkey's role as a transport hub linking Europe and the Mediterranean to the Caucasus and Central Asia. This is because transport links between Turkey and Azerbaijan cannot transit through the South Caucasus because one of the roads is blocked and the other route (through Georgia) is not commercially attractive. Hence, the Iranian option remains the most cost-effective one. Instead, the opening of the Turkey-Armenian border would transform Anatolia into a crossroads of north-south and east-west trade, enhancing Turkey's economic ties and interests in the Caucasus-Caspian regions. Running in parallel to the energy corridor between the Caspian and Turkey, the establishment of a transport corridor through the Caucasus to Turkey is of utmost importance. It would boost the integration of production and distribution networks, and could lead to the implementation of regional projects, further enhancing the process of sub-regional integration. In this respect, Turkey's integration into the EU's TRACECA program would be welcomed, in so far as the planned Anatolian-Caucasus-Caspian route represents a cost-effective, commercially viable and strategically beneficial east-west railway.

Turkey's geopolitical interests

As discussed at the outset, Ankara's decision to sever its direct links with Armenia was largely driven by its desire to buttress its kin-state Azerbaijan during the Karabakh war. The border has remained closed since then and Turkey has linked its reopening to the resolution of the Nagorno-Karabakh conflict. Turkish-Azeri relations underpin Turkey's policy choice. Ankara has remained firm on its position largely because Azerbaijan has pressed Turkey to

bolster its bargaining strength by weakening that of Armenia through its isolation on both its eastern (Azeri) and western (Turkish) flanks.

Most Azeris would consider any Turkish U-turn in this respect as tantamount to betrayal. When for example, Turkish Prime Minister Recep Tayyip Erdoğan, on an official visit to the US in January 2004, hinted that the border may be re-opened ‘if the friendly initiatives of Turkey were reciprocated’, Azeri President Ilham Aliyev immediately responded: ‘if Turkey were to open its doors to Armenia, Azerbaijan will lose an important lever in finding a solution to the conflict. Turkey is a great and powerful nation and I am sure that Turkey will withstand the pressures... The Turkish-Azerbaijani brotherhood is above everything’ (Banaian, 2007). Likewise, Azeri Parliament Speaker Murtuz Alasgarov, claiming that ‘if Turkey opens the border with Armenia, it will deal a blow not only to Azerbaijani-Turkish friendship but also to the entire Turkic world’. In other words, if and when Turkish actors have publicly considered a policy shift, Azerbaijan has successfully stricken moral and nationalist chords in Ankara, warning of the devastating blow this would have on Turkey’s kin and ally.

Yet, these arguments, touching upon existential identity and security considerations make economic arguments in favor of the border opening pale into insignificance. Emblematic in this respect is a statement by former President Süleyman Demirel arguing that ‘Turkey cannot take the risk of displeasing her Azeri brothers in order to allow a few individuals to make some profit.’ Beyond touching upon emotions and kin-ties, Azerbaijan has also used its energy leverage on Turkey to dissuade a Turkish about-turn. Baku has in fact supported the Baku-Tbilisi-Ceyhan oil pipeline in exchange for Turkey’s guarantee of Azeri security. This has been openly acknowledged by several Turkish commentators, while others have admitted that ‘Turkish policy towards the region has become hostage to security relations with Azerbaijan’ (Beilock, 2003).

However it is highly debatable whether Turkey’s closed-door policy towards Armenia has actually strengthened the Azeri position in the conflict over the last 18 years. On the contrary,

Turkey's isolation of Armenia has alienated Yerevan further, fuelling siege mentalities and hardening Armenian positions on the Karabakh conflict. Moreover, Turkey's policy has limited Ankara's potential influence on Armenia. While being a permanent member of the Minsk group and supporting its work, poor Turkish-Armenian relations have hindered Turkey's prospects of playing an active mediating role in the Karabakh conflict. This has clearly been to the detriment of Azerbaijan, which has repeatedly requested Turkey's involvement in the Minsk Group, possibly as a co-chair to counterbalance Russia which they perceived to have taken a pro-Armenian position. In view of Turkey's stance however, the Minsk Group co-chairs have been reluctant to bring Ankara into the fold, displaying greater openness to Iran's involvement (GulTekin, 2000).

Broadening out, the conflict between Azerbaijan (supported by Turkey) and Armenia has also complicated Turkish-Russian relations – relations which, particularly in the fields of energy and commerce, are of great importance to Turkey, and which, especially under the AKP government, Turkey has striven to approach with a high sense of pragmatism. The sealed Turkish-Armenian border lies on the frontline of divergent Turkish and Russian interests, and Nakhichevan is the place where the two countries came closest to the brink of war in the early 1990s. In other words, while in some respects Turkey has striven to develop a business-like relationship with Russia, in other respects, Turkey's position, including its border policy towards Armenia, has fed into a revival of Great Game dynamics, in which Turkey, in alliance with Ukraine, Azerbaijan and Georgia, is seen as pitted against Russia, Armenia and Iran.

Chapter III

Costs and potential benefits to the region

The costs of the border closure and the potential benefits of its reopening go well beyond Armenia and Turkey. Repercussions of the status quo and its possible change in terms of the management of flows (people, goods, energy) and identity formation are felt throughout the wider region, including the South Caucasus, Russia, the Black Sea, Iran and Central Asia. The major gains from the opening of the Turkish-Armenian border and the normalization of relations would be in terms of economic efficiency, achieved through integration, reducing transit fees and opening new markets. Energy and transport infrastructure development should take into consideration inclusiveness and interoperability, between EU, South Caucasian, Turkish, Black Sea, Russian and Iranian led projects. Greater energy security in the neighborhood and diversification of routes would be possible and mutually beneficial. Currently, the major threats to energy security derive principally from the persistence of the Karabakh conflict, coupled with the risks of a military strike against Iran, rather than, strictly speaking, the Turkish-Armenian border closure. Yet the opening of that border would greatly contribute to fostering an environment in which the de-escalation of ethnic pressures and the gradual demilitarization of the region would be possible, contributing to long-term peace and stability in the wider region.

The South Caucasus

The demise of the Soviet Union and the eruption of conflicts have seriously imperiled the tasks of national consolidation, state development and achievement of economic viability in the wider Caucasian region. Conflicts and closures have led to the formation of identities based on

perceptions of threat, enmity, mistrust and victimization (Tocci, 2004). This has entrenched isolation and dependence on patron states and reduced incentives for conflict resolution.

The wider Caucasus region forms a security complex, with the Karabakh conflict resting at its heart, and shaping alignments and relations between different actors (Shaffer, 2006). As noted above, Turkey's closed border policy has neither helped Azerbaijan in the Karabakh conflict, nor has it induced Armenians to withdraw from Azeri territory, which they occupy in breach of international law and UN Security Council resolutions. On the contrary, border openings and the establishment of official trade relations between Turkey, Azerbaijan and Armenia could help thaw the conflict. Azerbaijan has an evident interest in developing leverage on the situation in Karabakh. It is well placed to do so by encouraging regional economic cooperation and inducing the population of Karabakh to look eastward. In other words, rather than using closures and economic pressure as a source of leverage, openings and the ensuing economic cooperation are far more likely to encourage a political agreement by fostering mutual interests, interdependence and trust. In addition, the opening of the border also holds the potential to shape Russia's involvement in the Karabakh conflict, raising its incentives to push for a peaceful resolution of the conflict. By opening the border and developing an alternative transit route from Turkey through Armenia towards Russia, Russian interests in conflict resolution in the region could be greatly enhanced (Gültekin, 2000).

The South Caucasian security complex has also deeply affected trade and economic performance (Polyakov, 2001), and has influenced transport facilities linking the South Caucasus to Central Asia, the Middle East and Europe. The Caucasus, once a hub of communications, has become a cul-de-sac with the breakdown of traditional transportation routes in view of conflicts and closures. To remedy this fact, alternative projects have been developed. The routes of the Baku-Tbilisi-Ceyhan (BTC) and Baku-Tbilisi-Erzurum (BTE) oil and gas pipelines and the Baku-Tbilisi-Kars railroad project are all determined by the current conflicts and border closures. Armenia and Nahkichevan are the prime losers from these alternative transport and

communication lines. Nakhichevan in particular, once at the intersection of east-west and north-south trade in the Russian Empire, now is a dead end: the exclave leans on Turkey for survival and has become a centre for smuggling into Iran. More generally, these alternative transport projects, and in particular the planned Baku-Kars railway, are problematic in so far as they are grounded on an acceptance of the fragmented status quo in the region, risking to crystallize it further.

Instead, the restoration of former transport links holds the potential of mitigating existing tensions. Broadly speaking, the Turkish-Armenian route is the most efficient east-west connection, while the Turkish-Georgian route is the most efficient north-south link. Armenia also provides the best access to Azerbaijan, and Georgia provides the best access to southern Russia. In particular, the rehabilitation of the Kars-Gyumri railway system, operational up until 1992, would be far more beneficial than the planned Baku-Kars railway. This is not only because Armenia and Nakhichevan are excluded from the current project, but more generally because rehabilitation of the traditional railway system would be less costly and more efficient. The Transcaucasian railway system was built during the Russian empire and subsequently upgraded during the Soviet era. It consists of 32 railways, for a total length of 145,000 km that at the time carried 55% of all passengers and 25% of all commodities transported across the Soviet Union to Turkey (Beilock et al, 2007). The eastern Anatolia railway system, running from Sarımakış to Kars, also dates back to the Soviet period and is connected to the Russian/Soviet network through Armenia (Akyaka-Gyumri), providing Turkey with access to the Caucasus, Russia and Central Asia. Armenia is the hub of this regional railway network. Gyumri is also linked to other railways, including the Yerevan-Julfa-Baku line that runs through Nakhichevan along the Iranian border, and the Yerevan-Sevan-Dilian-Gazakh-Baku line

Unsurprisingly, alternative projects underway are not in line with the EU-supported TRACECA and INOGATE projects, nor the recommendations of the High Level Group chaired by Loyola de Palacio on the “Extension of the major trans-European transport axes to the

neighbouring countries and regions”. The new TRACECA map, approved in December 2001 in Tbilisi, integrates the railway connection between the Turkish city of Kars and the Armenian city of Gyumri in the TRACECA transport corridor. The action plan for the 2002-2004 period included the rehabilitation of the container terminal at the Gyumri railway station. The connection of the Turkish, Armenian and Azerbaijani railway systems would guarantee in fact the most favourable east-west transport corridor between the Caspian basin and world markets and in particular ensure a viable connection between the Caspian Sea, southeastern Europe and the Mediterranean. The sea-rail combined transport route linking Anatolia and the Caspian basin is also the most cost-effective route, as Turkish ports are cheaper than Georgian ones. Consequently, the Samsun-Kars-Yerevan-Baku route, which is more competitive than the Poti-Tbilisi-Baku route, would ensure an important linkage for intra-regional transportation around the Black Sea.

Beyond economics, transport and communications, the closures have also had serious societal and human regional repercussions. Ineffective border control, economic decline, corruption, and conflicts make the wider Caucasus an ideal route for illegal activities. Drug trafficking from Afghanistan to Europe has sharply increased since 2001 and the South Caucasus is at the heart of all three major routes. Human trafficking and illegal migration, trafficking of nuclear materials and small arms have also been detected in the region (Polyakov, 2001). Cooperation in the framework of the Southern-Caucasus Anti-drug Programme of the United Nations (SCAD) should be coordinated more effectively with Turkey, Iran and Russia in order to extend control to the common border between Armenia and Turkey. This would only be meaningful in a context of open borders.

Russia and the Black Sea

Russia is the former imperial power in the South Caucasus and remains the main actor in the region. Russian military presence in the Caucasus includes ‘peacekeepers’ and military bases, soon to be concentrated exclusively in Armenia. This military presence is considered by Armenians as a necessary price to pay for security, particularly in the face of fears of aggression from Turkey and a new flare-up of the conflict with Azerbaijan. Russia is also the main energy supplier to the South Caucasus. The gas pipeline running from the Russian city of Astrakhan in the Caspian region through Georgia is Armenia’s main source of gas. An alternative pipeline linking the Iranian city of Tabriz to Yerevan was however inaugurated in 2007, breaking Armenia’s energy isolation, although it does not reach Georgia. Russian energy also reaches Turkey, through the Blue Stream gas line crossing the Black Sea, and bilateral relations between Moscow and Ankara have been deepened through a business-like approach under President Putin and Prime Minister Erdoğan, despite the ongoing Nagorno-Karabakh conflict.

Russian interests in changing the status quo are unclear. By managing the no-peace-no-war stalemate, Russia continues to act as the key security provider, particularly to Armenia. This would change if relations between Yerevan and Ankara were normalized, as Armenia could be inclined to reduce the Russian presence on its territory. But the strong economic, political and military influence that Moscow exerts over Armenia is likely to remain until the Karabakh conflict is settled.

The opening of the border would raise the prospects for greater integration of the South Caucasus into the Black Sea area and the EU. This would reduce the importance of the CIS and Russia in the region, even if these countries are set to remain the most important markets for the Caucasus. Diversification of relations towards both east and west would also mean greater stability and development regionally, also helping Russia normalize its relations with the South Caucasus and improving the development prospects for its North Caucasus provinces.

More broadly, the Black Sea region is a focal point of intersecting security-related challenges including migration, energy, trafficking and organized crime, environmental degradation and conflict. The challenges stemming from this region have raised the importance of the wider Black Sea-Caspian Sea region on the EU's strategic agenda (Commission 2007). The current border closures present and aggravate security challenges and the difficulty in tackling them effectively. Furthermore, the integration and development of a pan-European transport system hinges on the construction of a highway ring around the Black Sea, and in order to link the three South Caucasus countries to these infrastructures, the closed Armenian-Turkish border must be reopened. The BTC pipeline has increased interdependence between the Caspian, the Black Sea and the Mediterranean. Normalization of trade relations in the South Caucasus and some level of economic integration would thus enhance the role of the Black Sea and Caucasus countries as entry points to EU, Russian and the Middle Eastern markets.

Iran and Central Asia

Iran is part of the wider Caucasian region in cultural, religious, ethnic, linguistic, and security terms. After the break-up of the Soviet Union, Iran acted as a mediator in the Nagorno Karabakh and Tajik conflicts, both out of fear of spillover effects in its own territory and wishing to act as a committed peace partner. Iran hosts a large Azeri minority (between 20 and 35 million) in the north-western part of the country on the border with Azerbaijan, which creates separatist pressures and instability linked to the Karabakh conflict (Martin G. Lenore, et al 2004). Iran also enjoys good relations with Armenia and has sought to use its support for Yerevan as a way to exert pressure on Azerbaijan. However, the international concern over Iran's nuclear program and the possibility of war there has added tension and instability in the region, pressuring Teheran to review its policies towards the South Caucasus.

In November 2001, both countries signed an Action Plan for Cooperation in Eurasia at the UN General Assembly, inspired by their common Eurasian character. Beyond its enmeshment in the South Caucasus security paradigm, Iran is also crucial in terms of transport and communication. Iran provides a critical land connection for Armenia, and the pipeline inaugurated in March 2007 between the two countries has finally broken Armenia's exclusive dependence on Russian energy. Iran is also a crucial route for Turkish goods travelling through Iran to Azerbaijan and Central Asia, and it provides a land connection between mainland Azerbaijan and Nakhichevan. In terms of road transport, although the opening of the border crossing at Sarp/Batumi (Georgia) has offered a new transport corridor linking Turkey with the Caucasus, Caspian and Central Asia, Turkey's transit through Iran into Central Asia and the Far East remains the most effective route. Iranians also pass through Turkey to reach Europe, since a visa-free regime is in place between the two countries, and travelling to Turkey remains affordable for most Iranians. This has given rise to a large tourist business but also to illegal migration, smuggling and trafficking along these routes. On a darker note, the Iranian-Turkish border operates as one of the main drug routes from Afghanistan to Western Europe and the Iranian-Azeri border as an important route towards Russia (Banaian, 2007). Nuclear materials and small weapons have also travelled across the Caucasus towards Iran and Turkey.

Iran's involvement in the region has made Tehran a key supporter of regional integration. It is sponsoring the construction of a rail link from the city of Mashad to the Turkmen rail system linking Central Asia and Russia to Iran, as well as the integration of Iranian electric grids with those in Turkmenistan and Armenia. Former attempts at economic integration in the region such as the Economic Cooperation Organisation (ECO), or the Organisation of the Caspian Littoral States (OCLS) are important experiences from which to learn and on which to build to further integrate the Wider Caucasian region. Hence, Iran's close relations with Armenia, its interdependence with Azerbaijan and its wish to maintain good bilateral relations both with

Turkey and Russia, make it a crucial actor in future regional integration dynamics, and, as such, a principal supporter of the normalization of Turkish-Armenian relations.

Central Asian states represent an increasing source of energy for Europe, and Turkish influence in these Turkic states could become an important asset in the EU's latest attempt to develop a strategy towards the region (Bagci, 2008). Turkey's approach to Central Asia, much like that of Iran, is based on cultural and political rather than military relations, but it has been the business sector which, stimulated by former President Turgut Özal, has taken the lead in these relations, developing valuable markets for Turkish products in Central Asia. Nevertheless, Turkey did not succeed in generating a deep sense of Turkic solidarity in Central Asia in the post-Soviet period largely in view of the pragmatism and jealously guarded sovereignty of the Central Asian leaders. Likewise, Azerbaijan's call for support from its Turkic-brother countries in its conflict with Armenia has had little echo in Central Asia. Hence, whereas in the face of rising competition for Central Asian energy amongst Russian, Chinese and European investors, Europeans could be strengthened by Turkish and Azeri diplomacy, there seems to be little scope for acts of solidarity regarding issues such as the Karabakh conflict or the Turkish-Armenian border in Turkic Central Asia. On the contrary, the opening of the Turkish-Armenian border would notably improve the logistics between Turkey and Central Asia and future Turkish-Armenian business partnerships could prove highly profitable in the region given that Armenians are well introduced in business and political circles in most of the Central Asian Republics.

Analysis of Findings and Conclusion

As we have illustrated above the economic consequences of the possible re-opening of the Armenian-Turkish border will appear quickly and will mean a rapid improvement for both countries, but especially for Armenia. In short the current economic relationships between Armenia and Turkey can be characterized as follows: Turkey exports goods to Armenia worth some 260 million dollars a year, whereas imports of Armenian goods to Turkey are worth a mere 1.9 million dollars (data of 2008). In other words, the Armenian market is open for Turkish goods, while the opposite is not true, as Turkey applies a de-facto embargo (not declared officially) to imports from Armenia. All of this cargo transfer is channelled through third countries, mainly Georgia. This shows the first possible benefit for Armenia once the de-facto embargo is lifted. The huge Turkish market, a country of 73 million, would become available for Armenian exporters. Meanwhile, today the immediate markets available for Armenian goods are only the market of Armenia itself (3.2 million people) and Georgia (4.5 million), both being poor countries which restricts the volume of the market. Along these lines, opening the Turkish market to Armenia would greatly improve the investment rating of Armenia as the limited volumes of markets nearby make it a risky site for investments, today. Another important finding is that Armenia being a landlocked country will gain ways of communicating with the outer world. In Appendix 1 where routes for travel between Armenia and selected destinations in the region before and after border opening are mentioned we can see that the opening would firstly enhance railroad traffic. Moreover, once the Turkish railroads are open for Armenia, it can also access ferry transportation from Turkey, which is safer and cheaper than the ferries available at Georgian ports of Poti and Batumi. The latter is especially of crucial importance for Armenia since today cargo shipment on ferry is the most important means of transport for Armenian exports to Europe and Russia, its major trade partners.

In its turn political benefits for Turkey mentioned in the hypothesis are not as obvious since from the above mentioned we conclude that the accession process to the EU is not very much dependant on the opening of the border. Instead Turkey also has obvious economic interest in opening the border. First of all, this would be a stimulus for the regions of Turkey bordering Armenia that is for Eastern Anatolia. These regions, the provinces of Erzerum and Agri, are the least developed among the provinces of Turkey, with a GDP per capita rating lower than half of the average in Turkey (and also, lower than in Armenia) and revitalizing them is utmost importance. This is why the population of these depressive regions has repeatedly expressed its support to the idea of opening the Turkish-Armenian border. However, the fact that these regions are underdeveloped might also pose a serious challenge to Armenia in the case of reopening the border. In particular, an open border can result in opening the Armenian market for unemployed people from the neighboring country, a perspective which is especially alarming during the current economy crisis. The other potential challenge which is often mentioned is the dominance of Turkish imports in Armenia which could occur after opening the border.

Of course using the Armenian railroads for easier access to Georgia, Azerbaijan and Central Asia would be another obvious benefit for Turkey.

In conclusion it is pertinent to mention that Armenia-Turkey relations have ceased to be national or even bound to two nations. It has become international and moreover universal. The normalization of Armenia-Turkey relations is the one which makes ones to be happy and the other to grieve but one thing is obvious many are interested. Turkey being so much interested in the Caspian oil reserves of Azerbaijan now seems to have relinquished since the international community and the demand of the time make Turkey do so. In the contemporary era it is really shameful to have closed borders however Turkey tries to prove that it did not officially keep the border sealed.

Turkey and Armenia are close to settling a dispute that has long roiled Caucasus politics, isolated Armenia and cast a shadow over Turkey's image in the region. For a decade and a half,

relations have been poisoned by disagreement about issues including how to address a common past and compensate for crimes, territorial disputes, and distrust bred in Soviet times and the Nagorno Karabakh conflict. But recently, progressively intense official engagement, civil society interaction, public opinion change and mainly new Armenian Administration have transformed the relationship, bringing both sides to the brink of an historic agreement to open borders, establish diplomatic ties and begin joint work on reconciliation. As mentioned before it is high time to come to agreement and they should seize this opportunity to do so. The politicized debate whether to recognize as genocide the destruction of much of the Ottoman Armenian population and the stalemated Armenia-Azerbaijan conflict over Nagorno Karabakh should not halt momentum. Moreover the genocide issue is much more obvious than the Nagorno Karabakh conflict since countries like France, Argentina, Greece, Russia etc have officially recognized the Armenian Genocide. The latter is not a political issue but rather falls in the historical dimension. The Nagorno Karabakh issue needs international mediation. The U.S., EU, Russia and others should maintain support for reconciliation and avoid harming the process.

As I put above now that the state interest prevails all the rest it is the very time to reconcile. Turks' and Armenians' once uncompromising, bipolar views of history are significantly converging, showing that the deep traumas can be healed. Most importantly, the advance in bilateral relations demonstrates that the state interest and the desire for reconciliation can overcome old enmities and closed borders.

Politicians in third countries should do all they can to bolster mutual confidence. They should weigh carefully the balance between pleasing domestic constituents and the damage that can be done to progress in international relations. They should reassess the fashion for parliaments to pass political judgment on other countries' histories, not least because those same institutions rarely are as outspoken about dark episodes in their own national pasts. Armenian and Turkish civil society and academics are moving towards common understanding of what happened as the Ottoman Empire collapsed and should be helped in their endeavors. But there also

needs to be a focus on the present and the future, which can be demonstrably improved by the steps currently being taken by both Turkey and Armenia.

In conclusion to the conclusion I have to once more mention that the points mentioned in the hypothesis proved to be partially viable. Clearly, the changing relationship between Armenia and Turkey can result in a “win-win” situation for both countries. For Armenia, it provides a much-needed economic development and new economic opportunity at the same time fetching the opportunity of foreign policy success and scoring a point against Azerbaijan. For Turkey the opening of the border will ease its much sought EU bid change Turkey’s image in the region and in the world in general but more obviously revitalize Eastern Anatolia and again bring economic benefits.

But the opening of the closed border between the two countries is the first imperative to any longer-term progress, without which, months of diplomacy and public expectations will have been for nothing.

Appendix # 1

Routes for travel between Armenia and selected destinations in the region before and after border opening.

<i>Routes</i>		<i>Closed Border</i>	<i>Open Border</i>
Yerevan Meghri	Road	Yerevan – Meghri (311 km including a steep 2434 meter high pass)	Yerevan – Nakhichevan – Meghri (256 km)
	Rail	No railroad connection	Yerevan – Nakhichevan – Meghri (260 km)
Yerevan Tabriz	Road	Yerevan- Meghri – Tabriz (300 km of bad road in Armenia + 200 km of bad road in Iran)	Yerevan – Nakhichevan – Tabriz (350 km)
	Rail	No railroad connection	Yerevan – Nakhichevan – Tabriz (350 km)
Yerevan - Beirut	Road	Yerevan – Akhaltsikhe – Beirut (2095 km)	Yerevan – Igdir – Aleppo – Beirut (1625 km)
	Rail	No railroad connection	Gyumri – Kars – Aleppo – Beirut (around 2000 km)
Yerevan Aleppo	Road	Yerevan – Akhaltsikhe – Aleppo (1595 km)	Yerevan – Igdir – Kilis – Aleppo (1125 km)
	Rail	No railroad connection	Gyumri – Kars – Aleppo (1500 km)
Yerevan Thessaloniki	Road	Yerevan – Batumi – Istanbul – Thessaloniki (around 3000km)	Yerevan – Kars – Istanbul – Thessaloniki (2600km)
	Rail	No railroad connection	Yerevan – Kars – Istanbul – Thessaloniki (2700km)

. Appendix # 2

Routes between Azerbaijan and Turkey before and after border opening

<i>Routes</i>		<i>Closed border</i>	<i>Open border</i>
Baku - Kars	Road	Baku- Tbilisi – Kars (991 km)	Baku – Tbilisi – Gyumri – Kars (869 km)
	Rail	No railroad connection	Baku-Tbilisi-Gyumri-Kars (around 900 km)
Baku - Istanbul	Road	Baku – Tbilisi – Batumi – Istanbul (2280 km)	No better routes
	Rail	All rail – not available	Baku-Istanbul (around 3000-3500 km)
	Road/rail + sea	Baku – Batumi – Istanbul (975km + 1100km)	No better routes
Baku - Igrid	Road	Baku-Tbilisi-Kars-Igrid (1130 km)	Baku-Tbilisi-Yerevan-Igrid (892 km)
	Rail	No railroad connection	No railroad connection
Baku – SE Turkey	Road	Baku-Tbilisi-Akhalsikhe-Kars- City A	Baku-Tbilisi-Gyumri-Kars-City A will save 122 km
	Rail	No railroad connection	No railroad connection
Baku - Nakhichevan	Road	Baku – Tbilisi – Kars – Nakhichevan (1260 km) OR Baku – Pars Abad (Iran) – Nakhichevan (576 km however not a major roadway)	Baku-Tbilisi-Yerevan-Nakhichevan (966 km)
	Rail	No railroad connection	Baku-Tbilisi-Yerevan-Nakhichevan (around 1000 km) NOTE: A more direct routing exists

			through the territories in southern Azerbaijan and Armenia. Its use, almost surely, would require an overall settlement of the Karabakh dispute.
Baku - Erzurum	Road	Baku – Tbilisi – Erzurum (1197km)	Baku – Tbilisi – Gyumri – Erzurum (1075)
	Rail	No railroad connection	Baku-Tbilisi-Gyumri-Erzrum, (about 1100-1200 km)
Baku – places W of Erzurum	Road	Baku-Tbilisi-Akhaltsikhe-Erzrum-City B	Baku-Tbilisi-Gyumri-Erzrum-City B will save 122 km
	Rail	No railroad connection	Railroad distances comparable with road distances for most destinations

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