

EVALUATING THE IMPACT OF THE OPENING OF THE BORDER ON THE NORMALIZATION OF TURKISH-ARMENIAN RELATIONS

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Abstract: *The opening of the border will launch a confidence building process. Due to deeply embedded fears, both Turkey and Armenia have essentially tried to protect the common border separating the two countries. As it was mentioned previously, Turkey suspects that Armenia has territorial claims and does not respect Turkey's territorial integrity. Nonetheless, Armenia is afraid of a Turkish offensive. In fact, the Treaty of Kars draws a border that both sides are eager to preserve. In this respect, the opening of the border and its recognition will increase the sense of security on both sides. The perception of a potential threat stemming from the border will vanish with emerging trade ties and human interactions. Intense cross border interactions will contribute to the stability of the Turkish-Armenian border and security on both sides. Armenian public opinion towards Turkey will gradually improve with the development of interdependency.*

The economic cost of the border closure is best felt in terms of lost opportunities. Armenia is not an island: an insular development model cannot be a sustainable option. The country cannot fully realize its development potential as long as it stays closed. Formerly a transit zone, at the heart of east-west and north-south connections, Armenia is facing the risk to be left as an island. The diversification of external connections will be a major political economic gain for Armenia. The linkage between regional development and cross-border cooperation is widely acknowledged. The interconnectedness is particularly apparent in the EU's approach. A sound regional development strategy for the Turkish Eastern Anatolian region cannot be elaborated without sustained cross-border cooperation.

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The Border, a Material Embodiment of History “as Time Written in Space”

Territorial borders both shape and are shaped by what they contain, and what crosses or is prevented from crossing them. The container and the contents are mutually formative. Borders have both material and symbolic uses. They can have a very obvious physical presence and even where visually indistinct, they are typically the bearers of a wider symbolism as the material embodiment of history, “as time written in space”. They are often seen as encapsulating a history of struggle against outside forces and as marking the limits of the community or society.

They appear inherently contradictory, problematical and multifaced. They are at once gateways and barriers to the outside world, protective and imprisoning, areas of opportunity and/or insecurity, zones of contact and/or conflict, of cooperation and/or competition, of ambivalent identities and/or the aggressive assertion of difference. These apparent dichotomies may alternate with time and place, but more interestingly they can co-exist simultaneously in the same people, some of whom have to regularly deal not with one state but two. Borders are filters with highly variable degrees of permeability or porosity; and border regions are peripheries of infiltration, transition or separation, defenses for the supposed purity of the centre. But although geographically far from central administrations, state control may paradoxically be strongest at the vulnerable border.

Borders look inwards and outwards: they simultaneously unify and divide, include and exclude. They are coercive, disabling and limiting, including and excluding many people against their will; but they are also benign and enabling, providing the basis for security, dominant forms of identity and conventional representative democracy.

The nation-state ideal of cultural homogeneity and centralized political control is both confirmed and disrupted at the border. Here the divisive aspects of states and nationalism predominate over their unifying aspects. Contradictions abound at borders. Resolving contradictions generally requires opening the gateways and reducing the barrier functions of the border.

The Turkish-Caucasian Border

The Turkish-Caucasian border had been the traditional frontline between Turkey and Russia : these borderlands at the edges of the Russian and Ottoman Empires had been most of the time battlefields. Turkey’s Caucasian border was part of the Iron Curtain during the Cold War and has become NATO’s South Eastern border after the end of the bipolar system. The break-up of the Soviet Union had far-reaching consequences on Turkey’s close neighborhood. Turkey discovered in her vicinity a new world that had been separated by an “*Oriental iron curtain*”

¹ for 70 years. Turkey, along with Norway, was one of the two flanking states of NATO that shared a land border with the USSR. The former Turkish-Soviet stretched over 619 km.

Traveling along and across the Turkish-Caucasian border

In the early 1990s, the days of Turkey sharing a land border with the USSR ended. With the dissolution of the Soviet Union and the independence of the Caucasian states, Turkey had to deal with new neighbours. Turkey shares a 276 km long border with Georgia, 325 km long border with Armenia and a 18 km long border with Azerbaijan, the Autonomous Republic of Nakhichevan.

Border posts impacted tremendously on regional politics. The closure of its only border crossing with Armenia in 1993 and the opening of new border posts with Georgia and Nakhichevan are the most significant events in the early 1990s.

Turkey 'discovered' her new neighbour, Georgia, with the opening of Sarp/Sarpi border gate in 1988, and the opening of a second gate at Türkgözü at Posof/Vale in 1994. The opening of Dilucu crossing in 1993 created links between Iğdır and the Azeri enclave of Nakhichevan. In the meantime, the Turkish-Armenian border was sealed in the context of an escalation of the Nagorno-Karabagh conflict. After the official closure of Doğu Kapı/Akhourian in 1993, direct land communications with Armenia were severed and a proposal to open a second gate at Alican/Makara, near Iğdır, was postponed.

Currently three border crossings are enabling Turkey's communication with its South Caucasian neighbours, two on its border with Georgia and one on its border with Nakhichevan. The opening of Sarp/Sarpi has been a harbinger of the end of the Cold War. This border zone, perceived as one of the most sensitive external border of the Soviet Union was gathering a high military concentration. The opening of Dilucu border post was also a long-awaited event. For the first time, Turks and Azeris have been in direct contact. Irony of fate, the end of the Cold War led to the closure of the official border crossing between Turkey and the Soviet Union, located on the Turkish-Armenian border, between the cities of Kars and Gyumri, linked by a railway.

The Turkish-Caucasian border stretches over 619 km. It is running from Black Sea to Dilucu, the easternmost point of Turkey. The village Sarp/Sarpi, split into two by the Turkish-Georgian border, is located a few kilometers from Hopa, a Turkish Black Sea port. Batumi, the capital of the Autonomous Republic of Adjara is at 15 km distance from the border crossing. Gogno is the first Georgian village after Sarpi. The Russian military base is located on the road connecting the border post to Batumi.

¹ The 7056 km long Iron Curtain was symbolizing the ideological division of the world during the Cold War area. The Iron Curtain divided the world political system into enemy camps, the East and the West. The Iron Curtain was running from the Kora peninsula to the Mount Ararat, crossing the Baltic Sea, the center of the European continent, the Black Sea and Turkey's borderlands with the Caucasus. We apply the term of the Oriental Iron Curtain to the 619 km long Turkish-Soviet border. The Dogu Kapi-Akhourian used to be the official border crossing between Turkey and USSR. However Sarp-Sarpi was considered as the most sensitive border of the USSR. Some important components of the Soviet defense system, such as the navy academy, the naval air service and significant land forces, were based in Batumi and were facing the third Turkish army.

The border runs southwards and crosses a very mountainous zone. It is impossible to travel along the border at the Georgian side, the 130 km long road connecting Adjara and the Samtskhe-Javakheti is unfit for driving. Trip from Batumi to Akhaltsikhe lasts almost 10 hours. One has to travel to Kutaisi, take to road to Tbilisi, and finally the Akhaltsikhe direction at Khashuri. At the Turkish side, Artvin and Ardahan are the major cities on the road to the second Turkish-Georgian border crossing. The Artvin-Savsat-Ardahan-Posof road runs through mountainous passes. The highest pick is at 2600 km. Posof-Vale border post, located at 80 km from the Turkish city of Ardahan and 30 km from Akhaltsike the capital of the Samtskhe-Javakheti region, had a limited economic impact: the Ilgar pass on the Turkish side and the poor condition of the road between Vale and Akhaltsike on the Georgian side acted as a deterrent. This region is crossed by the BTC pipeline. The linkage between the Turkish and Georgian parts was done at Türközü level, on Posof-Vale. The pumping station is located on the road from Ardahan to Posof.

The third border crossing between Georgia and Turkey is to be open near the Cildir lake, at Karsakhi level on the Georgian side, very close to the Armenian border. The opening of the Karsakhi-Cildir/Aktas border crossing will place Akhalkalaki at one hour distance from Kars, respectively at 35 km and 70 km distance from the post. Akhalkalaki is the center of Javakheti and was the spot of the second Russian military base in Georgia.

The 325 km long Turkish-Armenian border starts at the level of the Cildir lake and extends till Dilucu, near Igdir, the intersection point with Nakhitchevan. The last province on the Turkish side is Kars. The city, historically known as *Serhat Kars*, lost its status of border city and became one of the easternmost provinces in Turkey in 1993 when direct land communications with Armenia were severed and Dogukapi/Akhourian gate, the official border post between Turkey and the Soviet Union was sealed. The border town of Akyaka, which is also the last station on the Orient Express across Anatolia, borders on an Armenian village. The last train station on the Turkish side is situated at Akyaka at 13 km from the Armenian border. The last village is called Kalkankale. Akhourian station is at 10-15 km from the Armenian city of Gyumri. The Arpaçay river separates Armenia and Turkey, and is particularly visible in the valley of the old city of Ani at ground zero from the border within the military zone. The area is open to tourism, and Turkish government has recently eliminated special regulation normally applied to border zone. One is struck by the stone mine situated in the Armenian border zone, exploited despite the proven harm done to the historical site of Ani.

The Turkish-Armenian border runs southwards following the Aras river. The road between Kars and Igdir runs parallel to the border and is stretching through the Turkish and the Armenian military areas. Between Digor and Tuzluca, the path is going very close to Armenian villages, just on the opposite shore of the small river. On the border, communication and mutual aid between Turkish and Armenian villagers is the norm: Armenian villagers regularly cross even at night to return cattle that have escaped across the border from Turkey. Closer to Igdir, come into sight on the left side Mount Ararat and the right side Yerevan. Incidentally, one can easily distinguish Metzamor, nuclear plant. The Alican / Magara border crossing, once open, will allow a direct communication between the Armenian capital and Igdir. The border crossing with

Armenia is at 35 km from the center of Iğdir while the border post with Nakhitchevan is at 85 km away.

The road after the city of Iğdir, ends at Dilucu. The etymological meaning of “*Dilucu*” is “*tip of the tongue*” and is the easternmost spot in Turkey, bordering three countries, Armenia, Azerbaijan and Iran. The Turkish-Caucasian reaches at its very ends the Turkish-Iranian border.

The Turkish-Georgian Border into a Historical Perspective

The demarcation of the Turkish-Soviet border in the 1920s ran through the village of Sarp/Sarpi. Peasants could freely cross the border to tend their farms or visit relatives until 1937 when, after an uprising on the Soviet side, it was sealed by a barbed-wire fence and the local leaders of Turkish origin were sent to Siberia. It used to take two to three months to send a letter from Sarp to Sarpi. To visit one other, villagers had to make an arduous two-day journey through the Doğu Kapı border crossing, if permission was granted.

Sarpi was considered as the most sensitive border of the USSR. It was neighboring Turkey and NATO, was the Soviet gateway to the Black Sea and to the warmer seas. A navy academy, important land forces and the naval air service, based in Batumi, were the important components of the Soviet defense system facing the third Turkish army. The Turkish Consulate in Batumi, opened as soon as 1920, never closed. The opening of the Sarpi border crossing in 1988 was an historical event. The Adjarians still remember the 17 km long queue starting from the Gogno Fortress to Sarpi, people all over the Soviet Union gathering to Batumi to go into Turkey. Batumi is being for the first time in history integrated with Turkey. Today the Turkish consulate is issuing an average of 200 visas per day – with a minimum of 70 visas.

The End of the Cold War and the Eastern Iron Curtain

The fall of the Iron Curtain which triggered the process of the reunification of the European continent, didn't allow Turkey to embrace all of her Caucasian neighbours. Turkey recognized the Armenian Republic together with the other former Soviet States on December, 1991. Turkey also made moves to relieve Armenia's chronic economic plight, which had been aggravated by an economic blockade on the part of Azerbaijan and the coincidental breakdown of transit routes across Georgia. In November 1992, Turkey agreed to deliver 100 000 tons of wheat to Armenia. Turkish initial evenhanded approach towards new Caucasian neighbours was obstructed by the Upper Karabagh conflict.

On March, 28, 1993, Armenian forces launched a new offensive to establish a second corridor between Armenia and Karabagh through the town of Kelbajar, north of Lachin, causing a new flood of Azeri refugees. On 3 April 1993, the Turkish government retaliated by stopping the supply of wheat across the Turkish territory to Armenia and sealed the Turkish-Armenian border post; a decision that also ended direct communication between the two countries. In the 1990's the Turkish-Caucasian border has been sealed on its portion which was open during the Cold War period.

The border dispute in the Intergovernmental Agenda

Armenia refers to the obviousness of the recognition of common border but avoids intentionally any crystal clear statement. This dialogue of the deaf prevented the two countries from reaching the protocols that accompany the establishment of diplomatic relations. The Turkish side has linked initially the normalization of the relations to the official acknowledgment to an absence of territorial claims from the Armenian side on Turkey. In reply, the Armenian side has been demanding the normalization without any preconditions by adding that unresolved issues be addressed later once bilateral political relations are set up.

This ambivalent stance irritates deeply Turkey. Turkey is annoyed because of the content of the Declaration of Independence adopted on August, 23rd, 1990 by the Supreme Council of the Socialist Republic of Armenia, which refers to « *Western Armenia* », to « *the recognition of the genocide of 1915* »² and because of the choice of Mount Ararat as the symbol of the state. The preamble of the constitution of the Republic of Armenia refers to the Declaration of Independence signed by Levon Ter-Petrossian and Ara Sahakian, the president and the secretary of the Supreme Council respectively. Turkey insists therefore that Armenia officially rules out any irredentist claim. In reply, Armenia argues that this demand infringe on its sovereignty. Interestingly, the Kocharian administration, comparatively more focused than the Petrossian administration on “the restoration of the historical justice” has been stressing on several occasions Armenia’s respect for the Kars treaty.

Turkey has been seeking a specific guarantee of Armenian recognition for the existing border for the last 13 years. Armenia is highly unlikely to represent a threat for Turkey. With regard to the huge dissymmetry in the power balance between the two countries, Turkish insistence on the border issue appears somehow symbolic for the Armenian side. Yerevan wonders how Turkey can be afraid of Armenia. The metaphor of “the elephant afraid of the mouse” is often used. As a matter of fact, the Turkish-Armenian border is a border that both sides want to preserve.

Historically, the treaties of Moscow and of Kars have a special importance in the formation of the Republic of Turkey. The Turkish initial insistence of the issue of the recognition of the border makes sense once linked to the context of the Karabagh conflict and the effects of the politicization of the genocide issue. The Karabagh conflict that led to the occupation of Azerbaijani territories has been perceived as a testimony of Armenia’s willingness to develop an aggressive policy against her neighbors. In this context, Armenia’s accession to OSCE could not be seen as a proof of its alignment with the principle of the immutability of international borders. Armenia’s reluctance to refer to the notion of territorial integrity boosted this impression.

² The Declaration of Independence states at its very beginning “Aware of its historic responsibility for the destiny of the Armenian people engaged in the realization of the aspirations of all Armenians and the restoration of historical justice”; and in its article 11: “The Republic of Armenia stands in support of the task of achieving international recognition of the 1915 Genocide in Ottoman Turkey and Western Armenia”.

Since April 3, 1993, the opening the border has been directly linked to the resolution of the Nagorno-Karabakh issue. It was vowed that this policy would remain in effect until a negotiated peace was in place, and Armenian forces had withdrawn from occupied Azerbaijani territory. Any shift in this stance raises concerns in Azerbaijan. Many ordinary Azerbaijanis would consider any Turkish action to ease the Armenian isolation as tantamount to betrayal.

Since 2001, the government has been more active in drawing international attention to the issue, arguing that the border closure contravenes a range of internationally recognised, legal principles (Tavitian and Gültekin, 2003).³ Firstly, The Armenian side stresses the importance of the Kars Treaty as the only valid treaty which defines the border regime between Turkey and Armenia. Turkey is being accused of not respecting the Treaty of Kars. The closure of the border is qualified as a violation of the Article N7 of the Treaty which stipulates that the sides are “*obliged to provide the openness of the border and free transport communication*”.

Additionally, Turkey is being accused of infringing on the universally agreed principle of the freedom of trade with particular reference to right for transit for landlocked countries. The closure of the border is violating the Article 2 of GATT / WTO.⁴ This article stipulates that Parties have to ensure the “*freedom of transit across their territories for the traffic from or towards other Parties through the most appropriate roads for international traffic*”. The WTO agreement has a clause related to the issue of open borders and a specific text regulating cross-border trade that Turkey hasn't ratified. Furthermore, the Millenium Goals refer to the necessity of guaranteeing the access to the sea for landlocked countries. Turkey, thus, doesn't respect an obligation stemming from her WTO membership.

The border issue has found grounding through the politicization process of the genocide issue. The stress put on the existence of some “*historical rights*” raised the concern that Armenia might nurture territorial claims on Turkey. Despite Armenian efforts aiming at disconnecting both issues, history started interfering with the governmental agenda. Progressively, the border dispute has been losing of its importance for the Turkish governmental agenda. The very existence of a border dispute seem to be vanishing, or at least is becoming a low-ranking item of the bilateral agenda. The politicization of the genocide issue led Turkey to progressively integrate it in the official agenda. Paradoxically, Armenia wants to let the genocide issue aside, however Turkey wants it to be resolved for once and for all.

The Opening of Border As a Confidence Building Measure

A border that both sides strife to preserve

Both countries are concerned by the necessity to protect the border separating them, driven by deeply rooted fears; Turkish fear of Armenian territorial claims and

³ For a presentation of the legal argumentation of the Armenian government, ie : communication presented by the Armenian delegation at the Council of Europe related to M. Hovhannissyan's written question n° 398 to Committee of Ministers concerning « the blockade imposed by Turkey against Armenia », October, 2001.

⁴ Armenia is a member of the WTO since January, 2003

Armenian fear of a Turkish invasion. The Kars Treaty drew a border that both sides are eager to preserve. Armenia considers Russia, the traditional ally, who contributed to a large extent to the alignment of the Turkish-Armenian, as the best guarantee for its preservation. In the meantime, Turkey prefers to ignore a neighbour that it has recognized.

In this context, the opening of the border will increase the sense of security at both sides. The perception of a potential threat stemming from the border will vanish with its opening to trade and human interactions. Armenian security spheres stress that they don't have any insurance as long as the border is kept closed. As matter of fact, the most stable and secure borders are those which have disappeared as a result of intense cross-border interactions.

The European Commission and the opening of the Turkish-Armenian border

The issue of the opening of the Turkish-Armenian border has never been among the Copenhagen political criterias that Turkey has to comply with. The European Commission, since 2000, in its successive Regular Reports on Turkey's Progress towards Accession, has been highlighting that the Turkish-Armenian border remains closed and welcoming efforts, both at intergovernmental and NGO levels, aiming at changing the status quo. However, the Commission hasn't called explicitly in its written documents for the opening of the border and didn't qualify the situation as a blockade. The theoretical debate about whether a closed border can be an obstacle for the accession has lost the relevance with the accession of a divided island, Cyprus. Nevertheless, preserving hermetical borders contradicts the European philosophy. Efforts at reducing the barrier functions of borders and transforming borderlands into an area of opportunity have been one of the major achievements of the European integration.

Extending Cross-Border Cooperation to Turkey's Eastern Border

Cross-Border Cooperation practices have played an important role in stabilizing Eastern Europe. Mindful of Europe's history of shifting borders, the EU during the 1990's set an accession pre-condition that the borders were sacrosanct and non-negotiable. *Border change* is referring to changing the symbolic meanings and the material functions of existing borders in situ. This was important for the security of the continent but made harmonious relations in border regions even more of a necessity, especially in formerly disputed, sensitive regions. Lessons learned should be applied eastward. The extension of the EU's Cross-Border Cooperation programs, already in effect on Turkey's western border, to the Turkish-Caucasian border, would provide direct incentives for the opening of the border and strengthen the authorities and communities of the borderlands in their endeavour.

Engaging the Local Authorities and Communities in the Transformation of the Borderland and into the Normalization Process

Communities living on both sides of the Turkish-Armenian border have shown a strong determination to collaborate. Local authorities have taken initiatives aiming at ending their isolation. Cross-border cooperation projects, supported by the State Planning Organization can build on these local initiatives. The local ownership for these projects

is likely to be very strong. The efficiency of these projects will be significantly increased with the financial support and political blessing. Local authorities and communities of borderland can indeed contribute to a large extent to the normalization of the bilateral relations.

Lobbying for the opening of the Dogukapi/Akhourian border crossing is the most sensible behavior from a local perspective: the city, has been a gate to the Caucasus and the Soviet Union for decades thanks to its railway connection, cultural and historical proximity. Today Kars, is suffering from its remoteness. The closure of the border gate is all the more difficult to understand since Istanbul and the Black Sea Coast are fully authorized to maintain economic and human relations with Armenia. In this regard, local politicians of Kars will easily argue that the powerful lobby of the Black Sea is supporting the closure of the border gate Doğu Kapı, which benefits to the strengthening of the Black Sea-South Caucasus relations.⁵

Kars is situated 70km from the border gate at Doğu Kapı, the official border crossing between Turkey and the Soviet Union. The border town of Akyaka, which is also the last station on the Orient Express across Anatolia, borders on an Armenian village. Despite problems of compatibility between Turkish and Soviet railway networks, the opening of the border gate and the construction of the railway network permitted the breeders of Kars to export towards the Soviet Union for a longtime. Wheat and animal products were the principal exports. In 1937, an exploitation established on the border area was exporting animal products to the USSR. The development of Turkish-Soviet trade relations was sustained by bilateral economic agreements signed in the 1930's. In the 1960s, the Soviet Union developed into an important market for the exporters of Eastern Anatolia. The disease of apthae fever which broke out in 1974 interrupted trade. The deterioration of the economic situation in the Soviet Union after the second half of 1980s didn't allow cross border trade relations to recover.

At the beginning of 1990s, a flow of exchanges across borders began between the province of Kars and the young Independent Republic of Armenia. This daily railway connection permitted the Armenian businessmen to arrive easily in Kars.

The closure of the border gate Doğu Kapı condemned Kars to isolation. Currently, there isn't any exporter in Kars and the customs department has been transferred to Erzurum. In the meantime, Ardahan and Iğdir were taken off from the administrative territory of Kars and were granted the status of provinces: furthermore, the opening of Posof/Vale border crossing permitted Ardahan to open on Georgia, and Dilucu gate linked Iğdir to the Azerbaijani enclave of Nakhitchevan.

The actions undertaken by the municipality of Kars

The municipality of Kars has been striving hard for the development of relations with Armenia by multiplying contacts across the border. Actions undertaken in the early 2000 caused some serious troubles for the local community. The Armenian participants attending the Kars City Congress in June 2000, were expelled by the decision of the

⁵ The construction of the Black Sea coastal superhighway shows the strength of the road transporters originally from the Turkish Black Sea region.

Interior Minister, pretending that the Armenians did not have official invitations. The city of Kars, attracted the suspicion of the central authorities after signing a twinning agreement with the city of Gyumri; and had to sign a similar agreement with the Azerbaijani city of Gence following this incident. The city of Kars is currently regularly organizing an annual festival of the Caucasus to which many participants from all over the Caucasus, including Armenia, are taking part. The event is also attended by Turkish high ranking officials. The agenda is mainly focused on some soft issues, as culture. The unavoidable issue of the opening of the Turkish-Armenian border can be handled incidentally. Last year a visit organized to the border crossing had been noticeable.

The actions undertaken by the businessmen for the opening of the border

The Association of the Industrialists and the Businessmen in Kars (KARSİAD), the Chamber of Commerce and Industry and the Union of the Tradesmen and the Artisans have been trying to convince national authorities of the benefits of the opening of the Turkish-Armenian border.

In 1996, local officials of Kars handed in a petition for the opening of the Doğu Kapı border gate with more than 100.000 signatures, to Prime Minister Necmettin Erbakan. KARSİAD organized a visit to Armenia in 1998 with the Turkish-Armenian Economic Relations Development Council. The members went to Yerevan by road and were in Armenia at the time of the change of the political direction. The delegation was received consecutively by both Mr. Petrossian and Mr. Kocharian.

The president of KARSİAD is one of the most important breeders of Kars. The firm, is mainly working for the local market, has developed business links with Erzurum and in Ankara, and is striving to compete with producers from the Marmara region. The firm used to export decades ago to Georgia, Azerbaijan, Nakhitchevan and Armenia till mid 1980s.

The business community of Kars has decided to undertake a new initiative; a group of businessmen are working for the establishment of a Caucasian business association based in Kars. The association, to be called KAFSIAD in Turkish, standing for Caucasian Association of businessmen and Industrialists, will strengthen business links between Eastern Anatolia and South Caucasian countries.

The case of Doğu Metal

The factory, Doğu Metal, specialized in metallurgy, is the most important employer of the industrial zone of Kars. The factory employs 100 workers. It offered training to the majority of the workers. Doğu Metal owns production units in Bursa. 80% of exports are sent for Russia and the Central Asia. The shipment is being done by maritime connection.

The decision to invest in Kars dates back to 1998. The aim was to export directly by railway network. As the border has been remaining, Doğu Metal had to face high transport costs. Consequently, exports transits through big firms, in particular the firm PiLSa of Sabancı group. The firm adds a small value to the products of Doğu Metal before exportation. The possibility of opening soon the Turkish-Armenian border motivated the investment decision of Doğu Metal. The enterprise was planning to send its production from Kars to Russia and the Central

Asia without an intermediary exporter firm located in the Marmara or the Aegean regions. However, currently products are being sent by trucks to Istanbul or Adana. Nevertheless, the company managed to increase its productivity: in 1998, the production was reaching 7 millions pieces per year; in 2001 it became 2 millions pieces per month.

With the opening of the border gate Doğu Kapı, the transport costs are expected to decrease by 5. Doğu Metal would like to import copper from Armenia and is looking for a supplier in Armenia.

Source: interview with the director of the enterprise, Kars, January 2001-2005

Perceptions from Gyumri

The nightmare of the last 20 years

Gyumri entered in a very gloomy period a year before Armenia's accession to independence. Natural disaster preceded the socio-economic choc of the collapse of the Soviet Union and human and economic sufferings of the war launched against Azerbaijan. Gyumri has been under a curse over the last twenty years. One of the most active and entrepreneurial NGO leaders in Gyumri, recalling this period says *"1988-1998 period was a nightmare, I don't remember my life. We lost all, didn't have the slightest hope"*.

The devastating earthquake literally struck down Gyumri in 1988. The death toll reached 25 000 in a city of a population of 150 000. About 60-70% of the population who survived left Gyumri in the beginning of 90's. The earthquake spared just a few buildings. Impacts of the devastation are still easily noticeable.

A few years later in 1993, in the context of an escalation of the Nagorno-Karabagh conflict, the Turkish-Armenian border was sealed, the railway connection operating between Kars and Gyumri was cut off.

Gyumri, located at 20 km from the Turkish border shared a better destiny in comparison to the other Soviet border cities. Despite the usual travel restrictions for bordering areas, Gyumri used to be a gate to the outside world. The Kars-Gyumri railway, operational during the whole period of the Cold War, had been the only land transportation link for commodities and passengers between Turkey and the Soviet Union. The Soviet officials thought apparently that Armenian population of Gyumri, was unlikely to collaborate with the Turkish enemy just at the other side of the border. The Adjarian and Azeri populations in Batumi and Nakhitchevan were far more suspicious.

The Akhourian train station, at 15 km from Gyumri and at 3 km from the Turkish border, is the last train station on the Armenian side. The closest villages Akhurik and Garibdjanian used to be a forbidden area. Population from Gyumri recalls with nostalgia the period when trains were circulating, and livelihood was based on trade. Only one track is operating in the Gyumri train station. The empty track towards Turkey left a bitter feeling. The local community reminds of the aftermaths of the earthquake, when the railroad was used for the delivery of the humanitarian aid. In the early phase of the reconstruction many construction factories opened in Kars and Igdir.

Raising from the ashes

A relative economic recovery is noticeable. Economic activity has been speeded up for the last three years sustained by the on going reconstruction work. A revivalism of trade is an indicator of new cash flows. The population of Gyumri is currently 140 000.

The population has shown a resilience in deprivation and closed environment. A strong entrepreneurial energy is emerging. The Gyumri originated diaspora, formed in the 90's, didn't forget its native Gyumri, and international donors and American Armenian diaspora, namely Kirk Krikorian, are actively supporting the Gyumri in its economic revivalism.

Housing

60 000 persons were left homeless in the earthquake. Currently, 3000 persons are still waiting for a permanent housing. The problem is planned to be solved in three or four years time. The housing program is financed by a pool of donors, USAID and Kirk Krikorian's Lincy Foundation are the major donors. The beneficiary population is receiving certificates to purchase a flat. The total amount of the certificates equals USD 15 million. The new houses are being built by private companies.

Impact of the Gyumri diaspora

Those who had left Gyumri in the 90's and settled mainly in Russia, started taking care of their native city. Some of them began resettling in Gyumri for the whole year or a few months, others have started investing especially in trade and service. Five new hotels were built in the last five years, and the city has now nine banks. The development of shopping centers and hotels provide a good indicator of this business involvement. Modern constructions are transforming the external appearance of the post earthquake city. Private houses in basalt built by wealthy businessmen are perpetuating the traditional Gyumri style.⁶ One of them has even decided to produce locally and established three years ago a furniture factory.

Only 46% of the population is employed. Nevertheless, supported by these trends, the SME sector is developing. The economic activity is mainly based on trade, however a few local production units exist. Let's quote the stone processing factory, the diary products processing and fish breeding unit.

Living in a closed environment

The closure of the Turkish-Armenian border deprived Gyumri of its privileged access to Turkey. The border city, which used to be a gate in the Soviet times, became a city on the edge of a newly independent Armenia, leading to a dead end. The Yerevan-Tbilisi railroad connection is still operational, the two road connections are Yerevan-Gyumri-Bavra and Vanadzor-Gyumri.

The closed border had apparently some benefits: "*we learnt to live in a close environment, just by relying on ourselves*" comments a businessman from Gyumri.

⁶ Which is also the traditional Kars style, an architectural legacy of Russia to both Gyumri and Kars.

Isolation and the sense of being blockaded led to resilience and creative survivalism. Achievements despite hardships have provided the entrepreneurs with self confidence.

The opening of the Turkish-Armenian border is a long awaited event. Further development potentials of most of the businesses depend on the opening of the Kars-Gyumri railroad. Despite the lack of direct land communication, Turkey, along with Russia, has become the major business partner. Twenty businessmen⁷ have already business links with Turkey. Beko,⁸ Turkish brand of household electricals, has opened a store on the main avenue of Gyumri.

While the opening of the Turkish-Armenian border is believed to open new vistas for the local business community, the existence of the Russian base is perceived as a major problem for business development. The 102 base is located in Gyumri and has several compounds almost in the center of the city. It employs 12 000 persons, approximately 2000-3000 locals. Local entrepreneurs seem convinced that “*Russian troops, considered as a risk, give a sense of insecurity to the potential investors*”.

Voices from the business community of Gyumri

Interview 1: Mr Rubik Badalyan is the director of “R.Badalyan, LTD”, a textile retailer store, founded in 1997. His company is based in Gyumri because “*he loves his town and lives in it*”. The company imports clothes from Istanbul and sales on the local market in Gyumri. Mr Badalyan would like to develop business links with Georgia, Russia and the Arab Emirates. Currently, Turkey is the only regional country with which the company has business links. The most often used trade route are the Yerevan-Istanbul-Dubai connections. The opening of the Kars-Gyumri and the railroad through Abkhazia would be the most important infrastructural developments.

Interview 2: Mr Hamik Gevorkyan is the director of the “Khayts-Ishkhan” fish breeding company. The company, based on a two hectare field and use underground waters, was founded in 2001, and produces 30 tons of fish. The climate and quality of waters justifies its location near Gyumri. Production , consisting of fishes, caviar, filet, smoked fishes is sold on the local market, and exported to Russia, Ukraine and the Arab Emirates. The firm is collaborating with Russian partners for technology transfers. Russia, Turkey and Georgia are the potential export markets. The most often used trade route is the Armenia-Georgia-Poti route, the firm imports fish feed from other CIS countries.

Interviews with retailers and wholesalers of foodstuff and household goods provide insights on the commercial distribution channels and the external trade connections.

Interview 3: Mr Harutyunyan Feliqs, owner of “Nano LTD”, established in 1998, is a trader of foodstuff and household goods. He aimed at increasing the service supplies of the town of Gyumri. He imports goods from Georgia, Russia, Armenia and Turkey. Mr Feliqs believes that the development potential of his business depends directly on the opening of the Gyumri-Kars railroad. His preferential trade route are the Yerevan-Istanbul and Yerevan-Moscow connections. The opening of the Kars-Gyumri railway and of the railway crossing Abkhazia would be a major breakthrough.

⁷ The scale of the businesses are ranging from USD 500 000 to USD 1 million.

⁸ The regional distribution is done from Tbilisi.

Interview 4: Mr Khandilyan Arkadi is the director of the “Adana”⁹ shops network, specialized in foodstuff and household goods. His business is based in Gyumri because it is his native town. The company has business links with Turkey, the Arab Emirates, Georgia and Russia, and is planning to develop his network in this region. The most often used trade route are Yerevan-Istanbul and Yerevan-Dubai routes. He is looking forward for the opening of the Gyumri-Kars and Tbilisi-Sukhumi railroads, thinks that the construction of a direct route between Javakheti (Southern Georgia) and Turkey would be an economic impact.

Interview 5: Mr Manukyan Hovhannes is the owner of the “Hovman Prestij LTD” shops network, wholesaler of foodstuff and household goods. When asked why he is based in Gyumri, Mr Hovhannes answers “*We will build our town with our hands*”. His company is importing from Georgia and Turkey and selling on the local market. He is planning to expand his activities to Russia. The trade route the company uses is the Gyumri-(Georgia)-Istanbul route. He is looking forward for the opening of the Kars-Gyumri and Sukhumi-Tbilisi railroads.

Interview 6: Mr Samvel Varjapetyan is the owner of the “Partez” shops network of foodstuff and household goods. He is operating in Gyumri to improve the service supplies of the town. The company is importing from Georgia, Turkey and the Arab Emirates. The most often used trade route is the Gyumri-Yerevan-Tbilisi-Istanbul connection. He is expecting the opening of the Kars-Gyumri railroad.

Interviews realized in Gyumri – March 2005

The potential Impact of the Opening Up of Armenia on the Normalization Process

Armenia has been steadily developing since mid 90’s. The population is much better off. The impression that the worst hardships had been overcome is widespread and is actually based on objective facts. However, the country cannot fully realize its development potential as long as it stays closed. Formerly a transit zone, at the heart of east-west and north-south connections, Armenia is facing the risk to be left as an island. Economic viability can only be reached with the opening up and integration. An insular development model cannot be a sustainable option. Furthermore, the key question – that has to be addressed also by the Diaspora - is to determine what type of country Armenia will become.

Monopolization of import channels is a major problem

In a landlocked country where political problems have worsened external communication channels, those who are controlling import/export channels have a considerable economic – and by extension political – gains. Particularly, the monopolization of import channels becomes alarming in Armenia. A few oligarchs gained a monopoly in the import of essential products, such as oil and sugar. This rent economy is fuelling tensions which have direct impact on the political economic situation.

The export channels appear comparatively more open. However, high transport costs are limiting the export capacities of national producers.

⁹ Adana is the name of a city in the South Western part of Turkey.

The diversification of import / export channels, consequently the increase of the internal competition will boost the economy and have far-reaching effects on national politics. The opening of the borders – and especially of the Turkish-Armenian border since it will provide access to western markets – will contribute to a large extent to the democratization of external communication channels.

Linking Turkey to an Integrated South Caucasian railway network

Planned new projects

The rehabilitation of the traditional Caucasian railway system would have a much greater impact on the political stability and economic development of South Caucasus than the new railway projects. The study, after having highlighted east-west and north-south railway projects, will analyze the potential that is likely to be realized in case Turkey is linked to the traditional Caucasian railway network. This latter proves to be the best and most profitable option for all stakeholders involved.

The planned east-west and north-south railways will sustain the development of trade to a certain extent by opening up new communication routes. However, they are merely a recognition of the facts on the ground: in their very conception, these projects take for granted the status quo shaped by conflicts and ceasefire agreements. Based on the fragmented picture of the Caucasus, they carry the risk to deep freezing conflicts. Armenia and Nakhitchevan are being totally excluded, and Georgia is being proposed a second best option. The best option for Georgia will be the opening and rehabilitation of the traditional railway system, the same applies for Armenia and Nakhitchevan; all three of them are indeed located at the heart of north-south and east-west railway connections. Additionally, the new projects will be costly. If money is made available, it would better be allocated to address other needs of the region.

- East/West : Kars-Akhalkalaki

68 km of the railway worth USD 500 million goes through Turkey and 30 km via Georgia. The railway is to be commissioned late in 2008. The three countries' transport ministers are expected to gather late in August to discuss the railway construction.

- North/South: Kazvin-Resht-Astara

The representatives of Iran, Russia and Azerbaijan transport ministries signed a final agreement in Tehran on the construction of Kazvin-Resht-Astara railway, which will ensure direct railway communication between Moscow and Tehran via Baku. The project is estimated at USD 600 million, the railway would become profitable in five years in case the volume of freight reaches 20 tons each year. There is already a railroad connecting Russia and Iran, which passes through Julfa-Nakhitchevan-Ararat.

Opening up the East-West connection, and integrating Nakhitchevan, Turkey and Armenia to the North-South axis

Turkey is linked to the Transcaucasian railway system built during the Russian empire and subsequently upgraded during the Soviet era. The construction of the railway system of eastern Anatolia, running from Sarikamış to Kars, dates back to the Russian

period. The Soviet rail system consisted of 32 railways, with a total length of 145,000km, and they carried 55% of all passengers and 25 % of all commodities transported.

The Armenian railway system connects Turkey with the Russian/Soviet railway network, providing access to the Caucasus, the Russian Federation and Central Asia. Armenia is the hub of the regional railway network and several lines cross its territory, which is situated at the crossroads of east-west and north-south communications. Akyaka, the last station of the railway that links Istanbul with Kars, is also connected to the Armenian city of Gyumri, providing access to Transcaucasian railway system. There have always been compatibility issues between the Turkish and Soviet systems, but the railway connection between Kars and Gyumri was operational until 1993. Gyumri is linked to several other railways, including the Yerevan-Julfa-Baku line that runs through Nakhichevan along the Iranian border, and the Yerevan-Sevan-Dilijan-Gazakh-Baku line. Conflict, political disputes and closed borders have condemned this huge railway network, which was once essential for communication across the Transcaucasus.

The new TRACECA map, approved in December 2001 in Tbilisi, integrated 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 takes into account rehabilitation of the container terminal at Gyumri railway station. The connection of the Turkish, Armenian and Azerbaijani railway systems will guarantee, via the Anatolian-Caucasus-Caspian route, the most favourable east-west transport corridor between the Caspian basin and world markets. Ensuring linkage with the Caspian basin is of utmost importance since investments are, and will be, mostly from Western countries.

The sea-rail combined transport route linking Anatolia and the Caspian basin is also the most cost-effective route. Crossing the Dardanelles, the Bosphorus and the later deviation to the Black Sea all represent extra costs for shipping companies. For shipping lines coming to Istanbul or the Mediterranean region, Black Sea ports are less favourable since the use of small feeder vessels requires transshipment. Most lines already make regular calls in ports like Istanbul and Mersin, and Istanbul is further linked to the Trans European Networks via Corridor IV.

The ports of Haydarpasa and Ambarli in Istanbul are of utmost importance since the Istanbul-Kars railway across Turkey has become part of the Transport Corridor Europe-Caucasus-Asia (TRACECA). The modernisation of these two ports and the rehabilitation of the railway to Kars, which requires minimum investment, would provide the most cost-effective and secure access from Europe to the Caspian region.

Furthermore, the connection between Turkish-Armenian-Azerbaijani rail systems would ensure a viable access to the Caspian for southeastern Europe and the Mediterranean region. Transportation costs between Samsun-Kars and Mersin-Kars being roughly equivalent, Mersin, which offers one of the best port facilities in the eastern Mediterranean, will prevent the need for the extra deviation and transshipment costs.

The opening of the Kars-Gyumri railway will bring new openings for regional cooperation and the Anatolian-Caucasus-Caspian route will add a cost-effective, commercially viable and strategically beneficial east-west railway that will ensure direct links between Turkey, Baku and the Caspian region, eventually opening Armenia and Nakhichevan to international trade and investment.

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