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THE ECONOMIC AND SOCIAL CONSEQUENCES OF OPENING THE ARMENIA-TURKEY BORDER Yerevan, 13-14 January 2007

The problem of closure of Turkish-Armenian border has still been one of the most significant problems between Turkey and Armenia. Armenia is aware of the fact that it should develop its relations with Turkey in order to overcome its own economic problems and transform itself to be a regional power. Besides the efforts of Armenia, Armenian lobbies in the United States and Europe are also working for the opening of borders.

The latest of these efforts is the conference organized on 13-14 January 2007 by an American-based non-governmental organization, Armenian International Policy Research Group (AIPRG) under the auspices of United States Agency of International Development (USAID), Eurasia Foundation and the British Embassy in Yerevan. Participants from Argentina, Armenia, Belgium, Southern Cyprus, Georgia, Romania, Turkey, United Kingdom and the United States attended the conference entitled “The Economic and Social Consequences of Opening the Armenia-Turkey Border”. In the conference some significant articles are presented on the prospective economic and social transformations in the aftermath of the border opening and on what could be done to increase common benefit and to decrease costs of this process.

The first article presented in the conference carried the title of “Study of the Economic Impact on the Armenian Economy from Re-Opening the Turkish-Armenian Borders, Implications for External Trade” and emphasized that the most significant sector that would be influenced from the opening of the border would be the trade sector. In this article the short term, medium term and long term implications of the border opening on trade sector was examined with quantitative methods.

The second speech entitled “The Political Economy Approach to the Study of Armenia-Turkey Cross-Border Engagement” had a critical stance against the Ar-

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menian government. In this speech it was mentioned that Armenian government was not content with the opening of the border and some related ministries had a slippage between the rhetoric, which was in favor of border opening, and the practice which acts in an opposite direction. On the other hand business elites demanded liberalization of border arrangements. What is more, Armenian decision-makers were classified as absolutists, who demanded unconditional opening of the borders; relativists, who demanded opening of borders only after some economic reforms have been realized; and isolationists, who demanded preservation of the status-quo permanently.

The third article presented in the conference carried the title of “Opening Armenia’s Border: Sectoral and Distributional Consequences”. In this article it was mainly aimed to predict the performance of Armenian manufacturing sectors after the borders would be opened. The findings of the article are examined within the framework of some economic theories, particularly relying on the concept of comparative advantage. The ultimate aim was to determine the manufacturing sectors in Armenia that would benefit and the sectors that would lose when Turkey opens the borders.

The fourth speech entitled “Evaluating the Impact of the Opening of the Border on the Normalization of Turkish-Armenian Relations” emphasized the political implications of the opening of the border. It argues that this process would contribute to the confidence building between Turkey and Armenia; therefore it might incrementally result in a negotiation platform for the resolution of other problems between two states. The next speech bearing the title of “Alternative Destinations of Migration”, mainly focused on the overall social, legal and economic conditions of Armenian migrants in Turkey and the Russian Federation and it aimed to show how the migration from Armenia to Turkey could change with the opening of the Turkish-Armenian border, considering its negative and positive implications on both Armenian migrants and Armenia’s geo-political position.

The sixth article presented in the conference was entitled “The Economic and Social Consequences of Reopening the Armenian Turkish Border: The Implications for the South Caucasus, Turkey, and Europe” and mainly studied regional consequences of the opening of the borders. Accordingly, it argued that opening of the Armenian-Turkish border would significantly contribute toward the improvement of relations between Armenia and Turkey, provide the framework for economic development in the region, and aid the process of regional integration,

reconciliation and conflict resolution, which would also enhance the prospects for the integration of the South Caucasus within the Black Sea regional community, and the extended Euro-Atlantic Community.

The implications of border opening to Armenian security is the main topic of the next article bearing the title “The Impacts of Conflict Risk Reduction on the Armenian Economy”. In the article it was argued that being one of countries having the highest rank of external conflict risk, Armenia would benefit much from opening of borders; because normalization of Armenia’s relationships with its neighbors would reduce the external conflict risk that Armenia faces, and this would have several economic impacts, particularly it would result in increasing foreign direct investment.

The eighth article presented in the conference was entitled “Estimating the Change in Trade Flows Between Armenia and Turkey if the Border is Open: Case Study Based on Georgia-Turkey and Armenia-Iran Trade” and it mainly focused on the changes in trade flows between Armenia and Turkey that will take place if the border is opened. Accordingly the findings of a comparative study of Georgia-Turkey and Armenia-Iran trade patterns was extended to the Armenia-Turkey future trade relationships. The article concluded that if the border would be open, the import of agricultural products from Turkey would increase by 4.6 times, chemical products by 3.4 times, machinery and transport equipment by 2.8 times, and overall import from Turkey would increase by 2.6 times. In a similar vein the ninth speech entitled “Green Line Regulation and Its Economic Implications in Cyprus” aimed to extend the findings of trade patterns of Cyprus case to the prospective Armenian-Turkish trade.

Likewise the aforementioned articles presented on the regional implications of the border opening, the tenth article bearing the title of “A Phased Strategy for Opening Armenia’s Western Border” focused on the impact of this process on regional stability in general and Turkish-Armenian relations in particular. “Economic Potential for Regional Integration of Armenia and Northeast Turkey” was the title of the next article focusing on the sub-regional implications of the border opening on western Armenia and northeastern Turkey.

The twelfth speech delivered in the conference was on “Exploring Complementarities Between Turkey and Armenia for Regional Cooperation: Potentials and Challenges”. In this speech the main question was whether Turkish and Armenian economies happened to have sufficient level of complementarities to pre-

pare foundation for mutual trade if border closure were to be ended. The main argument of this speech, therefore, was that unless ending of the border closure would be accompanied by improved bilateral trade in particular and bilateral economic relations in general, the viability of relations would likely to be dim.

The last paper presented in the conference was entitled “Transportation and Administrative Costs: Unearned Surplus” which put forward that the transportation costs in Armenia have been more than two times higher than the average international rates and have been the highest within the region. Therefore, prospective opening of borders would contribute to the Armenian economy via reducing these costs.

Overall, it can be concluded that closure of the borders has not been beneficial for Armenia not only politically but also economically. The closure of borders has recently resulted in the exclusion of Armenia from a regional railway project connecting Azerbaijan, Georgia and Turkey as well as Baku and Kars. This resulted in increasing isolation of Armenia, which had also been excluded from oil transportation line projects. In order to prevent this further isolation Armenia attempted to open the Turkish-Armenian border. This conference reviewed in this essay is a part of these efforts. In the coming days it is expected that other initiatives will follow. However, the political reasons of the closure of the border are certain and without resolution of these political problems between two states, it is not possible to expect opening of borders.