

**THE ECONOMIC AND SOCIAL CONSEQUENCES OF REOPENING THE ARMENIAN  
TURKISH BORDER: THE IMPLICATIONS FOR THE SOUTH CAUCASUS, TURKEY, AND  
EUROPE**

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**Abstract:** *This paper will examine the regional implications of the reopening of the Armenian-Turkish border within the context of geo-economic and geopolitical analysis. This will focus on assessing the costs and benefits of re-opening the border for Armenia, the region, in particular economic development, regional stability, governance and foreign direct investment. The wider regional implications will also be examined, with a focus on the politico-economic implications for Turkey (especially within the context of possible Turkish accession to the European Union), the Black Sea region and Europe. The opening of the Armenian-Turkish border will significantly contribute toward the improvement of relations between Armenia and Turkey (this is not a prerequisite, a period of improving relations may serve as the catalyst for border reopening), provide the framework for economic development in the region, and aid the process of regional integration, reconciliation and conflict resolution. This will enhance the prospects for the integration of the South Caucasus within the Black Sea regional community, and the extended Euro-Atlantic Community.*

JEL Classification: F15, F59.

Keywords: Armenia, South Caucasus, blockade, regional development.

## **Introduction**

The imposition of the Turkish blockade on the Republic of Armenia was principally to support its ethnic brother-state and ally Azerbaijan, in its war with Armenia over Nagorno-Karabakh, but there are also other factors involved. These include the denouncement of the Armenian Genocide, leading Armenian political forces such as the Dashnak and Republic parties strongly supporting the issue of Genocide recognition, and the reference to “Western Armenia” (now a constituent part of eastern Turkey) in the Armenian Declaration of Independence of 1991. The blockade has had a significant effect on the Armenian economy, severely constraining its ability to trade externally, excluding it from the regional economic system, suppressing economic growth, and distorting economic development (for example, favouring light industries). It has also contributed toward a dependence on Russia and enabled Russia to acquire a major stake in the critical sectors of the Armenian economy (including energy and manufacturing) (Bosbotinis and Ghaplanyan, 2006). The closure of the border has also contributed toward the continuing atmosphere of tension, antagonism and hostility prevalent in the South Caucasus and which serves as a constraint in the conflict reconciliation process. Further, the continuing instability in the region does not provide the necessary environment conducive to the attraction of foreign direct investment. The opening of the Armenian-Turkish border will have a considerable effect on the region. It will serve to accelerate national and regional economic development, facilitate the development of a regional trading system and its integration with wider Pan-European trading systems. Further, the normalisation of relations between Armenia and Turkey will greatly assist in promoting regional political stability and conflict resolution. This will serve to create an environment more conducive to attracting FDI. The opening of the Armenian-Turkish border must be a priority for the region and for Europe. This is because the South Caucasus constitutes the hub through which transportation infrastructure linking Europe, the Middle East, Central Asia and beyond articulate. The development of TRACECA provides the opportunity to create an integrated Eurasian economic space, the benefits of which would be considerable for the South Caucasus, Europe, Asia and the global economy in general. In addition, the normalisation of relations between Armenia and Turkey is required as part of the Turkish bid to accede to membership of the EU. This paper will examine the implications of opening the Armenian-Turkish border for Armenia, the region, Turkey, and for relations between Europe and the South Caucasus. It particularly emphasises the opportunities for regional development and the promotion of conditions to aid the process of conflict resolution in the region.

## **The Implications for Armenia**

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

effect on the Armenian economy and of the regional economy more generally. It has also contributed to the atmosphere of resentment, antagonism and conflict in the region.

The economic losses inflicted by the border closure are difficult to calculate, but from the existing data one can immediately estimate that Armenia's GDP has been significantly reduced, and its growth distorted. For example, transportation costs have a 20-25% additional cost in the nominal value due to the blockade (Barseghyan *et. al.*, 2005). The closed borders have also influenced the development of the industrial sector in Armenia. This has favoured light, high-value added industries; diamonds, precious metals, information technologies, et cetera. There is a vast potential in developing industry more broadly (under the Soviet Union, Armenia had a very developed industrial sector); however, this potential can only be developed under more favourable trading conditions. The opening of the Armenian-Turkish border will give greater access to the markets of the EU (where Armenia currently exports over 40% of its goods) and the global economy, and can thus further increase the volume of trade, subject to the lifting of the blockade.

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

Accession to EU membership is also partly hampered by the internal regional imbalances in Turkey. According to official estimates, in the case of Turkey's accession to the EU and if the current Structural Fund's allocation mechanism remains unchanged, almost 80% of these funds will have to be allocated to Turkey for the development of its eastern regions. This will present a major obstacle to Turkish EU accession and may serve as an incentive to Ankara reopening the border so to aid the development of its eastern region via increasing the local trade turnover, promoting employment and growth of per capita income.

Turkey would not only have economic but also communication interests in re-opening the border with Armenia. The Kars-Gyumri railway constitutes a major transportation link for Turkey connecting it with the countries further to the east, including its regional partner Azerbaijan and the whole of Central Asia. The development and construction of the Kars-Akhalkalaki-Tbilisi-Baku rail-link is a highly negative development for Armenia and the region, due to its intention of replacing the Kars-Gyumri rail-link and ensuring the continued isolation of Armenia and its exclusion from the regional trading system. The restoration of the Kars-Gyumri railway would be a major boost to the Armenian economy. Gültekin (2004) cited a study by the Armenian Ministry of Industry and Commerce; this concluded that in the event of the blockades of Armenia being lifted, thus allowing the restoration of its four trans-border rail-lines, would result in the doubling of exports. The gains from this would exceed \$300 million (*ibid.*).

The estimation of the economic benefits of reopening the border is a rather delicate task. It is subject to political, social, geo-strategic and cultural factors. The World Bank in 2000 estimated a 30% increase in economic growth for Armenia with the removal of both the Turkish and Azerbaijani blockades, whereas the Armenian-European Policy and Legal Advice Centre (AEPLAC) estimates an additional 2.7% rate of growth in the long-term. Nonetheless, the opening of the Armenian-Turkish border is vital for regional development both in economic and political terms.

The opening of the Armenian-Turkish border will also provide an opportunity toward regional reconciliation. If Turkey lifts the blockade it will be, above all, a political statement and enable bilateral engagement between Turkey and Armenia. This will have a positive influence on the region, in particular through aiding the normalisation of relations between Turkey and Armenia. It may also assist in moderating Azerbaijan's stance over the Nagorno-Karabakh conflict and act as a catalyst in moving the conflict resolution process forward in a positive direction. The creation of a more stable regional political environment is a necessary prerequisite for establishing favourable conditions for increased foreign direct investment into the region. FDI is vital for Armenia (and its neighbouring states) and an increase in FDI will contribute toward the improvement of governance, economic and social development, thus strengthening the country internally and lessening its dependency on Russia, both politically and economically.

The Armenian Diaspora has no established position in Armenian policy-making since there are no official ties between the Diaspora and the government. The political agendas of the lobbying groups representing the Armenian Diaspora and those of the Armenian Government do not have the same order of priorities. If for example, the Armenian Assembly of America, one of the largest lobby groups representing the Armenian Diaspora, lobbies for the improvement of the US-Armenian relations, US relations with Nagorno-Karabakh and for the recognition of the Armenian Genocide; the Government of Armenia selects these foreign policy issues in differing orders of importance. Whereas the Government of Armenia is encouraging the acceptance of Turkey into the EU, the Armenian Diaspora for the most part, strongly opposes this. It must be noted that the Diaspora does not constitute a monolithic bloc, and does not have an individual policy. Further, the Government of Armenia calls for the opening of the border with its neighbour and then subsequent discussion on the issues of Genocide recognition; the Armenian Diaspora espouses the reverse of this scenario. Hence, the role of the Armenian Diaspora is rather ambiguous in the potential prospects of opening the Armenian-Turkish border. The potential for closer links between the Armenian Government and the Diaspora following the opening of the Armenian-Turkish border and the normalisation of relations between Armenia and Turkey may provide an avenue for furthering Armenian national development. This could involve the active encouragement of the Diaspora originally descending from Western Armenia to visit the region as tourists and also to encourage business elements in the Diaspora to invest in the Armenian economy.<sup>1</sup>

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<sup>1</sup> The Diaspora is estimated to have a cumulative wealth of approximately \$100 billion ("Armenia is not Europe and Does Not Want to be One [*sic*]": Armenian Press Digest', article from <http://www.regnum.ru/english/599967.html>. Accessed 3 July 2006).

## **Negative consequences**

The opening of the Armenian-Turkish border will also have negative implications for Armenia, in particular, through increased exposure to organised crime and narcotics trafficking. Turkey remains a key transit route for Southwest Asian heroin to Western Europe and to a lesser extent the US. Major Turkish, Iranian and other international trafficking organizations operate out of Istanbul; laboratories to convert imported morphine base into heroin operate in remote regions of Turkey (some close to the Armenian border) and near Istanbul.<sup>2</sup> Armenia has been somewhat sheltered from regional organised crime due to its closed borders, and the opening of its border with Turkey will necessitate a major investment in border control measures so to limit the flow of drugs in and out of Turkey. Further, Armenia will find itself between the two major regions of drug supply and demand - Southwest Asia and Western Europe.

Despite the blockade and the closed borders Turkish products do enter the Armenian market via third parties. Products worth over \$40 million entered the Armenian market in 2005 (Barseghyan *et. al.*, 2005). The opening of the Armenian-Turkish border will expose the Armenian economy to the pressures of external competition from Turkish producers. This should contribute toward the development of Armenian industries but may also serve to encourage the development of protectionist policies to defend 'infant industries' and may serve to divert regional tensions from the political to economic spheres.

## **The Implications for the Region**

The opening of the Armenian-Turkish Border will have significant implications for the region, in particular, serving to catalyse regional economic development, stabilisation and potentially, conflict resolution. Armenia constitutes the regional locus of the South Caucasus, and the dual Turkish and Azerbaijani blockade has dislocated the regional economic, transportation and geopolitical systems. The ending of the Turkish blockade and the opening of the Armenian-Turkish border will enable the re-integration of Armenia with the regional economic system, which in its turn has to be developed after the problems with Azerbaijan are resolved. This will also allow the diversification of trading linkages within the South Caucasus, and beyond. This will be of great benefit to the three countries of the South Caucasus, Turkey and the wider European community. The engagement of Russia within a constructive, pragmatic, economic-centred regional community would yield tangible benefits to all parties concerned.

The closure of the Armenian-Turkish border has prevented the development of an integrated regional trading system. This is because, apart from a short land-border with Georgia, Turkey does not have direct access to markets in the South Caucasus, for example, in Azerbaijan, which it can reach in an efficient manner. The closing of the Armenian-Turkish border has necessitated the inefficient practice of diverting trading routes that would otherwise traverse Armenian territory, via Georgia and Iran thereby significantly increasing the cost of transporting goods and services. Furthermore, the closed border has stymied the use of the extensive Soviet-built regional rail infrastructure, linked to the Turkish rail-system via the Kars hub. The extent of the decline in rail utilisation is indicated by Gültekin (2004) citing the Armenian Minister

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<sup>2</sup> CIA World Fact-book, <https://www.cia.gov/cia/publications/factbook/geos/>

of Transport and Communications, Andranik Manukyan, who stated in August 2003 with regard to the Armenian railways that they “are 800km long and work at 15% of their capacity”. The combination of trade diversion and under-utilisation of infrastructure have not provided an environment that is conducive to economic development nor conflict resolution. The opening of the Armenian-Turkish border may therefore have the following implications; the enhanced development of the regional economic system on the basis of enabled trade, the creation of an environment more conducive to national and regional development in the economic, societal and governance spheres, and the normalisation of the geopolitical environment. For example, the International Monetary Fund has forecast growth in the Armenian economy for 2006 at approximately 9 percent of GDP;<sup>3</sup> the additional growth that would derive from opening the Armenian-Turkish border is subject to some debate (For a contrasting perspective of the debate see Barseghyan *et. al.*, 2005). The AEPLAC report suggests a 2.7% improvement in mid-term GDP growth; the World Bank, a figure equivalent to 30% of GDP.<sup>4</sup> Similarly, the eastern regions of Turkey, the economies of Georgia and Azerbaijan would also benefit from increased growth due to the opening of the Armenian-Turkish border. In particular, the reduction in the cost of transportation within the region due to the ability to traverse Armenian territory, would serve to significantly enhance the competitiveness of regionally produced goods and services, enable the diversification of products marketable within the region and therefore contribute to improving consumer and more general economic welfare.

The principal benefit for Armenia, the South Caucasus, Turkey, and the Euro-Black Sea regions of opening the border is the possibility to maximise to the greatest extent the potential returns from a revitalised Transport Corridor Europe-Caucasus-Asia (TRACECA) project (Cornell and Starr, 2006). This project, initially launched by the EU in 1993, has the objective of developing a multimodal (road, rail and maritime) transport network linking Europe via the Black Sea and Caspian regions to Central Asia and beyond.<sup>5</sup> The three states of the South Caucasus and Turkey are members of this project but the current closure of the Armenian-Turkish border prevents the full incorporation of the extant transportation infrastructure in the South Caucasus into an extended Pan-European Transport Area (PETrA). This is due to the linkages between Turkey, Georgia and Azerbaijan (and those from central Asian states) circumventing Armenia. The need for goods from Azerbaijan to transit via Georgia to reach Turkey for example, is a significant diversion and increases the costs of transporting those goods; this is due to the most direct route between Azerbaijan and Turkey (Armenia) being blockaded. It also prevents the full integration of the regional Soviet-built rail infrastructure into TRACECA due to the regional hub for this being Yerevan, and severely limits Turkish access to the Caucasian, Russian and Central Asian rail networks due to these being connected via the Kars-Gyumri hub (Gültekin, 2004). The opening of the Armenian-Turkish border will thus enable the Transcaucasian, Turkish and European rail networks to be linked and enable Turkish/European access to Russia and Central Asia. Gültekin (2004) suggests that the integration of the Turkish, Armenian and Azerbaijani railways via the Anatolian-Caucasus-Caspian route will

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<sup>3</sup> From <http://www.regnum.ru/english/704376.html> , 14 September 2006

<sup>4</sup> The World Bank report also assumes the lifting of the Azerbaijani blockade.

<sup>5</sup> From ‘TRACECA Brochure’, available at <http://www.traceca-org.org/rep/brochure/brochure.pdf>.

provide the most optimum avenue for the export of energy resources from the Caspian basin to Europe. This will serve the economic and energy security objectives of the European Union and enhance the economic prospects of the South Caucasus and Turkey. Furthermore, this will contribute toward attracting Western investment into the region particularly in the areas of energy and export infrastructure. Due to the overlapping nature of developing TRACECA and energy export infrastructure from the Caspian basin to Europe via the South Caucasus and Turkey, the alignment of TRACECA and energy programmes, for example, Interstate Oil and Gas Transport to Europe (INOGATE) would enable a synergistic development path to be developed with significant benefit to both the South Caucasus, Turkey and Europe.

The development of TRACECA and a PETrA embracing the South Caucasus would yield substantial benefits to the region. This would be principally through the revitalisation of infrastructure, lower-cost imports and exports, integration into the European and global markets, and increased income through transit fees for oil and gas from the Caspian basin and goods transiting the region between Europe and Asia. In addition, Isakova (2005) has highlighted the increasing interest in Moscow of developing Russia as a bridge linking Europe and Asia in the international economy. The Transcaucasian rail network is connected to the Russian rail system, and thus, the integration of Russia into an expanded TRACECA-based network would enable the realisation of the Russian objective of serving as a bridge between Europe and Asia, and also create a comprehensive Pan-European transport area linked to the Asian markets. This is however ultimately dependent on constructive political dialogue between Turkey and Armenia to open the border, and with Azerbaijan (which also has blockaded Armenia) to allow the full exploitation of the potential of the South Caucasus. A move toward the normalisation of Armenian-Turkish relations would serve as a highly positive factor in creating the conditions for an Armenian-Azerbaijani rapprochement. The prioritisation of economic over political interests in the short-to-mid term may serve as a confidence-building measure between Armenia and Azerbaijan and serve to establish a more positive basis for conflict resolution.

### **The Implications for the Energy Sector**

The South Caucasus forms a critical transit zone for the export of hydrocarbon resources from the Caspian Basin to Europe and the wider global economy. The reopening of the Armenian-Turkish border will greatly assist in exploiting the benefits of this favourable position by enabling the development of regional energy infrastructure on the basis of economic, as opposed to geopolitical, considerations. For example, the route of the Baku-Tbilisi-Ceyhan oil pipeline was designed to bypass Armenian territory, albeit with the additional cost of routing the pipeline via Georgia. The reopening of the border will contribute toward improving the regional geopolitical environment and therefore reduce the degree of risk currently associated with the instability in the region. This will enhance the attractiveness of the region to foreign direct investment. In particular, as with TRACECA, the countries of the South Caucasus have the opportunity to develop firm links with the markets of Europe in the hydrocarbon sector via INOGATE. The Interstate Oil and Gas transport To Europe project is designed to facilitate the export of hydrocarbon resources from Central Asia and the Caspian Basin to Europe. This is achieved through cooperative ventures, targeted critical infrastructural improvements and the development of common legal

standards and other measures to facilitate the energy market.<sup>6</sup> One of the principal objectives of INOGATE is to facilitate investment from international financial institutions and private sector investors within participating states.<sup>7</sup> The current atmosphere of antagonism, resentment and hostility in the South Caucasus, in particular between Armenia, Azerbaijan and Turkey, is not conducive to attracting investment. The reopening of the border between Armenia and Turkey, as a first step toward regional reconciliation, will significantly improve the attractiveness of the region to foreign investors. Further, due to the inherently interstate nature of the energy market, the promotion of cooperation in the South Caucasus in the energy sector may be a valuable avenue for confidence-building and fostering improved relations. This can also extend to the power-generation niche of the energy sector. Yegiazaryan (2006) suggests that the development of the hydro-electric sector in Georgia, which during the Soviet period had a capacity of 4,700 megawatts (MW) and with current Georgian demand at 1,700 MW, would, depending on investment, be in a position to serve as an energy exporter. Similarly, he cites the Armenian interest in constructing a new nuclear power-plant as a critical step toward improving Armenian energy security. This could also allow Armenia to serve as an energy exporter. Gültekin (2004) cites the perceived advanced electrification of Armenia as seen from the Turkish town of Iğdir; the reopening of the Armenian-Turkish border would allow the export of energy from Armenia to the eastern region of Turkey thereby aiding the development of the local Turkish economy. This would also foster more positive relations between the respective border communities. The development of a regional electrical energy market would also reduce the dependence of Georgia and Armenia on Russian energy imports. This would significantly enhance the position of Georgia and Armenia and enable them to have a greater freedom geopolitically and geo-economically.

### **The Implications for Turkey**

The opening of the Armenian-Turkish border would have significant economic and political implications for Turkey and for its regional ally, Azerbaijan. In particular, the opening of the border, and the re-establishment of the Kars-Gyumri-Tbilisi rail-link would allow Kars to regain its former position as a regional transport hub and reverse the city's current economic stagnation. Furthermore, the opening of the border and the rail-link would allow the rapid, direct movement of goods and services between Kars and Tbilisi and allow a significant increase in direct trade between Turkey and Georgia. This is currently constrained by the limited access via the border crossings, principally at Sarp/Batumi. It would also remove the need to develop the extremely expensive Kars-Akhalkalaki-Tbilisi-Baku (KATB) rail-link; this link has an estimated cost of \$463 million, and will be connected to the Marmara rail-link (under the Bosphorus) allowing trans-European rail travel.<sup>8</sup> The existing Kars-Gyumri-Tbilisi rail-link, if connected to Baku, would yield the benefits of the KATB project without requiring as large an investment as the latter project, and may facilitate Armenian-Azerbaijani rapprochement if the Azerbaijani government allowed such a rail-route to operate. The

<sup>6</sup> From "INOGATE Developments 2001-2004 and New Perspectives." Available from <http://www.inogate.org>

<sup>7</sup> Armenia, Azerbaijan, Georgia and Turkey are all participating states within the INOGATE Umbrella Agreement (ibid.)

<sup>8</sup> 'China and Kazakhstan Join the Kars-Akhalkalaki-Tbilisi Railroad Project', from <http://www.regnum.ru/english/695409.html>. August 29, 2006.

implications for Turkey of such a development in regional trade would be significant, in particular through providing Turkish producers with much improved access to the markets of the South Caucasus and for the eastern regions especially, the accrued benefits of facilitating increased trans-border contact. This would yield not only economic but also cultural benefits.<sup>9</sup>

The opening of the border would also contribute toward Turkey's overall bid for accession to the EU especially as part of its commitment to normalise relations with its neighbours and the general advantage that a more prosperous Turkey would have in securing accession. However, as EU-Turkish relations vis-à-vis the Republic of Cyprus indicate, the internal process of resolving and normalising relations with neighbouring states has caused significant difficulties in Ankara, including the fuelling of increasing nationalism (Hughes, 2006). There is also the factor of Turkish-Azerbaijani relations to be considered. The imposition of the Turkish blockade of Armenia was as an act of solidarity with its ally Azerbaijan during the war with Armenia over Nagorno-Karabakh. Therefore, the ending of the blockade without a resolution of the Nagorno-Karabakh conflict may be perceived in Baku as an act of betrayal. In response to such a development, one possible avenue that Baku may follow is that of using the increasing revenues it derives from oil and gas exports to sustain increased military expenditure. Although this is primarily a political matter, it would have economic implications, including the potential for increased defence spending on the part of Yerevan and thereby diverting resources from the civilian economy, thus serving to negate the positive effects of opening the Armenian-Turkish border.

The opening of the Armenian-Turkish border, despite having an element of political risk for Ankara in terms of domestic pressures and for Turkish-Azerbaijani relations, would yield significant economic benefits for the Turkish economy. This is particularly through enabling the development of Turkey's eastern regions, and by enabling much increased access and trade with the South Caucasus and contributing toward the creation of a PETrA via the linking of the Marmara rail-link with a rejuvenated Kars-Gyumri-Tbilisi (and potentially Baku) railway.

### **Europe and the South Caucasus**

Having commenced the accession negotiations with Turkey, the EU realized that the South Caucasus, with all its internal, regional and border problems is becoming a potential future neighbour. In response to this, the EU developed the concept of 'widening without enlargement', the result of which was the European Neighbourhood Policy (ENP). This has sought to encourage development and foster reforms in the region, without "any strings attached". In late 2004 Armenia formally opened consultations with the EU on its Action Plan, as part of the ENP; the same consultations were underway in Georgia and Azerbaijan. The ENP does not envisage EU membership for the countries of the South Caucasus, but it makes provisions for the deepening of relations, which implies further economic cooperation, increased investments in infrastructure, industries, tourism and fostering development at large. The ENP is viewed by the countries of the South Caucasus as a good and reliable

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<sup>9</sup> For example, through increased tourism from Armenia to visit Armenian historic sites in what was Western Armenia (now eastern Turkey).

anchor for carrying out reforms, increasing trade turnover with the EU and solving regional problems.

The EU also has a vested interest in the region due to the energy resources of the Caspian Basin – this interest is not limited solely to economic relations with Azerbaijan. For the long-term, secure supply of oil via the new BTC pipeline, the stabilization of the continuing regional conflicts and the prevention of renewed military actions are vital. The EU is ready to contribute towards the continuous stabilization and improvement of the political climate, so to reduce dependence on the Middle East, Europe's primary supplier of oil.

The development of closer cooperation and a constructive long-term relationship between the EU and the countries of the South Caucasus will also shift the regional power balance, whereby Russia will have to accept the loss of authority and control over the increasingly Western oriented countries of the region. Yet, it will put a greater responsibility on the European Union's shoulders in terms of replacing not the regional authority (which Russia is today) but providing assistance for the developing countries of the South Caucasus and the incentives to maintain the course leading to good governance, democracy and a thriving economy. For this scenario to occur the important precondition of open borders and good neighbourly relations between all the countries of the region has to be in place.

The Armenian-Turkish border is 268 kilometres long, and forms the major part of Turkey's border with the South Caucasus. The promotion of constructive engagement through trade, in addition to more traditional diplomacy in and between Brussels and Ankara, Yerevan, Baku and Tbilisi is necessary to establish the conditions for the development of stability, peace and prosperity in the South Caucasus. Central to this must be the opening of the Armenian-Turkish border. This will be of immense benefit to Armenia and Turkey, but also to the wider region, and in the longer term, to the European community of states generally.

## **Conclusion**

The opening of the Armenian-Turkish border would constitute a milestone for the South Caucasus. It will establish the necessary conditions and the enabling framework for economic development, the normalisation of relations between Armenia and Turkey, and potentially in the mid-to-long term, Azerbaijan, and thus aid the process of resolving the conflict over Nagorno-Karabakh. The Turkish/Azerbaijani blockades of Armenia are a critical component of the current negative political, economic and strategic relationship that exists in the South Caucasus. The prevalence of hostility, antagonism and sense of embitterment are a massive obstacle to the development of the respective nations of the region and the region as a whole. Such an atmosphere is not conducive to the attraction of inward investment and the development of effective regional trading mechanisms. Furthermore, this prevents the South Caucasus from gaining a position within the European community of nations and the benefits that would yield. The stabilisation of the political environment of the South Caucasus, in particular through the removal of the blockades of Armenia, would significantly enhance the prospects for investment in the region. Current Projects such as the Baku-Tbilisi-Ceyhan oil pipeline and TRACECA indicate the investment potential of the region, which is further enhanced by virtue of its geographical location. The South

Caucasus, situated at the intersection of Europe, Russia, the Middle East and Central Asia, constitutes a possible critical node of a Eurasian economic and trading system. However, the continuation of conflict and instability will prevent the achievement of such an objective. The reopening of the Armenian-Turkish border is thus vital to enabling the South Caucasus to develop and realise its inherent potential.

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