RESEARCH ON THE SOCIO-ECONOMIC IMPACT OF THE TURKEY-ARMENIA BORDER

BAHÇEŞEHİR UNIVERSITY
CENTER FOR ECONOMIC AND SOCIAL RESEARCH-BETAM

SOCIAL RESEARCH CENTER-SAM

HRANT DINK FOUNDATION

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INNER COVER PHOTOGRAPH
© ANUSH BABAJANYAN, 2011, BAYANDUR, GYUMRI, TURKEY-ARMENIA BORDER

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PRINTED IN
APA UNIPRINT BASIM SAN. VE TİC. A.Ş.
Hadımköy Mahallesi 434 Sokak No:6
34555 Arnavutköy / Istanbul / TR
T: +90 212 798 28 40

Istanbul, November 2014

ISBN 978-605-64488-3-6

Research on the Socio-Economic Impact of the Turkey-Armenia Border was conducted with the support of Turkish Industry and Business Association (TÜSİAD) and Sabancı University Istanbul Policy Center.
The research findings are translated and printed with the support of
Friedrich Ebert Stiftung Turkey Office.

Bahçeşehir University
Center for Economic and Social Research
Betam

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RESEARCH ON THE SOCIO-ECONOMIC IMPACT OF THE TURKEY-ARMENIA BORDER

TURKEY-ARMENIA BORDER…

AS OF 2014, THE ONLY CLOSED BORDER IN TURKEY.

THE BORDER WAS SEALED BY TURKEY ON APRIL 3RD, 1993, TWO YEARS AFTER ARMENIA'S INDEPENDENCE, IN RESPONSE TO THE NAGORNO KARABAKH WAR BETWEEN ARMENIA AND AZERBAIJAN.

THERE ARE TWO GATES WAITING TO BE UNSEALED ON THE 328 KILOMETRES LONG TURKEY-ARMENIA BORDER STRETCHING THROUGH THE PROVINCES OF KARS, IĞDIR AND ARDAHAN:
ALICAN GATE IN IĞDIR THAT CONNECTS TO YEREVAN BY LAND ROUTE, AND DOĞU KAPI GATE IN KARS THAT CONNECTS TO GYUMRI BY RAILWAY.

THE STATUS OF THE SEALED BORDER IS BEST SYMBOLISED BY THE ANCIENT SILK ROAD BRIDGE IN THE CITY OF ANI ON THE ARPAÇAY/AKHURIAN RIVER WHICH FORMS THE BORDER BETWEEN THE TWO COUNTRIES.

THE ARCH OF THE BRIDGE, ONLY 30 METRES LONG, LIES COLLAPSED.

THE PILLARS OF THE BRIDGE, ONE IN TURKEY AND THE OTHER ONE IN ARMENIA, CONTINUE TO WAIT FOR THE BRIDGE THAT WILL RECONNECT THEM…

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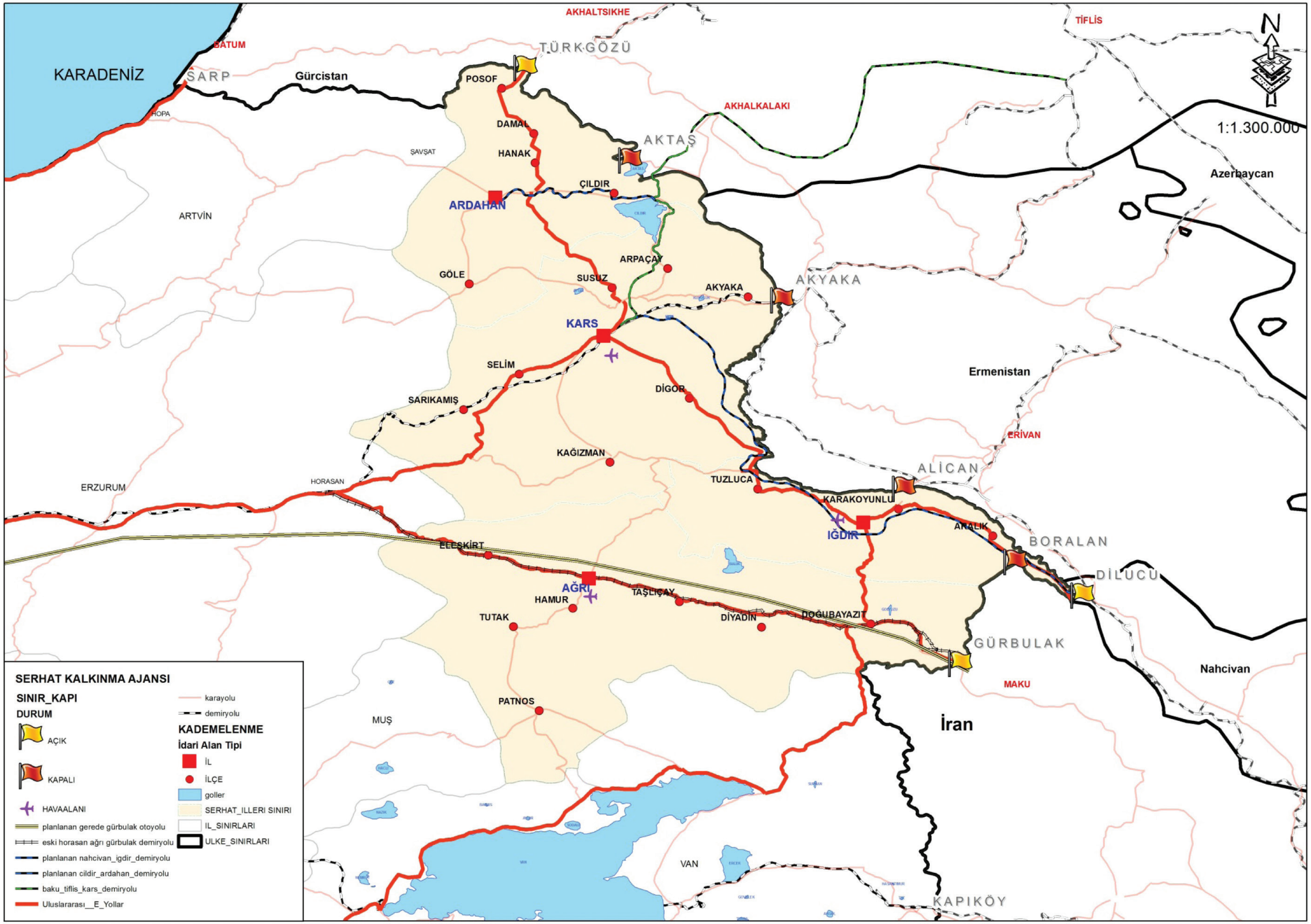
MAP 1: TURKEY-ARMENIA BORDER - Source: GoogleMaps

MAP 2: BORDER GATES IN SERHAT REGION - Source: Serhat Regional Development Agency (SERKA)



PREFACES

CLOSED BORDER, CLOSED CONSCIOUSNESS

Cengiz Aktar
Hrant Dink Foundation

Ever since states started to draw borders, people have been taken hostage inside or outside those borders. Simultaneously with the drawing-up of borders, people as well as all moving beings have always been defying this fait accompli and penetrating the borders. The history and corpus about activities termed as illegal and smuggling are synchronous with the history of borders.

Today, borders have become rather irrelevant as a consequence of globalisation. In the political arena, we now have the European Union where internal borders between countries have been lifted, i.e., a first of its kind in the history of humanity. The borders created in the European continent by the bipolar world that emerged after the II. World War disappeared overnight. In spite of this general progress, the land we live on is still mentioned for its borders, not to say, its closed borders. One of them is the border with Armenia and the other one is the border in Nicosia, Cyprus, that also serves as a wall. Additionally, there are attempts to erect a wall on the border with the Syrian Kurdistan. The borders that are closed "in such an era" as commonly expressed describe well the limitations of those ruling the country in solving the problems.

It is known that the phrase 'closed consciousness' is used to refer to those who are in a coma with respect to Armenians and other peoples. Turkey, which has sealed its border with its neighbour, also has a consciousness in a coma about the Armenians living on the other side of that border. There is no awareness or there is a "blind perception" about how the neighbours live, what they feel and think. As for those living on our side of the closed borders, we cannot talk about the existence of more abundant information or a more open consciousness about their state of being.

There is both a lot and a very little that people can do to help re-open a closed border. The de facto and de jure opening of the border with Armenia is incumbent on the state that sealed the gate in 1993 on Turkey. As a matter of fact, the Zurich Protocols, which were signed in 2009, yet unfortunately not ratified, hence not implemented, marked the first time that the state was adopting a constructive attitude to such a serious matter. As for the society, it cannot really do much for the border to be opened other than opposing its current status. Or the border can be penetrated via illegal means with perforated borders, but its in this case impossible. There still exists a network of connections that is hugely inconvenient not to mention absurd. The circulation of goods and people flows via Georgia and Iran! However, this makes sense in neither political, economic terms, nor in human relations terms. As a matter of fact, we know today that the urban area roughly encompassing Kars-Ardahan-Iğdır is isolated from its natural hinterland in Armenia because of the sealed border. This situation has led to a significant economic, social and humanitarian losses for both sides. Based on this assessment, since 1993, many grassroots initiatives have been demanding that the border be re-opened. However, one should also not ignore the existence of initiatives to the contrary to explain how delicate the matter is (see the website: www.turkiye-ermenistan-kapilar-acilmasin.org which was signed by 2411 people with the majority being Azeri people).

Therefore, the only solution left is to learn, to understand, to have common sense and to convince others. The "**Research on the Socio-Economic Impact of the Turkey-Armenia Border**" commissioned by the Hrant Dink Foundation to BETAM (Bahçeşehir University Center for Economic and Social Research) and SAM (Social Research Center) with the support of TÜSİAD (Industry and Business Association of Turkey) and Istanbul Policy Center (IPC), has been conceived to serve this very purpose. Previously, a few remarkable studies were carried out about the border, which remains sealed since the year 1993. In spite of the studies investigating the effect of the closed border on Armenia, the number of studies on its effect on the western side, especially on the "border" cities of Eastern Anatolia has been rather limited. This study was launched to respond to the need for research that takes into account a broader socio-economic perspective thus not limiting itself to calculating the potential trade volume between the two countries. The conference "Sealed Gate: The Prospects of the Turkey-Armenia Border" to be held in Ankara on 22nd-23rd of November, 2014 aims to carry the results of this study to a broader audience. However, the overarching aim is to ensure that its recommendations and the conference outputs get into the radar of the government.

The opening of the border with Armenia in 2015 which, needless to say, is highly a symbolic year, would offer proof of Turkey's seriousness and sincerity about a remedy-solution.

OPEN BORDER AND REGIONAL DEVELOPMENT

Volkan Vural
TÜSİAD Member of Board of Directors

TÜSİAD (The Industry and Business Association of Turkey), as an organisation that attaches great importance to regional development, decided to support this research project which aims to investigate the impact of the sealed Turkey-Armenia border on Eastern Anatolia. This project is essentially a scientific one; however, it comes with a greater relevance for political relations between Turkey and Armenia.

Closed borders also mean closed lives. On the other hand open borders serve as an enabling environment where not only trade, but also human relations, social and cultural bonds thrive.

Judging by the facts and findings of this study, we can see that our region suffers due to the sealed border; loses potential employment opportunities; and witnesses the emigration of its inhabitants to other regions. The investment and loan incentives provided to the region, where the primary means of livelihood is agriculture and animal husbandry, impeded productivity due to the psychological conditions caused by the state of being sealed. The study estimates that employment may increase almost by half within 5 years if the border is opened and points to a significant potential revival of both industry and services.

The study also emphasises that one should approach the question of possible border opening in an ethical, rather than a political context which focuses on mutual interests and gains.

I hope that this study will contribute to the normalisation of relations between Turkey and Armenia as well as the economic and social development of our Eastern Anatolia region.

CAN OPEN GATES BREAK THE VICIOUS CIRCLE IN THE REGION?

Asaf Savaş Akat
Research Adviser

The "Research on the Socio-Economic Impact of the Turkey-Armenia Border " was commissioned by the Hrant Dink Foundation with the support of TÜSİAD (Industry and Business Association of Turkey) and Istanbul Policy Center (IPC). The study was conducted by two institutions reputable in their fields: BETAM (Bahçeşehir University Center for Economic and Social Research) and SAM (Social Research Center).

I was informed about this research project when it was still an abstract idea. We considered investigating the way in which the politically-rooted limitations brought on trade with Armenia impacted the region's economy. We embarked on this journey with questions such as "Can it be done? Would we have meaningful results? Would it be useful?" In time, it was shaped in flesh and bones. Eventually, we reached its current state.

One of the important observations about the Modern Age is that foreign trade among countries with shared borders has been at a high level. The reason is that the possibilities brought about by geographical proximity exceedingly outweigh the cost incurred due to political divides. As a matter of fact, neighbouring countries exert their efforts to revive trade with each other. Increasing the number of border gates and cutting red tape before transition procedures are the most common measures.

On the other hand, the case at hand; one where one of the two neighbours unilaterally seals its borders to prevent the flows of goods and services is hardly ever encountered. As a matter of fact, one of the distinguishing characteristics of the 21st century is that the barriers to the flow of goods and services have been decreased and even completely lifted. Furthermore, there are very serious doubts about the effectiveness and benefits of the method of economic "sanctions", which lies at the other end of the globalisation spectrum. Blockade is something that is applied only under extraordinary circumstances in a provisional and exceptional way. Even during the tensest period of the Cold War, the market economies did not resort to preventing trade albeit on account of economic considerations.

In that respect, the situation of the North-Eastern Anatolia, is very special. Prior to 1990, this region used to border the former Soviet Union, which also incorporated present day Armenia. Yet the Union's tendency towards autarchy was perhaps one of the major obstacles before the North-Eastern Anatolia, preventing the region to enjoy the industrialisation process and the opening up in Turkey experienced at that time. Unfortunately, with the collapse of the Soviet Union, at a time when hopes were just flourishing, Turkey decided to unilaterally close its borders with Armenia and missed a historic chance. It all but condemned the region to relative underdevelopment. Today, the region is still at the bottom of rankings in Turkey for all the qualitative and quantitative welfare indicators.

The objective of the study was to evaluate the economic, social and cultural problems of this region, which has been isolated from its neighbour by an invisible, human-made wall, and to identify the contributions that the lifting of restrictions on trade with Armenia could make to the solution of various other problems.

As a research method, an inter-disciplinary method was preferred. In addition to the desk review studies, the research was concentrated on site visits. Efforts were made to know the people of the region, to talk to them and to touch them.

You will now be reading the findings of the study. The people in the region are pessimistic and hopeless; many are including the most talented and entrepreneurial ones are leaving. The region's gap with the rest of the country continues to grow.

On the other hand, the empirical findings prove that the opening of the border might play a critical role in breaking this vicious cycle with especially its positive effects on employment.

I took part in this research with great enthusiasm; I was involved in every phase of it. Will this study have a meaningful impact on the normalisation of relations between Turkey and Armenia? Probably not. However, we had to start somewhere. Little steps can potentially lead to bigger moves. Last but not least, I would like to thank everyone who contributed to making this project what it currently is.

INTRODUCTION BY HRANT DINK FOUNDATION

The Turkey-Armenia border, sealed in 1993, completely disregards the interests and welfare of people on both sides, and negatively impacts social development, economy and environment of border cities and the region as such.

The border remaining closed for two decades did not bring any desired settlement in Nagorno-Karabakh, which was the justification for the sealing of the border. Yet, it caused a significant level of isolation in the border cities, which remain to be the most underdeveloped cities in Turkey in economic and social indicators. Even though the air traffic is allowed between Istanbul and Yerevan, the land border remains sealed and the Kars-Gyumri trains operating before 1993 were stopped long time ago. This situation prevents the border cities to have direct trade with Armenia, which carries a significant potential for them and it curbs all forms of regional, cross-border cooperation initiatives and means of dialogue.

The people in the region, who currently have very limited mobility, wants open borders for trade, tourism, health, education and other purposes and they voice their demands on various occasions. In 2005, 50,000 inhabitants of Kars signed petitions for open borders and submitted their common demand to the government. Despite this initiative and the protocols signed by the two governments in 2009, which was the most concrete step taken towards open borders since 1993 yet failed before ratification, the Turkey-Armenia borders remains sealed to this date.

This being the case, the Hrant Dink Foundation felt the need for a **scientific study** with a view **to measure the socio-economic impacts of the sealed border on the local population, to make visible the missed opportunities in the region and to uncover the potential and prospects.**

As a result, the **"Research on the Socio-Economic Impact of the Turkey-Armenia Border"** was commissioned to independent researchers and was carried out in the years **2012-2013** under the supervision of the research adviser **Prof. Dr. Asaf Savaş Akat** and with the support of **TÜSİAD (Industry and Business Association of Turkey)** and **Istanbul Policy Center of Sabancı University.**

The research consisted of an econometric analysis that made comparisons with other border regions as well as a qualitative field study.

Bahçeşehir University Center for Economic and Social Research (BETAM) conducted the econometric study, which analysed the commercial and economic potential of open border for the region.

By means of in-depth interviews **Social Research Center SAM**, took the current picture of the region and examined people's demand about their future, about the potential of open borders as well as existing barriers to overcome.

For the qualitative field study, the researches organised joint site visits to the provinces of Kars, Iğdır and Ardahan bordering Armenia, and held in-depth interviews with about seventy respondents from the chambers, local authorities, regional development agency representatives, academics and civil society and collected data in the fields of agriculture-husbandry, health, youth and education.

We hope that this report, which compiles the findings of both studies, will help voice the demands of the local people in the region and will contribute to future initiatives geared towards joint development of the two neighbouring countries.

EXECUTIVE SUMMARY

Turkey's border with Armenia has been sealed since 1993. This is also **Turkey's only closed land border**. Therefore, the region that encompasses the provinces of **Kars-Ardahan-Iğdır,** which share land border with Armenia, is in a very different state in comparison to the other border regions in Turkey. While the sealed border encircles the region from the East, its geographical position isolates and separates it from the West. According to the findings of the research, the fact that the region is in a "closed state of being" has visible implications in almost every field such as the social structure, the economy, social life, education, health and development.

TRADE: IS THE BORDER GATE CLOSED ONLY O THE REGION?

- While Turkey has trade with all her neighbours with shared land borders – whether or not there is a free trade agreement with the country in question – there is no official trade between Armenia and Turkey; import and export activities are not legal. However, it is known that Armenia purchases imported goods from Turkey indirectly, transiting through other countries. According to the Armenian sources, the volume of the current import is around **US$ 250 million dollars**[1]. In its study, BETAM also estimates the **potential trade volume between the two countries** being close to this amount.[2] Despite this potential, the **existing trade cannot be made through Kars-Ardahan-Iğdır region**.

- As indicated by the interviews conducted in the region, the local people are aware of the existing trade activity in indirect channels through Georgia and Iran. It is possible to hear views such as, **"the border gate is closed only to us"** both from the small tradesmen as well as the business circles. **Doğu Kapı Gate**, which is the transit point of the Kars-Gyumri railway used in passenger and freight transport until 20 years ago, remains sealed. Many believe that the region being by-passed in terms of trade as a result of this Gate remaining closed has the consequence of the region being punished rather than this serving as a punishment to Armenia. In this respect the opening of the new Baku-Tbilisi-Kars Railway is considered important in the region.

WHAT WILL THE OPENING OF THE BORDER YIELD?

- **The study findings indicate that the cost of the sealed border is not only limited to the US$ 300 million worth trade volume.** The study suggests that, in case of the border opening, **there will be revival in many sectors** including the **services sector**, and **employment will be created** in the region around the border. For example it is stated that the opening of the Nakhchivan Gate right next to the region has enabled the development of Iğdır resulting in this province's population surpassing that of Kars and the free trade agreement made with Syria has ensured a much higher increase in employment in the regions around the border in comparison to other regions.

- According to the econometric analysis carried out by BETAM for this particular report, while the proximity to the Syrian border had no meaningful impact on the employment increase during 2003-2006, it does reach a significance during 2006-2010. In the econometric analysis that controls collectivity, sectorial diversity, the connections back and forth in the supply chain together with the average company size and the wage variables, the revival in the services sector particularly stands out.

- **It is estimated that employment in the border region will increase approximately by fifty percent within a period of five years** in case of opening up of the Armenia border.

1 According to the data of the National Statistics Service of Armenia, in 2011, Armenia's imports from Turkey amounted to US$ 240 million.

2 According to the model adopted in BETAM Study Note 12/135 (İmamoğlu and Soybilgen, 2012), the potential trade volume between Turkey and Armenia is estimated around US$ 280 million.

Retail trade, accommodation and transportation sectors are amongst those that are expected to grow. The study findings suggest that the opening of the border **will not only increase transit trade but will also have real impact on regional economy.**

SOCIOLOGICAL FINDINGS

- The econometric study in the report indicates that an economic development will take place in the region following the opening of the border. However, the question of whether there are social elements that would restrict trans-border interactions stemming from the historical and ethnic background in the region even if the borders are open is not answered. The sociological field study performed in the region for this purpose offers us some clues.

- The study shows that the region has been suffering from economic problems due to harsh winter conditions, migration to other regions following the military coup in 1980 and the decreasing population as well as problems in animal husbandry and agriculture since modern methods have not yet been applied. The migration also caused important changes in the ethnic composition of the region. Throughout the time, Kurdish population inhabiting the region increased constituting half the population in Iğdır and more than half of it in Kars.

- The field study demonstrates that the people of the regions believe that the opening of the border will bring economic benefits for the region. However, the people of the region believes (concedes) that opening the border is up to the state policy even if the people of the region wants it and there is not much they could do themselves. In some interviews, the discourse that the region rather than Armenia was in a way being punished by keeping the border closed came to the forefront. It was observed that the Kurds had a warmer outlook on opening of the border in both Kars and Iğdır. The population of Azerbaijani origin is sensitive about the opening of the border. This part of the society takes the solution of the Nagorno-Karabakh problem seriously. However, it was emphasized that there were no problems between peoples and that the problem was between states.

- The findings of the social study show that the border with Armenia is not only related to Armenia, it is actually part of the perceived state of being closed and isolated in the region. The people in the region feel remote from the west of the country as well as detached and isolated from national and international trade lines. For the people of the region, the border separates the region not from Armenia, but from the outer world. Opening of the border has in a way been identified with opening to the international arena.

THE IMPACT OF EXISTING INCENTIVES AND SOCIAL POLICIES

The main sources of income of the region are agriculture and husbandry. Thus, investment and loan incentives within the scope of the 6th region as well as social transfers and agricultural support are provided. According to the study's findings the people of the region do not believe that a great benefit is derived as a result of these policies.

- Informal economy is very prevalent in the region. This fact stands out as one of the factors decreasing the rate of benefit from investment incentives.

- It is stated that social transfers (green card) accustoms a part of the employees to idleness and that employers experience difficulty particularly in terms of finding registered labour force to employ. Employers reflect that they are not able to receive incentives due to the necessity of employing a certain number of registered workers.

- It is understood that the new products and methods encouraged by agricultural support and policies do not find favour among the people of the region accustomed to traditional agriculture and husbandry and that, hence, these policies are not very successful.

- Lack of infrastructure is one of the factors preventing the investments. Water cuts, the frequent deterioration of the roads' conditions due to climatic factors, the lack of milk collection storehouses in the villages are all issues raised often.

- There is a great interest towards institutions operating with the purpose of development in the region. The number of people submitting proposals to such organisations as Serhat Development Agency (SERKA), Agriculture and Rural Development Support Institution (ARDSI) and Small and Medium Enterprises Development Organisation (KOSGEB) are increasing gradually as well as those benefitting from the supports and trainings.
- The new projects planned with regard to both the infrastructure and the common living areas of the city give hope in terms of the future.

POLICY RECOMMENDATIONS

With respect to the study's findings, people of the region –even though not very satisfied with their lives presently- wish to stay here, live here and make the region more habitable. In this sense there are great expectations from the state.

- **It is necessary for the region to lay claim to its historical past and to, once again, receive all the people who have lived here with open arms** in order for it to be able to evaluate the **tourism potential of the region**. Hence it is imperative for the historical fabric of the city to be preserved, for the sites of ruins to be maintained and for new archaeological excavations and similar activities to be initiated.
- Parallel to the revival in tourism; it is also necessary to diversify and improve the **health services** in the region.
- Another considerably important issue is related to the **Baku-Tbilisi-Kars Railway**, which is planned to pass through the region. It should be ensured that this railway line is not a transit route enabling the passage of commercial goods only but that it will serve as an investment which will create employment for the region with all the logistical villages and centres to be established in the region.
- It is essential that trainings and support for the development of **husbandry** in the region and the dissemination of modern methods is increased as well as presenting the region with practical examples and taking measures to break the monopoly in the market and provide competitiveness.
- To improve the state of **social life**; incentives need to be applied in order to increase such locations as parks, entertainment and shopping centres which will enable the people to come together and spend time as a family.
- The study also underlines that even though all these policies will improve the current situation in the region to a certain extent, **as long as the border with Armenia remains sealed, it will not be possible for the region to come out of the psychology of isolation and overcome the problems caused by this tied state of being. To become a place where Turkey begins, and not a place where Turkey ends; the region needs open borders and activation of the Kars-Gyumri Railway, which will help the region and Turkey to reach out to the Far East and China through the Silk Road.**

THE ECONOMIC IMPACT OF THE SEALED BORDER

CHAPTER I

1. THE ECONOMIC IMPACT OF THE SEALED BORDER

Influenced by the trends of a globalising world, Turkey has adopted liberalisation policies since 1980 and transitioned to a market economy. Thanks to an outward-looking industrialisation model, Turkey increased its exports and attracted foreign capital. The goal of these policies, which are still in effect today, was to achieve rapid development by opening the economy to the world. Even though the social and economic impact of globalisation is still debated, there is an undeniable fact: Opening up to international trade has brought along high growth and welfare in many regions around the world, particularly in Asia.

Turkey's policy of ''opening up'' was interpreted as integration with developed economies, with Europe in particular; thus Turkey signed several trade agreements with these countries, joined the Customs Union with a bid to become full member of the European Union, and abandoned policies of protectionism in many sectors. Pursuing the goal of enhancing trade, exports in particular, pushed Turkey to develop trade relations globally and diversify its export markets.

There is no doubt that the most natural foreign trade partner for any country would be a neighbouring country with shared borders. Yet, due to historical reasons and political conjuncture, Turkey had to limit her relations with neighbouring countries at the diplomatic level. The Cold War era had a negative impact on Turkey's relationships with her neighbours in the western and eastern borders. In the post-Cold War era, the border regions in the east and south-east remained almost "closed" to the outside world, like an enclave, either due to the perceived threats to national security or as part of the foreign policy of the time.

This state of being ''closed to the outside word'' has a negative impact not only on national welfare but also on regional welfare and development, and causes significant social problems. As Turkey took serious steps towards opening up to international trade; production centres clustered in areas with easy access to trade routes leading to the West, and with the increase of employment opportunities, these regions received waves of immigration and experienced surges in population. Regional imbalances deepened as western regions developed faster, whereas the eastern ones stumbled.

Under the rule of the governing Justice and Development Party (AKP), in power since 2003, Turkey sought ways to improve relations with her neighbours in the East and the South-East. One of the goals of this policy, undoubtedly, is to gain access to these markets before other developed and developing countries and to get an edge in competition. This initiative can be interpreted as part of Turkey's efforts to diversify her export markets. Seizing the opportunity of the political conjuncture – diminished security threat at home, the end of the US-led war in Iraq, Turkey fostered relations with Iraq and signed foreign trade agreements with Syria and Georgia. As for establishing relations with Armenia and opening of the border sealed in 1993, the two countries signed a protocol in 2009, but failed to ratify afterwards. At present, the border with Armenia remains to be the only closed border in Turkey.

The sealed border between Turkey and Armenia is considered to have limited impact on the Turkish economy. It is often stated that the Armenian economy is smaller, in comparison to the Turkish economy, and the trade potential with the neighbouring country is limited. Probably due to these assumptions, most of the studies conducted in this field; deal with the potential impact of open border on the Armenian economy. Few studies that approach the matter from Turkey's perspective, on the other hand, tend to evaluate the economic impact at the national level. In the literature, it is already a well-known fact that opening of borders have an important impact - on the regions adjacent to the border, particularly on the underdeveloped regions as opposed to the already developed production centres (For example the U.S-Mexico Border, Hanson (1996)).

The analysis presented in this chapter of the report employs econometric methods to study possible changes in the economy of Turkey's regions that are adjacent to the border, in the case of an "open border" scenario. Will the border opening turn the region into a transit trade path, or will it revitalize production and trade in the region itself? What potential can a border opening offer to the region for creation of new jobs? What kind of impact has been observed in similar regions that experienced border openings? The remainder of the report is dedicated to seeking answers to these questions.

1.1 EXISTING STUDIES ON POTENTIAL TRADE

Existing studies on the economic impact of the sealed border between Turkey and Armenia predominantly focus on the potential trade volume between the two countries. In these studies, both countries' potential export and import volumes are estimated by means of "gravity model", a method widely used in the international trade literature. In these models, the determining factors on trade volume are countries' economic size measured in terms of their national income, the distance between the countries, and price differences.

In a study carried out by the Armenian European Policy and Legal Advice Center (AEPLAC) in 2005, the trade potential between Turkey and Armenia is assessed in terms of total imports and exports at the national level. The study estimates that the opening of the border will lead to a 2.3 times increase in Turkey's existing exports to Armenia in the medium term. Another study by Baghramyan (2007) from the Armenian International Policy Research Group (AIPRG) uses a similar model to estimate the trade potential between the two countries on a product-by-product basis. The study finds that following the border opening, Turkey's national export to Armenia will increase by 4.6 times in agricultural products, 3.4 times in chemical products, 2.8 times in machinery and transportation vehicles, and 2.6 times in total exports, which is similar to the findings of the AEPLAC study. Beiloch and Torosyan (2007) on the other hand, estimate the trade potential between Turkey and Armenia on a regional basis. This study, too, shows that Turkey's overall export to Armenia will almost double in the event of a border opening; however, it also stresses that there will be a more drastic increase in the exports from the regions that are adjacent to the border. The study estimates that a region, which is 10 percent more proximate to the border as opposed to the distance of Ankara, will experience a 15.6 percent higher increase in exports as compared to Ankara's exports.

While the estimated numbers provided by these studies may be open to discussion, there is no doubt that the opening of the border will increase Turkey's trade with Armenia. However, it is often claimed that Armenia is a small economy, and the trade potential with this country is also limited. Yet, Armenia's per capita national income does not seem insignificant when compared to that of other developing countries with whom Turkey recently built relationships and started trading. **Table 1.1** shows the per capita national income levels – both in US Dollars and in purchasing power parity – of several countries that Turkey has been building trade relations in recent years. Armenia's per capita national income is quite similar to those of Syria, Georgia, Egypt and Morocco. Due to its geographical position in the Caucasus, Armenia is one of the most important potential trade partners for Turkey.

As mentioned above, studies that look into the economic impact of the opening of the Turkey-Armenia border have mostly aimed at figuring out the trade potential between the two countries. Very few studies, on the other hand, have focused on the potential impact on income and employment. These studies tend to answer the question of how Turkey will benefit from the opening of the border with estimates about the export potential at the national level. However, this question becomes a lot more significant when asked at the regional level. The real question is how the border regions will benefit from this opening. An increase in exports to Armenia at the national level does not necessarily mean that the regional economy will benefit as well. Can the opening of the border generate new jobs and increase income by revitalizing demand and production in the region? Or will exported goods simply be transported directly from the industrialised cities in the West without any contribution to the regional economy?

Apparently, these are difficult questions to answer and they will certainly require consideration of more than a few factors. We can start looking for answers by inquiring about the regional impact of similar "border openings" that have happened in the recent past. Initiatives taken by Turkey in recent years as part of her "zero problems with neighbours" policy offers us unprecedented opportunities in this regard. Agreements signed with Syria, Georgia, as well as the further improvement of bilateral relations with Iraq, have led to the lifting or easing of customs, taxes and visa requirements, and have, as such, transformed the rather costly border crossings into a "border opening." Studying the impact of these border openings on the regional economies can provide valuable insight as to whether a similar impact could be expected in the Armenia border as well.

1.2 FREE TRADE AGREEMENTS BETWEEN TURKEY AND HER NEIGHBOURS AND THEIR IMPACT ON TRADE

In the 2000s, Turkey pursued the policy of improving relations with her neighbouring countries. As her western borders primarily took shape in the light of her relations with the European Union, Turkey chose to foster relations with in her eastern borders through bilateral contacts and agreements. Economic partnership model was seen as one of the important pillars for enhancing relations, and to that end, various agreements were signed to simplify border crossings and to designate free trade areas. While some of these improvement efforts were successful, some had to be suspended due to various reasons.

The cabinet decree on the ratification of the Association Agreement Establishing a Free Trade Area between Turkey and Syria, signed on December 22th, 2004, was published in the Official Gazette on November 6th, 2006. The agreement took effect on January 1st, 2007. However, problems related to the outbreak of the civil war in Syria led to the suspension of the Agreement in December 2011.

The Free Trade Agreement between Turkey and Georgia was signed on November 21st, 2007 in Tbilisi. Following its ratification by the cabinet and its publication in the Official Gazette on September 24th, 2008, the agreement entered into force on November 1st, 2008, and still remains in force.

Trade relations between Turkey and Iraq remained rather limited for a long time due to the US embargo on Iraq. Even though the US's uplifting of the embargo in 2003 allowed some revival in trade, security problems experienced in Iraq until 2007 continued to restrict trade activities. According to the statements made by the Ministry of Foreign Affairs of Republic of Turkey, security problems with Iraq were overcome in 2007.

During the same period, Turkey made significant efforts to normalise her relations with Armenia as well. A protocol was signed between the two countries in 2009 envisaging establishment of diplomatic relations and opening of the border that remains sealed since 1993. However, this

Table 1.1 Per Capita Income (2010)

Country	Income Per Capita (US$)	Income Per Capita (PPP)
Armenia	2,807	5,105
Syria	2,803	5,041
Iraq	4,278	6,156
Georgia	2,623	5,064
Egypt	2,776	6,344
Morocco	2,850	4,783
Tunisia	4,198	9,457

Source: IMF, PPP (Purchasing Power Parity)

Table 1.2 Trade with Syria

Year	Exports (US$)	Imports (US$)	Trade Volume (US$)	Annual Change in Exports
2003	410,754,941	261,192,525	671,947,466	
2004	394,782,934	247,551,083	642,334,017	-0.04
2005	551,627,266	142,584,952	694,212,218	0.40
2006	609,417,000	187,249,765	796,666,765	0.10
2007	797,765,944	259,282,472	1,057,048,416	0.31
2008	1,115,012,521	323,697,386	1,438,709,907	0.40
2009	1,421,636,808	221,453,649	1,643,090,457	0.27
2010	1,844,604,582	452,493,426	2,297,098,008	0.30
2011	1,609,861,216	336,646,450	1,946,507,666	-0.13
2012	502,822,422	67,448,462	570,270,884	-0.69

Source: TurkStat, Foreign Trade Statistics

document never took effect, as it was not ratified by the parliaments of the two countries. This being the case, the border still remains closed and Turkey imposes a trade embargo on Armenia.

Signing of the free trade agreements with Syria and Georgia as well as the improvement of the relations with Iraq in the aftermath of security problems led to significant changes in the field of trade. Turkey's trade volume with Syria experienced an average annual increase of 35 percent starting from 2007, the year when the agreement took effect. Despite a slight decline in 2009 due to the global crisis, as of 2010, trade volume increased by almost three times compared to the trade volume prior to the signing of the agreement. With the suspension of the agreement in late 2011 due to political reasons, these gains in the trade volume were completely lost. **Table 1.2** shows the trade volume between the two countries from 2003 to 2012. We can observe that the trade agreement significantly increased the exports for Turkey as opposed to the imports. Export volume, which totalled US$610 million in 2006, tripled in 2010 reaching US$1.8 billion. From a level of US$1.6 billion in 2011, exports dropped down to US$500 million in 2012 following the suspension of the free trade agreement.

The effect of free trade agreement with Georgia was quite impressive as well. **Table 1.3** shows the trade volume between Turkey and Georgia

Table 1.3 Trade with Georgia

Year	Exports (US$)	Imports (US$)	Trade Volume (US$)	Annual Change in Exports
2003	155,069,890	268,562,037	423,631,927	
2004	199,699,417	300,283,826	499,983,243	0.29
2005	271,828,491	289,834,040	561,662,531	0.36
2006	407,961,988	344,813,499	752,775,487	0.50
2007	646,082,289	289,568,059	935,650,348	0.58
2008	997,844,225	525,040,558	1,522,884,783	0.54
2009	762,977,449	285,485,781	1,048,463,230	-0.24
2010	769,270,906	290,725,481	1,059,996,387	0.01
2011	1,092,320,553	314,352,211	1,406,672,764	0.42
2012	1,254,017,868	180,067,555	1,434,085,423	0.15

Source: TurkStat, Foreign Trade Statistics

Table 1.4 Trade with Iraq

Year	Exports (US$)	Imports (US$)	Trade Volume (US$)	Annual Change in Exports
2003	829,057,535	41,656,316	870,713,851	
2004	1,820,801,885	145,575,276	1,966,377,161	1.20
2005	2,750,080,410	66,434,079	2,816,514,489	0.51
2006	2,589,352,496	121,744,804	2,711,097,300	-0.06
2007	2,844,767,091	118,702,423	2,963,469,514	0.10
2008	3,916,685,263	133,056,004	4,049,741,267	0.38
2009	5,123,406,267	120,558,160	5,243,964,427	0.31
2010	6,036,362,316	153,475,601	6,189,837,917	0.18
2011	8,310,129,576	86,753,336	8,396,882,912	0.38
2012	10,822,503,458	149,327,537	10,971,830,995	0.30

Source: TurkStat, Foreign Trade Statistics

from 2003 to 2012. Trade volume, which was stabilised at an annual increase of 22 percent before the agreement, increased by 62 percent in 2008 – in the year the agreement took effect. Suffering shrinkage in 2009-2010 due to the global crisis, trade volume quickly recovered in 2011. As in the case of Syria, the trade agreement with Georgia impacted exports more than imports. Exports to Georgia surged from US$0.4 billion in 2006 up to US$1.2 billion in 2012.

Although there is no free trade agreement signed between Iraq and Turkey, the two specific milestones in terms of bilateral relations had impact on the trade volume that can be seen in **Table 1.4**. In 2003, with the uplifting of the American embargo, the trade volume with Iraq made a big leap, doubling in the first year and further increasing by 43 percent in the following year. Having stayed at stabilised rates over the next few years, in 2008, "after the security problem with Iraq was overcome", as the Ministry of Foreign Affairs puts it, trade volume kept increasing by an average annual rate of 30 percent until 2012. The Iraqi case is a clear indication towards the fact that even in the absence of free trade agreements, the uplifting of political and security related obstacles before trade has a direct impact on regional economic relations.

Throughout the remainder of this report, we will refer to the period with trade agreements in force and political relations improved as the period of "open border" or "border opening". Of course, this does not always mean that Turkey's land border with those countries and regions were/are completely sealed, as is the case for the Armenia border. Nevertheless, we prefer this terminology in order to stress that the trade volumes had been relatively small before this milestone, and that the changes after such a milestone do point to a regional opening.

1.3 THE IMPACT OF FOREIGN TRADE AGREEMENTS ON REGIONAL ECONOMIES

Turkey's policy of good neighbourhood relations with the countries in her eastern borders and its resulting impact may bring changes in the economic and social dynamics of the regions adjacent to the border. As a member of the Customs Union since 1996, Turkey intensively trades with the European Union member states through her western borders and ports. Turkish industry is also heavily concentrated in the western regions and in industrial hubs that are close to ports, such as the cities of Istanbul, Bursa and Kocaeli. In this study, we are seeking answers to the following question: Has the increase in trade with Turkey's eastern neighbours, caused the industry to move closer to the regions adjacent to the border or generate new agglomerations in these regions? If that is the case we should also observe high increases in employment levels in these regions.

The impact of trade agreements on many regional economies around the world is well documented. For example, in Mexico, the signing of the North American Free Trade Agreement (NAFTA) shifted the centre of production from Central Mexico, which is close to the capital, to the northern region, which is closer to the US border (Hanson (1998)). In China, industrial production predominantly takes place in coastal cities through which the exports are transported, while the central and inland regions are mostly engaged in agricultural production. The nature of relations between the European Union and the Eastern and Southern European countries is gradually shifting the production centres to towards the latter (Crozet (2004), Combes (2004)). In this section of the report, we are seeking to understand whether or not such a transformation has occurred in Turkey's eastern regions.

1.3.1 Impact on Regional Exports

First of all, it is important to note that Turkey's trade agreement with Syria in 2007 did not only have an impact on national exports but also on the exports from the region. **Figure 1.1** shows exports to Syria from the border regions. In all the regions, we can observe a rapid increase in exports as of 2007 - the year of the signing of the agreement. By 2011, total exports from the region more than doubles and these four regions' share in the total exports rises from 17 percent in the pre-agreement period in 2007 up to 22 percent afterwards. In 2012, as the trade agreement gets suspended due to the civil war in Syria, exports go back to their pre-agreement volumes both at national and regional levels.

The region has a significant share in trade with Iraq as well. **Figure 1.2** shows exports from the regions that are adjacent to the Iraqi border. Exports to Iraq do regularly rise in the entirety of the region; and this amounts to an increase that is much greater than the increase in national exports. While the four regions' share in the total volume of exports is on average 32 percent in the pre-agreement period before 2007, their share goes up to 43 percent after 2007. Mardin and Antep regions' contribution to this increase is particularly noteworthy.

We observe remarkable increases in exports to both countries, not only at the national level but also in the regions that are adjacent to the border. In fact, in some regions, the export figures are considerably higher than the ones at the national level. If we take into account the fact that these above-mentioned regions have rather low rankings in terms of their contribution to the added value generation in Turkey, the revitalisation of trade in the region gains more prominence and ground.

Figure 1.1 Exports to Syria From the Border Regions (2003-2012) (US$)

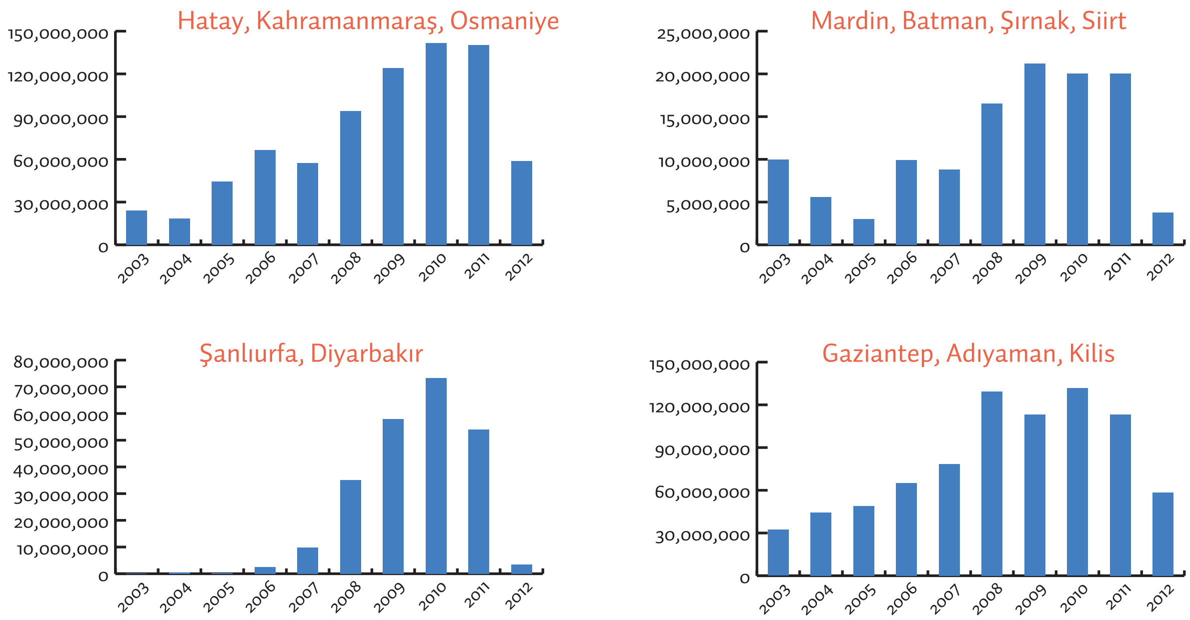
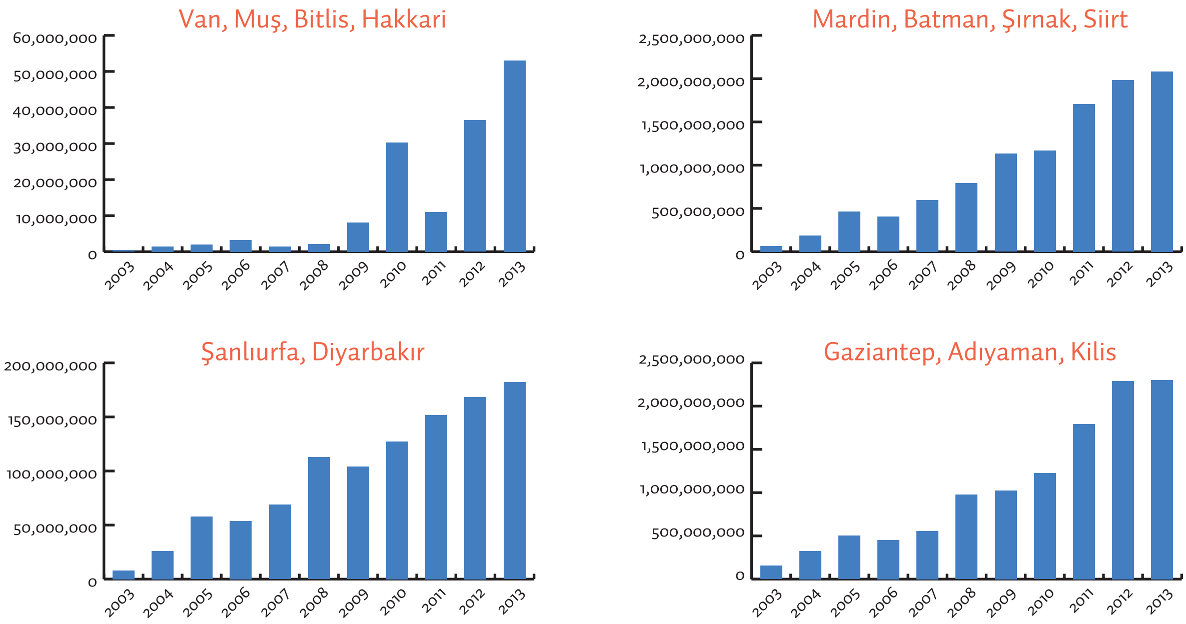


Figure 1.2 Export to Iraq from the Border Regions (2003-2012) (US$)



1.3.2 Impact on Regional Employment

A revitalized trade's contribution to the regional economy is not limited to an increase in the production of goods exported from the region. In the aftermath of the "border opening", it is possible to observe revival and increase in job creation in other sectors as well, particularly in service sectors such as wholesale and retail trade, transportation and accommodation services. Given the fact that the trade agreements were signed in 2007, analysing the changes in regional employment in the periods before and after the signing of the agreements is crucial to understand the economic impact on border regions. If we assume that the increased trade after the signing of agreements have led to economic development in border regions, then this assumption this should be reflected and verified in employment figures. As a matter of fact, unemployment and migration are amongst the major problems in Turkey's southern and eastern regions.

Figure 1.3 Changes in the Employment and Proximity to the Border (2003-2006)

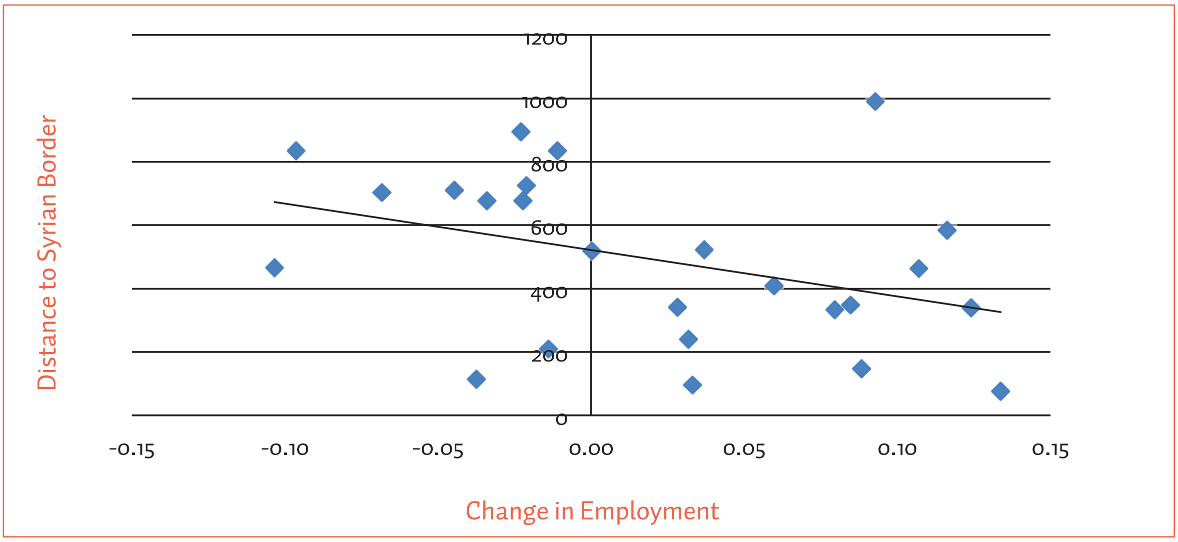
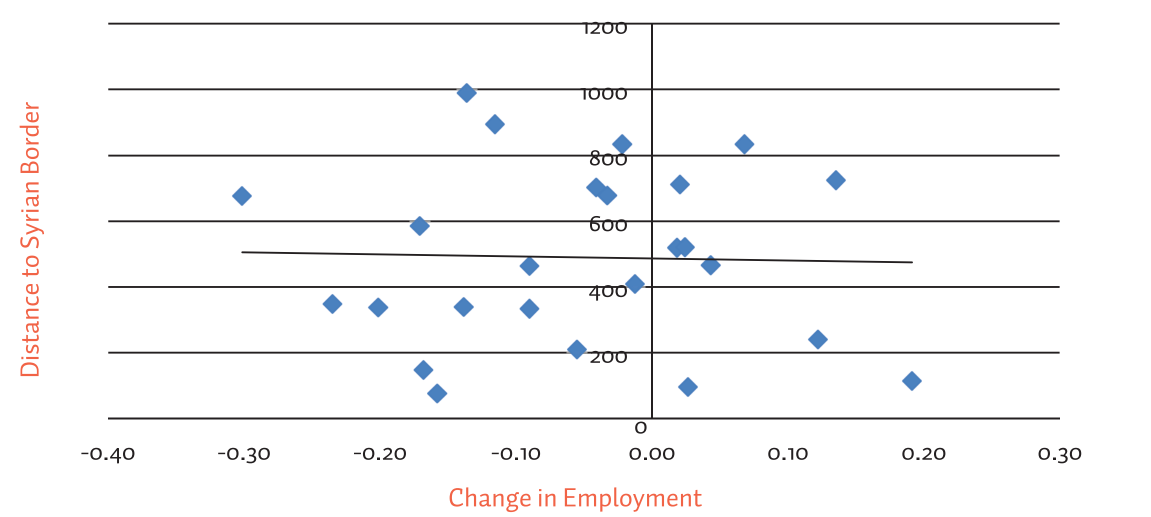


Figure 1.4 Changes in the Employment and Proximity to the Border (2006-2010)



Source: TurkStat, annual industry and service statistics. ('Proximity to the Syria Border'' is calculated as the average distance between a given city centre in each region and the border crossings - measured in kilometres and on the basis of highways. Changes in employment are average annual changes.)

Figure 1.3 and **Figure 1.4** show changes in private sector employment in Turkey's 26 regions and each region's proximity to the border gates, for the periods before and after 2007 - the year of signing of the agreements. In the initial period, 2003-2006, there seems to be an inverse relationship between the increase in regional employment and the proximity to the border but a very weak one. Border regions seem to experience somewhat higher employment increases as compared to other regions[1]. In the period after the signing of the agreement (2006-2010), we observe that the employment increases become considerably higher in border regions, as compared to other areas; and the correlation is now significant and stronger. In other words, after the signing of the free trade agreement, the employment in the border regions grew relatively more than those in other areas.

It is not possible to state - based on the above figures - that increases in employment are merely driven by free trade agreements. In addition to certain regional and sectoral factors, one needs to consider the factors that influence firms' decisions about where to locate and grow. The following section summarises these factors, designs a model that takes them into account, and uses econometric methods to generate forecasts about the impact of border openings on regional and sectoral employment.

1.3.3 Theoretical Framework

One of the basic arguments of trade theory is the assertion that the removal of barriers to trade will enable reallocation of resources and thus a more efficient use that will ultimately increase productivity and, hence, welfare in the region. According to Ricardo's classical argument, reallocation of resources refers to the structural transformation that takes place in the economy when each country specialises on products in which they have comparative advantage. However, opening up to trade can contribute to productivity not only through reallocation of resources, but also through reallocation of production amongst firms. In a study published in 2003, Melitz demonstrates that in the course of transition from a closed economy to an open one, the production shifts from less efficient firms to more efficient ones. According to this model, the total productivity of the economy increases as more efficient firms increase their production by accessing new markets, while less efficient firms lose their market share and eventually leave the market.

1 Since the regions near the border are relatively small, employment changes in those regions are higher in terms of percentages.

Specialisation, structural transformation and productivity increase driven by firm level reallocations can occur on a regional basis. Access to foreign trade routes and proximity to the border gates are amongst the major factors that determine locational distribution of production centres in a country. Krugman, in his 1991 study, shows that low cost of access to foreign markets from the regions adjacent to border gates, as compared to other areas, can lead to concentration of industrial centres in these areas. The inverse relation between transportation costs and distance encourages producers to concentrate in locations that are close to markets. This probably explains the reason why, throughout history, large cities and production centres were always situated near ports and other waterways. However, proximity to the market is not the sole determinant in the emergence of production centres.

Creation of industrial hubs is related to the vertical and horizontal relations between different sectors. Backward-forward linkages between sectors, in other words, the geographical locations of sectors that provide raw materials and inputs (backward linkage) as well as those that purchase the final products (forward linkage) are of crucial importance in location decision of firms. Studies by Krugman and Venables (1995), and Venables (1996) are amongst the studies that point out the significance of these linkages. If the role of these linkages is substantially important in a given country, then their absence or weakness in border regions that are opening up to foreign trade may negatively affect firms' decisions to move into these areas. The lack of a strong supply chain is a factor that impairs the dynamics of underdeveloped regions.

Another factor that affects the locational distribution of firms is externality. Centres where industries (firms) huddle together in great densities can experience positive externality thanks to infrastructure sharing, exchange of know-how, and technology transfers. For this reason, we observe the agglomeration of industries and firms in certain geographical hubs over time. Agglomeration is one of the major arguments in the economic literature that explain why existing production hubs keep growing as opposed to the formation of new geographical centres. Gleaser (1992) and Henderson (1995) present evidence that supports this argument.

The answer to the question whether or not the opening of a border region to trade will lead to the emergence of new production centres in that region as well as the question of which border regions will become more attractive in relation to the existing centres depend on the above-mentioned factors' significance in the economy. In order to be able to measure the impact, which is the main subject of the this study, we are examining the relationship between regional and sectoral employment changes with the following factors: proximity to border gates that are opening to trade activities; backward-forward linkages; agglomeration effects; diversity and certain control variables. Our analysis covers two particular periods in time: 2003-2006 and 2006-2010. As for the method, we are employing an empirical model similar to Hanson's (1998) model. In the upcoming sections of the report, we will first briefly describe the empirical model, summarise the data, and present the results.

1.3.4 Empirical Model

In this section, we follow Hanson (1998) by using a reduced labour demand equation from the profit maximisation problem of the firm. Employment in a given region or sector depends on the unit price of inputs used in production; the cost of transporting the final products to the markets; the price of the product itself; and external factors such as backward-forward linkages, diversity and agglomeration. The model we use in this study defines the changes in employment as a function of the above-mentioned variables. In order to stay clear of the effects of any shocks at the national level, it is more appropriate to take into account the relative changes, rather than levels. Our dependent variable is relative employment, which is calculated as the ratio of the regional employment to the national employment for each sector in each region. Changes in the relative employment can be expressed as a function of the following variables:

Relative Change in Employment = F (Relative Wage, Relative Firm Size, Backward-Forward Linkages, Sectoral Agglomeration, Sectoral Diversity, Relative Cost of Transportation)

Table 1.5 Regression Results

	2003-2006	2006-2010
Wage	-0.0531 (0.049)	0.0109 (0.040)
Company Size	0.0101 (0.042)	-0.0113 (0.035)
Forward-backward linkages	0.0639 (0.058)	-0.0145 (0.045)
Agglomeration	-0.136** (0.058)	-0.167*** (0.040)
Diversity	0.759 (0.813)	0.112 (0.514)
Habur	0.266 (0.302)	0.105 (0.175)
Syria	0.227*** (0.078)	-0.135** (0.060)
Region dummy variable	Present	Present
Sector dummy variable	Present	Present
Number of observations	947	969
R2	0.186	0.140
Robust R2	0.160	0.112

Notes: The dependent variable in this table is employment changes over time in Nace Rev 1.1 sectors and in 26 regions classified by NUTS2. Fixed effects model is used in regression. Robust standard deviations are printed in parentheses. *(p<.10), **(p<0.05), ***(p<0.01)

With the help of the available data, it is possible to calculate the individual impact of each variable on the relative change in employment by applying the panel regression method to figure out the coefficients for each variable on the right side of this equation. In this study, we used the employment and wage data for all sectors featured in the second category of Nace Rev. 2.1 industrial classification and in all regions that are classified at NUTS2 level according to TurkStat's definition. The data set encompasses 26 regions and 99 sectors. The relative cost of transportation is calculated by weighing each region's proximity to the border gates with the sectoral employment within that region. For Syria, we used the average distance between the regions in question and all the border gates; whereas for Iraq, we used their proximity to the Habur Gate in particular.

1.3.5 The Results of the Panel Regression Analysis

Table 1.5 summarises the results of the panel regression, which shows the coefficients of the empirical model as well as their corresponding statistical significance. The first column illustrates the impact on relative employment change before the signing of the foreign trade agreement (2003-2006), while the second column shows the impact on employment in the period after the signing of agreement (2006-2010).[2] The results of the regression analysis suggest that the two important factors on the change in relative employment are regional and sectoral agglomeration as well as the proximity to the border. The coefficients of both variables are, in fact, statistically significant.

2 The sectoral dummy variable is incorporated in all regressions.

The most interesting variables of the analysis for the purpose of this report are Syria and Iraq (Habur Gate) variables that represent proximity to the border gates. Throughout the pre-agreement period, 2003-2006, the coefficient - proximity to Syria border variable - is positive. This coefficient's positive value means that as the distance to border increases employment increases at a higher rate amongst the regions, controlling for all other variables. Hence, before the free trade agreement was signed employment increased relatively more in regions that are farther from the Syria border, not the ones that are close. Taking into account the fact that as the proximity to the border gate increases, the transportation costs also increase; we can argue that throughout the pre-agreement period, regions adjacent to the Syria border suffered from high trade costs due to their distance to the western regions and the ports, and as a result regional employment remained low. Yet, in the period when the free trade agreement enters into force and the border ''opens'' in a way, this coefficient becomes negative. In other words, the relationship between employment changes and the proximity to the border gates reverses, and employment increases at a higher rate in the border regions as compared to other regions in the period 2006-2010. We can fairly observe that the free trade agreement had a larger impact on the regions that are adjacent to the border due to their proximity to the market and lower transportation costs; and that employment in these regions increased relatively faster during this period.[3]

Apart from the changes observed in the coefficient sign for the proximity to the border gate variable, the magnitude of the coefficient also changes from one period to the other. In the period after the ''border opening'', we can see that the impact weakens in terms of its absolute value, falling from 0.227 to 0.135. These figures represent the fact that in the period after the ''border opening'', the regions that are closer to the Syria-Iraq border with one standard deviation, experienced an average annual increase of 2.6 percentage point in their relative employment (all other variables remaining constant). For example, TRC1 Gaziantep - Şanlıurfa region is in closer to the Syria-Iraq border, by 2.5 standard deviations, as opposed to the TR51 Ankara region. Holding all other variables constant, the contribution of the ''border opening'' to relative employment increase in the industry per annum is calculated as 6.5 percentage point higher in Gaziantep in comparison to Ankara.[4]

We also observe that the coefficient of the agglomeration variable, which is another variable that has impact on employment changes, is negative for the both periods covered in this analysis. In the regions and sectors where sectoral agglomeration is high, relative employment increases stays relatively low, or declines. In theory, the coefficient of this variable is expected to point to an increase, and employment increases are expected to be higher in regions with high levels of agglomeration, due to positive externality associated with lower costs. The fact that the coefficient of agglomeration variable has a sign opposite of what is expected can be interpreted as a sign that regional and sectoral agglomeration in Turkey is higher than the ideal levels. In this respect, it is understood that the existing production centres are in great density – beyond the desired levels – and that the new investments are shifting towards regions and sectors with less density.

Regression results concerning the coefficients of the other variables in **Table 1.5** show that these variables are not statistically significant. The sign of the coefficient of the wage variable shifts from negative in the 2003-2006 period to positive in the 2006-2010 period. This implies that employment increases in this period occurred in regions where firms pay relatively high wages. The sign of the firm size variable turns to negative in the second period, showing that increases in employment mostly occurred in relatively smaller firms. Sectoral diversity coefficient, on the other hand, is positive for both periods, which means employment also increased in regions with relatively low

3 Regional dummy variables are used in the regression in order to control the effects of the size differences between regions.

4 In the data, the standard deviation of the distance to Syria border variable is 0.77. A decrease in distance by one standard deviation causes an increase of -0.135 x -0.77 = 0.104 in relative employment. In turn, this corresponds to 2.6 percentage point increase on average annually. (10.4 / 4 = 2.6). TRC1 Gaziantep - Şanlıurfa region is closer to Syria-Iraq border by 2.5 standard deviations. Holding all other variables constant, the contribution of the ''border opening'' to the average employment change in the region is per annum 2.6 x 2.5 = 6.5 percentage point higher in Gaziantep as compared to Ankara.

diversity. However, we need to stress that these variables do not have a major impact on employment since their coefficients are not statistically significant.

When we take into account the proximity to the border variable and then compare the Habur Gate in Iraqi border and the Syria border, we can observe that the difference between the two periods is more noteworthy in the case of the Syria border as opposed to the Iraqi border. In fact, while the coefficient for the Syria border is statistically significant, the coefficient for the Habur Gate remains insignificant in both periods. However, this should not be interpreted as if there was no employment increase in the regions adjacent to the Iraqi border, or as if trade with Iraq had no impact on employment. The reason why the regions' proximity to the Iraqi and Syrian borders were examined and assessed together in this study is to understand whether or not an active border crossing such as the Habur Gate makes a difference in the Syria border coefficient. The results presented here reflect the impact of trade with both countries. Even though Turkey's bilateral relations with Iraq concerning security issues improved in 2007, the fact that some security problems in the regions adjacent to the Habur Gate continued to prevail even during the "border opening" may have played a role in the regression results.

Table 1.6 Sectoral Employment Forecasts

Nace 1.1	Sectors	Open Border Scenario	Closed Border	Difference
14	Other mining and quarrying	87	66	21
15	Manufacture of food products and beverages	3001	2289	712
20	Manufacture of wood and of products of wood and cork	291	222	69
22	Printing and publishing; reproduction of recorded media, such as tapes, records, etc.	263	202	61
25	Manufacture of plastic and rubber products	277	212	65
26	Manufacture of other non-metallic mineral products	568	433	135
27	Main metal industry	67	51	16
40	Production and distribution of electricity, gas, steam, and hot water	693	524	169
41	Collection, purification and distribution of water	381	290	90
45	Construction	2667	2033	635
50	Sale, maintenance and repair of motor vehicles and sales of fuel	3324	2523	802
51	Wholesale trade and commission trade	3195	2448	747
52	Retail trade; repair of personal and household goods	13851	10543	3307
55	Hotels and restaurants	6073	4621	1452
60	Land transport and transport via pipeline	7764	5916	1848
63	Auxiliary transportation activities; travel agency activities	406	310	96
64	Postal services and telecommunications	1333	1018	315
74	Other business activities	3290	2512	778
80	Education	898	684	214
85	Health care and social services	930	708	221
92	Entertainment, recreational, cultural and sports-related activities	371	284	88
93	Other service activities	710	540	169
	Toplam	50439	38428	12011

Notes: Employment estimates for 2010; the table compares the forecasts generated by this model for open and sealed border scenarios.

1.3.6 The Impact on Ağrı, Ardahan, Iğdır and Kars

While Turkey continues to trade with all the neighbouring countries in her land borders, with or without signed free trade agreements, her border with Armenia remains sealed since 1993. This is indeed the only closed land border in Turkey. Besides, import and export activities with Armenia are carried out through indirect channels and in limited volumes. There are anecdotes and accounts referring to the limited volume of goods being exported to Armenia through other countries (Georgia, Iran). According to the estimates from Armenia, every year goods worth US$300 million are imported from Turkey. On the other hand, official data in Turkey gives us different figures; exports to Armenia was US$241,000 in 2012, and imports from Armenia was US$222,000.

TRA2 region (Ağrı, Ardahan, Iğdır, Kars), majority of which is located right on the border with Armenia, cannot benefit from the opportunities offered by free trade agreements – unlike the other regions of Turkey – due to the sealed border. The region also cannot benefit from the indirect trade between Armenia and Turkey as the border is closed and these goods get shipped from regions close to Georgia or Iran borders. Besides, since the existing trade with Armenia is not legal and comes at a high transit cost, due to the sealed land border, the volume of the existing trade remains very limited.

By employing the very same model used above to analyse the regional impact of border openings to Syria and Iraq, we can estimate the possible contribution of ''open border with Armenia'' to employment in the TRA2 region (Ağrı, Ardahan, Iğdır, Kars), According to the results of this model, the opening of the Turkey-Armenia border would not only increase transit trade in the region, but also production and employment in many sectors. If we assume that the Turkey-Armenia border (Doğu Kapı Gate and Alican Gate) is open to trade then according to the model estimates, taking into account the effect of all other sectoral and regional variables, private sector employment in the Ağrı, Ardahan, Iğdır, Kars region would have increased at a rate of 7 percentage point higher per year than in the period 2006-2010. In other words, according to the model, if the two border gates leading to Armenia were opened in 2007, the employment would be about 31 percent (one third) higher than the current level.

Table 1.6 shows the forecasts, generated by this model, about open and sealed border scenarios for the year 2010. In the open border scenario, the total employment seems to be higher than the closed border scenario with 12,000 additional people (31 percent) in employment. Even tough we can observe the impact of ''open border'' is spread to all sectors; the impact is substantially significant in retail trade, land transportation, accommodation and food service sectors. The impact of the ''border opening'' may certainly go beyond the sectors listed here. This model's forecasts are valid only for those sectors that are active since 2006. Besides, it is impossible to make forecasts for many small sectors. The most recent 2010 data points out to some new sectors that are becoming active in the TRA2 region (Ağrı, Ardahan, Iğdır, Kars). If the border opens, the benefits and opportunities that will come along may as well lead to significant increases in the employment of sectors that were not covered here. Therefore, the model's forecasts presented here should be considered as the lowest benchmarks.

1.3.7 Evaluation

The results of this study suggest that signing of free trade agreements and facilitation of border crossings do not only increase exports at the national level, but also contribute significantly to the employment in border regions both in manufacturing and service sectors. The regions in Turkey's south-eastern borders are becoming attractive for companies due to their low-cost labour force and proximity to potential markets. It is possible to note that this may be the beginning of a structural transformation, which may help ease the load on current overpopulated production centres and lead to a regionally-balanced distribution of production.

The first lesson to take from this study is as follows: In order to increase the employment in regions that are far from the country's job creating western production centres, in particular the regions in Turkey's eastern borders, it is imperative to allow and ease foreign trade and border crossings as much as possible. As a matter of fact, the opportunity cost of the sealed border is quite significant for the region's economy. The proximity to the ''open border'' played an important role in the employment increases during 2006-2010. Proximity to foreign markets lower shipping and transportation costs, thus could contribute to the private sector employment with an average of 7 percentage point per annum if the Armenia border was open.[5] Analysis results suggest that increases could be observed not only in manufacturing but also in service sectors.

When it comes to the structural transformation, another important lesson to be drawn is the observed negative impact of agglomeration. In Turkey, the increases in employment are shifting away from the traditional hubs where firms have long huddled in. While it is true that agglomeration lowers infrastructure costs; at certain point, extreme concentration of firms in a given area starts to diminish or even reverse this effect. The results of the study show that there needs to be infrastructure investments in new centres. Incentives can be provided for the creation of such centres in the regions that are near the eastern border, where agglomeration is drastically lower, as compared to the west. The existing regional incentives already seem to favour the establishment of new hubs in these regions to increase employment. However, proximity to large consumer markets is a complementary condition for these incentives to actually work.

It is also crucial for the border regions to take advantage of their low labour costs. Even though there is no practice of regional minimum wages in Turkey, the government's contribution to a portion of employee's social security premiums - as part of the regional incentives scheme - may have a significant impact on employment rates. Incentives as such will help the regions adjacent to opening borders and support them in such a way that they do not remain as mere transit paths, but they themselves become job-generating hubs.

5 Holding all other variables constant.

THE SOCIAL IMPACT OF THE SEALED BORDER
QUALITATIVE FIELD STUDY

CHAPTER II

2. THE SOCIAL IMPACT OF THE SEALED BORDER

QUALITATIVE FIELD STUDY

The qualitative field study was designed with a view to understand the economic and social dynamics in the region. The ultimate aim is to study, through qualitative research methods, the region's inhabitants' take on a possible border opening with its economic, ethnic and cultural aspects. Econometric analyses are helpful for generating quantitative forecasts about the economic impact of border openings; however, such studies are not able to take into account the social dynamics in a given region.

The quantitative forecasts presented in the previous chapter, came out as a result of the econometric analysis conducted by Bahçeşehir University Center for Economic and Social Research (BETAM) in the first stage of the "Research on the Socio-Economic Impact of the Turkey-Armenia Border", point out to the fact that there will be an economic development in the region after the opening of the border with Armenia; however, they cannot respond to the question whether there are any social elements arising from region's history and ethnic origins that may inhibit cross-border interaction in the case of open border.

The sealed border is a substantial and solid barrier before the region's relations with Armenia. The aim of the qualitative field study, summarised in this chapter, is to seek answers to the question whether there are any intangible barriers in the region that may impact the economic and social interaction with neighbouring Armenia. What we mean by intangible barriers here is the ethnic tensions, prejudices, cultural differences as well as other issues related to the economic dynamics that cannot be traced in datasets. As part of this study, in-depth interviews were held with notable figures in the region in order to learn their opinion about the current economic situation as well as the sealed border's impact on their economic and social life in an attempt to establish the meaning of a possible border opening for the region.

For this purpose, the research team organised two site visits to the region in November 2012 and March 2013. During both visits, in-depth interviews were held with officials from public agencies, municipalities, political party representatives, industrialists and businesses, representatives of professional organisations, tourism and hotel operators, transporters, people engaged in animal husbandry as well self-employed people of different professions, media outlets and members of civil society organisations.

Interviews were held with 36 people on November 12-18, 2012 during the first site visit to the cities of Kars, Ardahan and Iğdır, which are located right on the land border with Armenia. After research team's assessment of the initial findings of this first visit, a second visit was made to the cities of Kars and Iğdır on March 24-30, 2013 and 34 people were interviewed. Within the scope of the qualitative field study, in-depth interviews were held with a total of 70 people in the region. The in-depth interviews primarily focused on the city of Kars, which was previously connected to Armenia by railway (Doğu Kapı Gate), and the city of Iğdır, which was connected via land road (Alican Gate).

According to the general conviction of the respondents, the region has been in a serious recession in economic and social terms since 1980s. The sectors of animal husbandry and plant production have been in decline, and the city of Kars in particular lost its social dynamism after the military coup in 1980. Although Iğdır experienced a notable boom in 1990s due to diesel oil trade, animal husbandry and plant production deteriorated. In recent years, the restrictions diesel oil trade and changes in agricultural incentives have negatively affected the region in economic terms.

In almost all interviews, the harsh winter conditions were cited as the cause for the current economic situation and climate conditions' negative implication on the economic and social lives were emphasised. Additionally, several respondents who were interviewed expressed the need to review the incentives and other means of support provided in the western part of the country and adjust them according to the needs of the East. There is a general conviction that the government investments in this particular region have been much less as compared to other regions of the country and that this region has been in a way "punished" especially after the military coup in 1980.

The notion of "border" is important for all the cities in this region. It is widely believed that the opening of border gates with Armenia and revival of the Kars-Gyumri Railway that will connect the region to the countries in the East would positively affect the economic and social life in those cities. The impressions derived from the in-depth interviews show that the region's integration with the national market and revival of economic and social relations with the countries in the East would bring a significant dynamism to the region. The sealed border is seen as one of the reasons for the region's failure to fully realise its tourism potential. It was emphasised that the historical and cultural assets in the region should be valued and well utilised, in particular the Ancient City of Ani as well as Sarıkamış - a promising winter tourism destination.

Various ethnic groups have co-existed in the region for many years. On the other hand, currently, there are signs of potential tension in some cities due to ethnic reasons. Azerbaijan's influence in the region and particularly its hampering stance about building relations with Armenia receives both positive and negative reactions in the region. Generally speaking, although Turkey's Azeri population living in this region states that the opening of border gates with Armenia would bring about economic benefits to the region, they do not endorse such a move. However, there is a significant demand, especially in Kars, for the opening of the sealed border gates, and the hampering stance of Azerbaijan is not welcomed in general.

The following sections discuss the findings of the in-depth interviews under three main headings: social life, economic structure and ethnic composition. The fourth section on the border gates features the region's inhabitants' views about the meaning of the border; the impact of this "sealed" state; and the possible opening of the border.

2.1 SOCIAL LIFE

It is obvious that the incidents taking place before and after the military coup in 1980 have left a negative mark on the social life in Kars. Respondents expressed that the social life in the area is rather stagnant as compared to 40 years ago and that the region has been subject to an intensive emigration of its inhabitants since the year 1970. Unemployment comes to the fore as a significant factor that causes both emigration and other social issues. However, when it comes to Iğdır, it is observed that the city has received migration and flourished in 1990s after the allowance of diesel oil trade. The fact that the diesel oil trade has stopped in the last decade has curbed this boom.

It is expressed that Kars does not have social life and people are generally locked in their homes. Climate conditions are cited as a major factor in this regard, the very long and very cold winters being accounted for preventing people from spending time outside. On the other hand, the actual reason is attributed neither to climate nor to poverty. It has been noted that Kars does not have the necessary venues and opportunities for the development of social life, simply because people are not "bothered" to engage in such things.

> *"The reason why there is no social life is not because people do not have money, it is because there are no proper places for that. They have not been able to provide that somehow; they have failed to offer a place where there could be some kind of a night life and social life." (Kars, IT Professional)*

> *"Also, the climate leads to that. Because it is cold, everyone is stuck in their homes. It is minus forty degrees in winter. Therefore, people spend all their time at home." (Kars, IT Professional)*

The scarcity of social venues in the region causes people to go the large cities in the vicinity, especially to Erzurum. The common phenomenon of going to the neighbouring Erzurum for the New Year's Eve is justified by the fact that Kars has no places for entertainment, "not even a bar where they play folk songs".

> *"When the NYE is in sight, you see people making plans that always involve Erzurum. They go to*

Erzurum. Even I myself go to Erzurum, because we have nothing here in that regard. There is a real vicious cycle in social life." (Kars, Civil Engineer)

Even though the people interviewed visited Erzurum for entertainment purposes, it was understood that they considered Erzurum more "conservative" as compared to Kars. For example, it was mentioned that a "considerable" amount of alcohol was consumed in Kars. Despite this, it was stated "places where someone from outside the city, for example, a public servant could enjoy alcohol with his spouse and/or family were really rare" (Kars, Civil Engineer). It is thought that the trafficking in women, which was rather intense in the past, has also played a role in the lack of social life. It is also understood that the biases due to trafficking in women has also led people to spend more time at home than in places like restaurants and local music clubs.

It was explained that Kars had only one cinema hall with movie screenings one month after they are released in Istanbul. However, it is known that Kars used to have 13 theatre halls in 1934, whereas today theatre plays are staged only once every three or four months. People consider this situation as a "setback" in their lifestyles.

According to a survey conducted among university students, having a shopping mall comes first in their wish list. Another finding of the survey was that youngsters especially wanted a Burger King outlet in Kars. We were informed that the Burger King ultimately opened an outlet in the city one week before the site visit of our research team. It was noted that the opening day witnessed a stampede; and this stampede was shown as an indicator of the lack of social and recreational facilities in the region.

2.2 ECONOMIC STRUCTURE

2.2.1 General Outlook

The overarching theme that came out in all interviews regarding the economic situation in the region was animal husbandry. The respondents started their remarks with animal husbandry and ended the interviews by expressing the imperative to develop animal husbandry. All the other economic activities were described as being connected to animal husbandry or as being secondary. The second domain mentioned right after animal husbandry, in the context of the economic potential of the region, was tourism. The number of industrial enterprises in the region is rather limited and they are predominantly focused on the production of milk and dairy products.

The region's main problem related to animal husbandry is the small size of operation scales with low productivity, and as a consequence high input costs. Since the initiative to establish cooperatives in the region remains rather weak, the large-scale traders enjoy price advantages while the producers suffer losses in bargaining power. The presence of certain monopolies in livestock and dairy markets causes inefficiency in the functioning of the market.

As regards problems in tourism, respondents drew attention to the importance of certain policies that prevent the region from fully utilising its tourism potential. The failure to value and make proper use of the Ani "ruins" as well as other historical and cultural heritage of the city remains as a significant barrier before potential development in tourism. The fact that the land border with Armenia is sealed, tourism routes remain limited and bypass the region, which reduces the region's chances of competition with the Eastern Black Sea region, particularly in the field of health tourism.

The presence of industry in the region is rather limited. The fact that the region is far from the West, with unfavourable road conditions, causes an increase in the transportation costs, thus reducing the region's competitive power in the domestic market. There are several investment incentives offered to the region. Some of them are geared towards agricultural development. The region is included in the sixth category, the most attractive one in terms of investment incentives; however, it turned out during the interviews that the population in the region could not adequately benefit from these incentives. Since the problems concerning land ownership have not yet been completely resolved, there is a very limited access to loans for those involved in agriculture and animal husbandry. The legal obligation to employ registered workers, a usual requirement of investment policies and incentives, causes problems in practice. As a matter of fact, several industrialists interviewed expressed that they had difficulties finding workers who wanted to have formal employment. There is also a sizeable group of people in the region that enjoy social benefits due to their income level and they abstain from engaging in formally registered economic activities. Besides, the delays and troubles in the payment of some other incentives (such as VAT reimbursement) have negative effects on the investments as well.

During the interviews held, it was stated that the population dwindled as a result of long years of emigration to other places and the demand got gradually weaker. The boom experienced in the Iğdır province for a specific period thanks to the diesel oil trade has recently been replaced by stagnation as well. The weak demand curbs the development of the service sector. The economic expectations of the people in the region seem to be heavily dependent on the government policies.

2.2.2 Plant Production and Animal Husbandry

Despite all its problems and its setback in recent years, animal husbandry remains the main source of livelihood in the region. Amongst the expressed demands for the development of animal husbandry, the demand of support for small producers comes to the fore. It has been stated that the people working in animal husbandry in the region do not have adequate resources in terms of capital to support investments above the middle scale. Therefore, relatively larger-scale investments are expected to come from outside the region, rather than the region itself.

Plant production in Kars is based on dry land farming. The climatic conditions constitute the primary factor that makes plant production difficult. Grains (wheat, barley and rye) and fodder plants (vetches, sainfoins and alfalfas) are predominantly produced. When compared with the other regions of the country, the productivity in plant production is rather low. While the yield is 400-600 kg per decares in many parts of Anatolia, the amount cited for Digor, a district of Kars, for example, is 150-200 kg per decares.

"We call it production for subsistence, for making flour only. We can only fend for ourselves. In other words, suppose that one decares of land gives a yield of 500-600 kg whereas the best land here in our region gives a yield of 200 kg." (Kars, Farmer, Digor Chamber of Agriculture)

The draught in 2012 had an adverse effect on both plant production and animal husbandry. They were obliged to buy hay from Georgia due to the draught and the increase in fodder prices caused losses on the part of those practicing animal husbandry. One of the issues most commonly emphasised is the construction of the Kars Dam. Since the completion of the dam would enable transition to irrigated farming, there is rather a strong expectation in that respect.

Other than this periodical problem, the essential issue for plant production and animal husbandry is that its competitiveness in the domestic market is very low. The negative factors that influence production the most are: inefficiency of plant production; high cost of inputs in certain places (for example, the need to use two times more oil fuel); lack of efficiency; competition by imported meat in animal husbandry.

In cases when the producers are unable to cover their costs, they need to borrow from traders. The increase in prices of fodder (1100 TL per tonne, the annual allowance for an animal) was raised as an important complaint during the period when the site visit was held. Activities of animal husbandry for dairy products are diminishing and the dairy market is marked by challenges

DIGOR CHAMBER OF AGRICULTURE
It was founded in the year 2011. The plant production throughout Digor, a district of Kars, is based on dry land farming. Predominantly, grains and fodder plants are produced. Agricultural lands exist; however, they are not suitable for agriculture since the earth is rocky. The Chamber has been working on the removal of rocks in the land for two years using an earth digger they bought. It then became possible to harvest the crop on the cleaned land in the year 2013.

both for manufacturers and collectors. It was stated that collectors had to cover kilometres for 8-10 litres of milk. The buyers need to make the payment seven to eight months in advance to be able to pay a low price for milk and this situation causes suffering both for the buyer and the seller. On the other hand, it was stated that the market was dominated by a few dairy farmers. It was alleged that the livestock exchange market of Kars was in the hands of a few people and that they forcibly charge on animal sales.

The weakness of cooperatives and similar organisations in the region prevent the producers from gaining strength. We can observe that traders have replaced such organisations. In fact, it was claimed that the traders had already shared the villages among themselves and nobody was able to enter the territory of another trader. The lack of cooperatives weakens the producers and their power to determine the prices.

The most significant structural problem of animal husbandry in the region is that it is based on small-scale production. The incentives provided for the region are geared towards enlarging the scale of animal husbandry enterprises. According to the information provided by the Kars Provincial Directorate for Food and Agriculture, the government policy is geared towards supporting medium-sized enterprises. The large-scale enterprises are supported by treasury incentives, while small- and medium-sized enterprises receive support from the Ministry within the framework of the EU funded Instrument for Pre-accession Assistance (IPARD). These support instruments are aiming to modernise the animal husbandry in the region and to turn the enterprises into competitive and sustainable businesses that can operate in the economies of scale. This policy is criticised by the villagers for its presumed offering of "support to the rich"; however, it does not seem possible to increase efficiency and quality and to ensure competitiveness of animal husbandry at the same time, unless a specific level in economies of scale is achieved in animal husbandry.

In Kars, the Meat and Fish Authority was first privatised, and then closed down. The lack of a facility in the region for animal slaughter is seen as an important problem. The livestock in the region is not bred until reaching full maturity for slaughter, is sold a few months before the slaughter or taken outside of the region. Then, the animals that are bred for a further period in Konya are slaughtered when they reach an adequate weight. Thus, the animals raised in the region are sold as some kind of semi-finished goods. Therefore, it was remarked that animal husbandry failed to provide sufficient added value in the region. It is not possible to either process or slaughter the meat in the city. For that reason, the establishment of a high capacity slaughterhouse and meat processing facility in Kars was voiced as one of the most important demands.

IPARD PRACTICES

The Provincial Coordination Office to Support Agriculture and Rural Development was established in the city of Kars in 2007. The Provincial Coordination Office has been running a grant scheme since 2011 when it was accredited by the European Union. It offers support in various fields including animal husbandry for dairy products. It provides grants to cover the investment costs of enterprises with 10-120 animals. However, it does not support the buying of animals; it only provides grants, up to 65 percent of the investment, for other investment costs of the enterprise. It is yet another challenge for the people in the region to prepare projects for these investments. Projects received from 42 cities are assessed at the central level in Ankara. The number of supported projects from Kars so far is 15. The 9th Programme, which closed its call for application in the year 2013, received a total of 17 applications.

It is stated that the failure of Kars to establish its own brand is due to this situation. It was claimed that the meat quality of animals raised in Kars remained unnoticed, since the animals are sold before being slaughtered; and the place where they were slaughtered came to the fore instead. Unregistered and informal practices in animal husbandry reached a critical level. There are two slaughterhouses in Kars and the number of animals slaughtered daily in the entire city seems to be five. The animals are sold in the city centre through brokers.

It was stated that the region did not have a foreign trade potential in animal husbandry, even though this was the main means of livelihood in the region. Exportation of animals and their meat to neighbouring countries is not possible. One of the reasons is that the international legislation is not favourable and the other one is that meat prices are said to be lower in the neighbouring countries. The most essential barrier that causes problems in terms of the international legislation seems to be the fact that brucella and foot-and-mouth disease are common. Therefore, the exportation of livestock as well as meat and meat products is problematic for the region.

On the other hand, the region also has difficulties in terms of competing in the domestic market. The respondents particularly dwelled on the differences between the East and the West with respect to animal husbandry. It is stated that the West enjoys scientifically appropriate infrastructure. It was recounted that cattle breeding in the East was entirely performed by means of natural methods, whereas different types of fodder was used in the West. As a natural consequence, fatty and well-fed bovine animals are raised in the West as opposed to the fat-free and low-weight animals in the East. The low productivity levels reduce region's competitive power in the domestic market. It was stated that the transportation, marketing and sale process of animals, sent from Kars to the West, would take long; therefore, the sellers in Kars were disadvantaged and had low profit margins.

The support provided per animal requires artificial insemination; however, artificial insemination in Kars is marked by certain difficulties. Ranking the first among them is the lack of adequate number of experienced veterinaries. The state offers various means of support for the region. The establishment of South Eastern Anatolia Regional Development Administration (DAP-BKİ) and the practices of this agency together with the practices of Serhat Development Agency (SERKA) and the Provincial Directorates for Agriculture can be shown as an example.

The strongest demand voiced by all respondents has been the imperative to adapt these support mechanism to the regional conditions. The problems with land ownership and especially the obligation to posses an immovable asset located in the city as an eligibility criterion, make it more difficult for the people in the region to benefit from incentives, subsidies and loans.

Organic agriculture is recommended as an alternative for enhancing the competitive power in agriculture. The Union of Organic Agricultural Producers in Kars was established and it sold organic wheat to the Halk Ekmek factory run by the Istanbul Metropolitan Municipality for almost four years. However, the problem of lack of market appeared again when this regular procurement activity ended.

Iğdır, which used to be a district of Kars up until 1992 and given the status of province within the same year, is also distinguished from the other cities in the region in structural terms. Its population in recent years has surpassed that of Kars and it has been receiving immigration. Iğdır is the city that is most suited to plant production in the region thanks to its characteristic of a micro-climate. Cotton was planted in the Iğdır Plain between 1930s and 1990s thanks to the water supply by the Aras River. Since the beginning of 2000s, sugar beet, fruit, vegetables and fodder plants have been cultivated.

> *"Iğdır is in a position to feed several cities, the only thing we say is the following: Iğdır actually has the same potential as Gaziantep." (Iğdır, Public Servant, Serhat Development Agency)*

Conventional animal husbandry is common in Iğdır. The medium-sized enterprises started to develop only recently. In 2013, animals were exported to Nakhchivan (Nakhchivan Autonomous Republic – a landlocked exclave of Azerbaijan). The city makes progressive steps towards becoming the breeding herd stock of the region. According to an official from the Iğdır Chamber of Commerce and Industry, the place where animal husbandry should actually be practiced in the region is Iğdır, not Kars. It was explained that animals had to be bred in an enclosed area in Kars due to its climate and that the fodder produced was not enough to feed the animals. However, Iğdır can produce sufficient amounts of fodder. It is believed that Iğdır is able to meet the total demand of corn and alfalfa in the entire Eastern Anatolian region.

> *"We are talking about animal husbandry. Iğdır is in the right position to meet the need for corn and alfalfa of the entire Eastern Anatolian region. This also applies to corn silage." (Iğdır, Public Servant, Serhat Development Agency)*

On the other hand, it is stated that there has been a significant decline in the field of animal husbandry in the last decade. The contraction was significant particularly in 2004-2005.

As a result of the changes in the incentives offered for cotton and beet in agriculture, the region faced some economic obstacles.

> *"Then, cotton production unfortunately came to a halt in Iğdır. Why did it come to a halt? The agricultural policy including cotton importation, etc. was behind this; naturally, cotton production came to a halt as a result of the agricultural policy implemented by the previous governments. Since the ministry also had a tight approach and gave a low price floor, the production of beet in Iğdır fell below 200 thousand tonnes." (Iğdır, Businessman, Iğdır Chamber of Commerce and Industry)*

The fact that a quota was imposed on beet production had a negative effect on the income generated in Iğdır from agriculture. There are no sugar factories in Iğdır. The raw materials needed for the sugar factories in Ağrı and Kars are mostly supplied from Iğdır. The privatisation or closure of sugar factories that provided employment for a great number of people is another reason for concern.

This transformation in agricultural policies, which is in fact very much needed, is not something easy to tackle for the farmers who make their living with these products. The people of the region may show reluctance to produce new products and the transformation process receives negative reactions.

2.2.3 Industry

Most of the enterprises in the Organised Industrial Zone (OIZ) in Kars are producers of dairy products. Additionally, there is a fodder factory, a few wood processing workshops and a timber factory. At the time of the site visit, it was understood that a new request was filed for the establishment of a second OIZ in the region. It was stated that the demand was mainly from İstanbul, İzmir and Ankara. Textile, sugar production, furniture manufacturing, woodwork, goose feather and stonework are the sectors that received demands. Furthermore, efforts are underway to establish an Organised Industrial Zone for Breeding (OIZB). OIZB will aim to move the animals within the city centre to the outskirts. There are plans to furnish the OIZB with the necessary facilities so that it can provide services such as slaughtering and veterinary services as well as animal care.

The industry in Iğdır has shown a rather limited progress. The lack of small- and medium-sized industry is mentioned as a major problem of the city in terms of development. In the current situation, there are enterprises that are predominantly based on agriculture and animal husbandry such as the production of dairy products, fruit juice and concentrated fruit.

The primary demand of the industrialists is to have more incentives. They demand discounts on value added taxes, interest rates and taxes in general; they dwell upon the need for cheaper fuel prices. It was also expressed that the price of the natural gas, being the same as the western regions, decreased the competitive power of the region. Due to region's remoteness from the West, transportation remains to be a major item when it comes to input costs.

As part of the incentives offered for the new investments, there are many tax advantages envisaged for the 6th zone that includes the region as well as discounts on Social Security Institute (SSI) premiums for specific periods. However, the fact that this discount is not applicable to the older enterprises receives criticism with the concerns for causing possible unfair competition between new and old enterprises. At the time of the site visit, there was a criticism about the fact that removal of the provincial-level employment incentives. It was stated that this practice caused difficulties for productive industries in the province and encouraged informal employment. Another reason for complaint is the difficulty in finding workers to work in a formally registered fashion. The practice of Green Card, which remains to be most important social benefit, is criticised for encouraging people to idleness and inaction. Those who want to continue receiving social benefits reject working as registered employees at enterprises, which may eventually restrict the extent to which such enterprises can benefit from incentives.

THE NAKHCHIVAN AUTONOMOUS REPUBLIC - AZERBAIJAN

The Nakhchivan Autonomous Republic is an autonomous republic that is part of Azerbaijan located at the junction point among Turkey, Iran and Armenia, which constitutes the only land border between Turkey and Azerbaijan.
On the Turkish side, there is the Dilucu Customs Gate and on the Nakhchivan side, there is the Sederek Customs Gate. The distance between the city of Nakhchivan (the capital of the Nakhchivan Autonomous Republic which has a population of 435.367 as of January 1st, 2014) and the Iğdır city center is 160 km. The Nakhchivan Autonomous Republic has a border of 246 km with Armenia, 17 km with Turkey and 204 km with Iran. Its surface area is 5,502.73 km2 and it constitutes approximately 6.3% of Azerbaijan.
According to the data by the Ministry of Customs and Trade, Republic of Turkey, the volume of exportation from the Dilucu Customs Directorate, through which trading between Turkey and Nakhchivan takes place, has been US$ 77,500,000 in the year 2013.

Source: Consulate General in Nakhchivan, Ministry of Foreign Affairs, Republic of Turkey

The Administration for the Development of Small and Medium-Sized Enterprises (KOSGEB) opened a directorate in Kars, which brought along some positive developments. KOSGEB provides support for small- and medium-sized enterprises that are active in industrial branches such as furniture, apparel, cheese making as well as the service sector. The 1600 enterprises that received support in the region consist primarily of dairy farms, furniture manufacturers, producers of pumice stone and fodder. It was understood that KOSGEB provided entrepreneurship training for about 600 people including a considerable number of women. This recent development is considered to be a good starting point.

Some people complained about producers' lack of access to support and the rigidity of project pre-conditions. A respondent used the following example to explain that they could not receive support from KOSGEB:

> *"For example, we received training on entrepreneurship. We told the beekeepers that KOSGEB would help them. All right, we provided the training, gave the certificates and established the standards. KOSGEB says that it would provide 60 percent support for beekeepers that met the standards. We do meet the requirements, but that 60 percent never comes." (Kars, Industrialist)*

It is expressed that there are various obstacles before the development of commerce and industry in the region. One of them is the low level of demand, and the issue of opening of the land border with Armenia is seen as an important factor in that respect. However, it was also emphasised that the infrastructure was not sufficient in all cases. For example, the roadway conditions are far from the road standards in the western parts of the country. There are infrastructural problems in the Organised Industrial Zone. It was also stated that it would not be feasible to take part in regional fairs without the opening of the border gate and the advent of trains in the region.

There are opinions about the potential of agro-industry and its further development. For example, it was shown that whey, the raw material for milk powder, could not be adequately used in the current situation. According to the statements, some brands of cheese can be manufactured only in Kars, but they are packaged in Tuzla whereas such processes can also be done in the region itself. The resources of pumice stone, rock salt and obsidian cannot be utilised adequately. It is also known that obsidian in particular can be used in the medical field and also to make jewellery.

As regards investing and personal savings, it was mentioned that people were not able to make any investments and the money rather flew outside Kars. Although there is a tendency to buy a second house with a bank loan (a loan volume of 171 million TL was mentioned), it has been understood that the tendency to buy property in larger cities is stronger. The limited nature of the market also hinders investments. Besides, there is a significant lack of qualified labour. It was mentioned that qualified employees coming to Kars did not stay there for long and left the city at their first chance. One respondent expressed his complaint about this matter as follows:

> *"We have a shortage of plumbers. If a machine breaks down, we have no place to have it fixed." (Kars, Public Servant, Regional Traffic and Control Coordination Office)*

Since Kars does not have an open border with the neighbouring countries, the exportation volume of the city is close to zero. As for Iğdır, it has an open border with Nakhchivan (Nakhchivan Autonomous Republic), and foreign trade is of great importance for Iğdır. The trade in diesel oil in 1990s provided a significant contribution to the growth of the city. Additionally, for a certain period of time, cement was exported to Nakhchivan. However, trade diminished to a great extent with the restriction of the trade in diesel oil. The fact that Nakhchivan has a population of 200-300 thousand people – according to the respondents – and rather low income does limit trading.

Due to the trade with Nakhchivan, local customs occupies an important place in the agenda of Iğdır.

> *"Of course, we would like to have a local customs. Domestic customs is very important for us. We have an exportation volume of US$ 26 million through this gate (Iğdır, Dilucu Gate). Previously, it was US$ 52 million. In 2008, it was US$ 52 million. Of course, there was not a cement factory in Nakhchivan at that time. And Nakhchivan was being re-structured. The largest share in our export at that period of time was for cement with a lot of construction and dam building activities going on. Currently, our exportation volume to Nakhchivan is around US$ 27 million." (Iğdır, Businessman, Iğdır Chamber of Commerce and Industry)*

On the other hand, the share of industry in Iğdır's employment is less than 1 percent. The lack of development of small- and medium-sized industry is described as a major obstacle before development. Currently, there are enterprises primarily based on agriculture and animal husbandry and active in fields such as dairy production, fruit juice as well as fruit concentration production. It was also said that a jeans manufacturer exported products to China.

> *"The employment of people in this region in the field of industry is below 1 percent. You cannot reach anywhere with agriculture, it does not enhance employment; they are not able to earn an income that could meet the social needs of workers. The biggest weakness of this region is the absence of industry, even on a small scale." (Iğdır, Businessman, Iğdır Chamber of Commerce and Industry)*

2.2.4 Healthcare

It was observed that the people interviewed as part of this study were not able to easily categorise the healthcare services in Kars. The healthcare services are described as being neither good, nor bad. There are some opinions claiming that the situation improved in healthcare services after the establishment of the school of medicine. The number of doctors employed at the state hospital is considered adequate by some people and this situation is attributed to the fact that the city is a destination for compulsory service. In turn, there were also some people who said *"There is no trace of healthcare in Kars."* It was declared that there were only two obstetricians and two paediatricians in Kars city centre and the service provided was not sufficient due to lack of professionals. According to some respondents, the opinion that claims "nothing is good in the city, people cannot even go to hospital" is actually the product of a bias. In conclusion, it was noted that these biases made people to go to Erzurum in order to receive treatment and that a cardiologist, who wanted to treat a patient in Kars rather than referring the patient to Erzurum, was threatened.

> *"I had an elder brother here, a cardiologist. He was threatened so many times. He was saying 'Look, he had a heart attack, he is now OK. I can treat him here.' People don't accept it and insist that they would like to go to Erzurum. The doctor says, 'No, I cannot send you there, you will die on the way'." (Kars, IT Professional)*

Another physician stated that every day he had to send three-four ambulances to Erzurum, and added that they were unable to perform angio procedures in Kars in case of emergency. They exerted a lot of efforts for an emergency service to be opened in Kars so that the referrals to Erzurum would be reduced by 70 percent.

During the in-depth interviews, the issue of heavy reliance on Erzurum in healthcare services has been raised very often. The students of the school of medicine of Kars, which was recently opened and had its first graduates in the year 2009, are attending classes in Erzurum, at the School of Medicine of Atatürk University. It was expressed that there were significant investments in healthcare services in Erzurum and people went to Erzurum even for the most minor tests or diagnostic procedures. It was stated that the buses between Erzurum and Kars primarily transported patients going to Erzurum for treatment. Erzurum serves as a healthcare centre also for the other cities in the region - Ağrı, Ardahan and Iğdır.

On the other hand, it was noted that Kars would be able to meet the healthcare services demands from other countries in the neighbourhood, such as Georgia, Armenia and Azerbaijan, if it were to improve its own school of medicine. To make use of this potential, it is necessary to improve the hospital conditions, raise the standards and establish an appropriate system. According to the statements made, if these conditions are met, foreigners may come to Kars to receive healthcare services. In this way, the city which already has a high tourism potential, can become a healthcare hub in the region and wider neighbourhood.

2.2.5 Tourism

Tourism is perceived as a major area with a development potential; however, it is also stated that there are challenges to be addressed. The development of tourism is of vital importance for the region in general and for Kars in particular.

"In other words, we have the sugar, the flour and the fire; we are just unable to bring them together to prepare the halvah." (Kars, Tourism Operator)

Tourism is seen to be a very important opportunity for the development of economy in Kars. Kars has a history that is important on a global scale as well as historical, cultural and natural heritage. However, these assets are not properly utilised. It was claimed that the perception of instability, caused both by the official policies as well as the "Kurdish Question", has created obstacles before the development of tourism.

The measures offered by one of the respondents from the tourism sector are as follows: The number of tourists coming to the East between the years 1980-1997 was about 5 percent in total number of incoming tourists to Turkey, while this rate today has fallen down to 1 percent. The tourism route starting in Trabzon and extending to Antakya suffered a dramatic blow due to the war in Syria. The war negatively affected the tourism sector in the East. While the rates of occupancy in the hotels in Kars were around 50-60 percent, occupancy rates went down to 5 percent in winter.

''Ani Ruins'' stand out as the most significant historical and cultural heritage in Kars. Almost all of the respondents interviewed in this study emphasised the importance of these ruins. The Ani Ruins, which lie at the zero point of the Turkey-Armenia border, span over a very large area. The great portion of the ancient city is still under the ground with the exception of a few edifices that were uncovered. Even in its present state, Ani is a very prominent place with its churches, mosques and fire temples, where different cultures used to co-exist. It is considered that Kars would attract millions of tourists if Ani, a place of pilgrimage for Christians, in particular for Armenians, is revived and opened for global tourism.

"This city is not able to benefit from Ani. It keeps missing that opportunity. It is an incredible place. No one knows how big Ani is. Just ask those who saw Ani for the first time: 'Were you expecting something like this?' They will respond 'No'." (Kars, Civil Society Worker at KuzeyDoğa Society – an environmental organisation)

Entrepreneurial villagers living around the ruins rent out one room in their house and work as boarding house keepers. It was stated some of them ran their entire house as a boutique hotel.

THE ANCIENT CITY OF ANİ

Ani, one of the most ancient settlements in Anatolia, is located on a land of five hectares within the borders of Ocaklı Village that is 42 km away from the city center in the southeast of Kars. Almost all that have remained from ancient Ani, an important commercial hub established on the 'Silk Road' on both sides of the Arpaçay River, which also forms the natural border between Turkey and Armenia, are located in the Turkish territory, on the west side of the valley. In Ani, which is currently an archeological site with first-degree protection, there are 21 registered, immovable cultural assets. Apart from these monumental edifices, there are also several examples of civic architecture some of which have partially been wedged under the ground.

Source: Kars City Guide, Kars City Council

There are also religious and civic edifices in the city centre of Kars, which are considered to be important cultural and historical works of architecture. Some of the old edifices in the city of Kars have been restored and used for different functions. Furthermore, it was stated that there are still 411 old buildings within the territory of the 19th Mechanised Brigade in Kars. These buildings remained intact and it was stated that they would be of great value for tourism in the future.

> *"The size of that area is almost half the size of Kars. So, imagine transformation of that place into an area with souvenir shops, restaurants, boutique hotels and art streets…" (Kars, Hotel Owner)*

On the other hand, some people also complained about the fact that restoration was carried out in an insensible manner. It was expressed that history could not be preserved in a proper way. Many old buildings in Kars were demolished; the roads paved with cut stones were dismantled and they were covered with asphalt.

The Castle of Kars and the bastions at its skirts are also important historical spots. The presence of the world's largest bastions in Kars was mentioned as an important asset for tourism.

There are people in the city that study the Malakan culture. These people have the idea of establishing of a Malakan village in Kars and promoting it for tourism purposes.

Dairy products have a particular place in the economy of Kars. Yellow sheep cheese and gruyere cheese of Kars are the most prominent ones. There is a cheese museum in the village of Boğatepe, which is located in the central disctrict of Kars.

There is a common conception that the historical and cultural assets in the city are not promoted adequately and therefore the expected value could not be created. Kars served as a scene in several movies; however, these opportunities could not be seized since the name of the city was not mentioned. It was also expressed that the officials failed to make use of international fairs; therefore, the promotion activities did not generate any results.

There are valuable natural assets of global importance in and around the city. Kars Kuyucuk Lake was awarded and declared as the European Destination of Excellence – EDEN Site of Turkey by the European Union as a result of the environmental activities and initiatives taken up by the KuzeyDoğa Society. The Kuyucuk Lake, one of the most important wetlands in Kars, holds the status of an International Key Biodiversity Area as well as a Site for the Development of Wildlife. The National Geographic shot its first documentary on wildlife in Turkey, in the city of Kars. The first wildlife corridor of Turkey was planned in Kars; there was also a proposal to establish a natural park in Kars similar to the Yellowstone National Park in the US.

It is emphasised that the district of Sarıkamış is one of the three places on earth with top quality snow. According to the respondents,

THE MALAKAN (MOLAKAN) PEOPLE

Amongst all the ethnic groups that inhabited in Kars when it was under the Russian rule, the most outstanding one is the Malakan people. The story of the Malakan people starts with their rejection of the changes to be made in the holy book titled 'Russian Orthodox Religion and Worship' in 1660s. While it was allowed to drink milk only two days a week according to the then prevalent conviction in Russia, the Malakan people rejected this diet and defended that it was possible drink milk every day. In Russian, the word 'moloko' means 'milk' and the word 'molakan' means 'one who violates the diet'. The Malakan people, who were allowed to come to the Caucasian regions in 1840s, were exiled to Kars as the Russians entered the city in 1877-1878. They settled mostly in the Yalınçayır (Zöhrab) and Atçılar villages in the Arpaçay district of Kars as well as the Çakmak village in the northwest of Kars. The Malakan people made remarkable contirbutions to the local inhabitants and economy of Kars with their labour in milling, cheese making, and agriculture. As required by their beliefs, they are against war, arms and military service. The Malakan people did not leave Kars after the Russian rule ended in 1918. However, the community was forcibly called to take arms in 1921, which caused them to migrate massively. As for the remaining Malakan people in Kars, the majority of them migrated to the Soviet Union while some others migrated to the United States of America and Canada in 1962.

Source: Kars City Guide, Kars City Council whereas people ski on ice in many places around the world, they can ski "on cotton" in Sarıkamış. It was explained that people did not and "could not" go anywhere else after they saw this place. Sarıkamış is also prominent for its pine forests and the seven long ski tracks within these forests. The Katerina Hunting Mansion - commissioned by Nicholas the II, the Tsar of Russia and built in 1896 - is also located in Sarıkamış.

Tourism in Iğdır is not well developed and there are not many assets that would enable the development of the tourism sector in Iğdır. During the interviews, the respondents expressed that a tourist coming to Iğdır would not be able to spend more than a few hours. As a solution to this problem, the 'shopping tourism' was suggested. Respondents believe that the Mount Ararat is not yet safe enough to be opened for tourism. Bungalows were built in the skirts of the Mount Ararat in order to develop tourism, yet the engineers staying there were kidnapped, which dashed the hopes about this attempt. It was noted that the celebrations of Nowruz, which is a very special feast for the Azeri population of Iğdır, could help develop tourism. However, there has not been any step taken in this direction.

> *"Iğdır does not have a cultural asset; there are not many touristic works of art there. So, it is not a city like Kars. It does not have any historical relics; therefore, we do not have something like the Ani ruins on the Iğdır Plain. You cannot spot any Russian architecture in this city. Therefore, there are not many things that could appeal to tourists. People do not spend even one day here; they stay a few hours at most, and then continue their journey. Therefore, we need to revive the shopping tourism to keep people here; we need to find a different alternative." (Iğdır, Public Servant, Serhat Development Agency)*

2.3 ETHNIC COMPOSITION

> *"Wolves and sheep could live together if it weren't for the collateral damage."*

According to the respondents interviewed in this study, there are mainly four ethnic groups living in Kars today : Terekeme people, Azeris, Kurds and the "natives". It is also noted that the Malakan people's existence in Kars continues, with a few people living in the village of Çakmak. Respondents also stated that the Kurdish population in particular was on the rise and that there was also an increase in the number of students from Azerbaijan who are currently studying at the Kafkas University. Kurds and Azeris are the two ethnic groups with the largest population in Iğdır.

2.3.1 Ethnic Tensions In the Region

During the interviews, it was noted that Kars used to be a multicultural city in the past. However, it is also expressed that today there are mutual prejudices among the ethnic groups living in Kars and that certain groups "do not want" one another.

According to some respondents, the increase in city's Kurdish population caused "the Kurds to be perceived in the same way as the Armenians". Some respondents believe that this increase caused "fear"; that this region would eventually become a "liberated territory" as the number of Kurdish parliamentarians elected from Kars increases; that it would be difficult for the people of different ethnic origins to be integrated; and that such perceptions may be risky in the sense that they may lead to wrongful policies.

> *"I believe that there will be such a fear. Even if the Armenians did not come, the Kurds here are perceived in the same way as the Armenians and their population has come close to 60 percent. They can have one Member of Parliament to represent them. There is this fear. It is feared that this place will completely turn into a liberated territory. For that reason, there is even this demand to change the student profile in the city in the opposite direction. So, if this is not a risk, then what is it?" (Kars, Civil Engineer)*

This perception also creates discomfort among the Kurds. It is stated that unfair treatment and prejudices may damage the discourse of "fraternity". A Kurdish female respondent we interviewed in the field expressed this as follows:

> *"I am a person of Kurdish origin; if we were to do such a thing, they would proclaim us terrorists. No offence, but that is how it is. The man just uprooted that post (referring to the Humanity Mon-*

ument) and poured cement under it! What does that mean? Were we not supposed to be brothers?" (Kars, Civil Society Worker at KAMER – a women's organisation)

As for Iğdır, the respondents interviewed in Iğdır said that there were no tensions in the city and no problems between the peoples of different origin. However, it is observed that in recent years, as the "peace process" (with Kurds) came to the agenda, some concerns and discomfort came out. Furthermore, it is claimed that it is mostly Kurds who enjoy from the social benefits provided in the city, which is seen "unfair" and causes discomfort.

2.3.2 Perceptions About Armenia and Armenians

According to the respondents, the solution of the problem with Armenia mainly depends on possible reciprocal visits as well as dialogue about disagreements.

"Therefore, what I see as the gist of the matter, as the ultimate solution to the issue between Armenia and us, is dialogue, talking to one another. I will go there, they will come here. I will talk to them, they will talk to me, and explain the problems." (Kars, Businessman)

Respondents emphasised that the problem is not on a personal level; and that the root cause of the problem is the policies of the states and regimes.

"We have no problems with the people. They come here, they visit our shops. We offer them tea. They come to my jeweller. I chat with them. We talk to each other, we have conversations." (Kars, Businessman)

We observe that the main obstacle before dialogue is the mutually inflicted violence as well as the parties' tendency to exclusively and selectively highlight the violence that they suffered.

"Here is the essence of the matter: Due to the requirements and the circumstances of that era, we did it and they did it too. We inflicted a terrible violence upon them; and as they were leaving, those among them who were inclined to violence, did also inflict violence upon us. Before they left, they buried many golden coins and jewellery; they left them all behind. This is a mutual thing." (Kars, Civil Engineer)

Even though the respondents stated that the problem was not about people but it was between the states; we can observe their prejudices coming out. Even though both parties had wrongdoings, people are inclined to consider their side to be the just and rightful one.

"We do not have any problems with people. However, when I sometimes think about it, it occurs to me that they teach the students at school things against me. They teach students that 'The Turks are our enemy'. On the other hand, I say 'generally speaking, they do not want us'; in other words, these guys are our enemies. They need to give up on that. We are a community that lived together. You are a people that lived under the rule of the Ottomans in the past and so are we. And you were not subject to persecution. This is what we say. They say they were persecuted. I do not know it. I am sure; they could not have been prosecuted. Because, when I look at the Turkish community, when I look at myself, when I look at my neighbours, I think that we are a Muslim community. Muslims do not have a brutal heart to oppress anyone." (Kars, Civil Society Worker at KAMER – a women's organisation)

There are countries that are hold responsible for the problems between different ethnic groups, and the United States of America (USA) is claimed to have a distinctive role as a hegemonic power. It was emphasised that "the Armenia(n) politics under the influence of the US" prevented the improvement of relations with Turkey. Otherwise, there were no problems between people and the Turks visiting Armenia were welcomed with respect.

"I myself visited Armenia through Georgia. The people there do not have any problems with the Turkish nation. It is only the politics of the hegemonic powers. What could these hegemonic powers do to weaken you? To prevent political relations between states, the hegemonic powers created a lobby there, as well. We were hosted by the president of a high criminal court. We conversed with several people, from street vendors to the ironmongers and shopkeepers. When they learn that you are a Turk, they respect you.

The Armenian politics is under the influence of America, the hegemonic power; and the guys sell oil under the influence of America, they sell it." (Kars, Civil Society Worker at KAMER – a women's organisation)

It is noted that the Armenians that enter the country via illegal means are not given jobs under any circumstances in Kars, where the unemployment level is high. The reason behind this is that the employers are afraid of the local pressure and do not want to employ Armenians even though it is more cost-efficient. It is claimed that all these prejudices, state ideologies and practices do consequently harm Kars and curb the city's development.

There is a common assumption that the mutual prejudices are underpinned by fanaticism and that this phenomenon is fed by the "official ideology of the state". The Azeris are also seen in this lens, though not as much as Armenians and Kurds.

"Now the Azeris came here. They are also fanatic. They have a state ideology and so do we. Everything is black and white. We tell you the black. They tell you the white. However, they do not know that the grey shades are important for us." (Kars, Businessman)

In Iğdır, we can observe a greater tension between ethnic groups as compared to Kars. This manifests itself in the following statement: *"Iğdır does not give free passage to traitors."* It is known that the Association to Fight Unfounded Armenian Allegations (ASİMDER) has a harsh attitude in the region with respect to Armenia, which needs to be seriously taken into consideration. During the in-depth interview with ASİMDER, the members of the association stated that they had and would have no problems with the people of Armenia; that they fought against the policies of states; and that the problem is caused by the Armenian Diaspora and Russia, which took hold of the Armenian government. The members of the association denied having any racist approach and emphasised that they were in favour of dialogue. The opening of the border with Armenia will be acceptable to them only after Armenia ends its "occupation in Karabakh" and "gives up of its genocide claims".

On the other hand, ASİMDER members also stated that there should be preparation for the opening of the border and that is imperative to psychologically prepare the people in both sides for open borders.

"The people do not have a problem, yet they need to undergo a psychological education. Opening the door as such is not enough. We have been saying all the time that we have no problems with the people of Armenia. Would it be useful to open the gate? It would. People should meet and mingle with each other. However, what do we do with the memorial (Armenian Genocide Memorial) there? What do we do with the one here (Iğdır Genocide Memorial)? What do we do with the national heroes there?" (Iğdır, Civil Society Worker, ASİMDER)

2.4 BORDER GATES

Most of the people interviewed during the site visits of this qualitative field study are aware of the fact that while the region is at certain distance to the domestic market, it is close to some other markets. Multiple respondents said: *"The gates should be opened. We have a very large market right next to us. We can go as far as China."* The fact that the border gates are sealed prevents a possible opening to new markets. On the other hand, it was emphasised that people were not adequately informed about the benefits that would come along with open borders.

In this respect, the Nakhchivan experience sets a very important example both in the positive and the negative sense. While the cheap and unregistered workforce coming from Nakhchivan is considered as an opportunity for business circles, the inhabitants of the region perceive it as a threat. On the other hand, it is noted that even the daily shopping routine of the people of Nakhchivan does contribute to the economy of Iğdır. Therefore, there is a general acknowledgement that the opening of the border with Armenia would have a positive impact on trade in the region.

"Kars is the border, but it is not the end; it is the beginning. Kars means the border city in the Georgian language. It is called Kariskalaki." (Kars, Businessman, Kars Commodity Exchange)

Almost all the people interviewed in Kars expressed a positive opinion about the opening of the border gate with Armenia.

"We travel a distance of five minutes in eight hours. We share the same water, same air and same earth. But we have to take a detour via Georgia." (Kars, Public Servant, Provincial Directorate for Culture and Tourism)

There is a common conviction that the opening of the gate will be beneficial both for Kars and Armenia. The general view is that there are no problems between the peoples. The state policy influenced by Armenia's occupation of Nagorno-Karabakh is cited as the reason for the border being sealed. It is acknowledged that the main determining factor for this state policy is Azerbaijan. It is noted that Turkey cannot enforce a political decision that is not endorsed by Azerbaijan due to the natural gas and other supplies from Azerbaijan. Some of the people interviewed were of the opinion that Azerbaijan used the matter of energy as a trump card against Turkey and opened a consulate in Kars to act virtually as a "watchdog". Those respondents do not welcome such approaches from Azerbaijan.

The policies by big states ("politics of the hegemonic powers") are cited as another reason why the border gate remains sealed. Although the Nagorno-Karabakh conflict and the pressure from Azerbaijan are visible reasons, it is alleged that the gate can be opened "instantly" as soon as Russia and the US reach on an agreement. One respondent stated the fact that Turkey shut down the border gates with Armenia and considered this a political sanction against Armenia, did minimise the commercial potential of Kars. From the perspective of ethnic groups, one can claim that the most critical opposition against the opening of the border gates comes from the Azeri population of Iğdır.

"Actually, if we were to talk in Kars only with the locals of Kars, we could have said that the door should be opened tomorrow. If we would come to Iğdır, we would have still said the same thing if we had only talked with the Kurds. However, a different conclusion would come out when we talked to the Azeris." (Iğdır, Civil Society Worker, ASİMDER)

Some people also claim that the opening of the border would not really be beneficial for the region, citing as a reason Armenia's small population and its weak purchasing power. On the other hand, it was noted that expectations of an economic boom as soon as the gate opened do not make sense, and that the open border would provide significant benefits in the medium and long term. According to this view, if the economic relations are maintained properly, the opening of the border gates in the short run will mean 2.5 million people adding up to the population of Kars. Moreover, it is also argued that the airway route with Armenia is currently open; flights are scheduled between Istanbul and Yerevan; commercial activities are performed; and Turkish goods that are transported indirectly through Georgia and Iran are marketed in Armenia at high prices.

"Our gate with Armenia is closed, yet there is already trade between Armenia and Turkey. There are partnerships and commercial relations; the airway route is open. The people from the Black Sea region transport their goods via a detour, sell them there and come back." (Kars, Businessman)

On the other hand, there is also a common belief claiming that one of the reasons why the trade with Armenia takes place via Georgia is to do with "powers-that-be" in Tbilisi. Even though having direct trade with Armenia through Kars, as opposed to indirect trade via Georgia, seems attractive to the respondents, some expressed that the border gate should not be opened without a resolution in Nagorno-Karabakh. Some respondents did not state any view on this matter, while some deemed it sufficient to say that this was a state policy.

Kars does not have any exportation, neither to the neighbouring Armenia, nor to other countries in the neighbourhood. On the other hand, there are efforts to raise awareness about possible exports. The activities of the Exporters' Union in Erzurum seem to have been useful in that regard.

We could observe two main approaches in the region; one arguing that the opening of the border gates would be beneficial for the regional economy, and the other one arguing that there would be no benefits at all. The main arguments that these two views are summarised as follows:

- The weakness of the Armenian economy underpins both approaches. In other words, this situation can be seen both as an opportunity and as a weakness. According to the argument, which sees this as an opportunity, 'any product that cannot be manufactured in Armenia can be exported; moreover, the business people from the region can set up businesses there" (Kars, Farmer, Digor Chamber of Agriculture). According to the second argument, which sees this as a weakness, ''trade with Armenia cannot be possible if there is no purchasing power''(Kars, Tradesman, the Union of Organic Agricultural Producers).

- Another argument, by those who advocate that the opening of the border gate will be useful for the economy of Kars, is the expectation that the existing trade with Armenia - currently made through Georgia - will then be made directly from Kars, which will revive trade in the city. The opening of the border with Armenia is also considered important, since as a consequence, it would make Kars something more than a border city and will turn it into a transit city. (Kars, Tradesman, Chamber of Tradesmen and Artisans)

- The unemployment in Armenia may have negative implications in the sense that cheap labour may enter Kars, as experienced in the case of Nakhchivan.

- Since the Armenian economy is based on agriculture and animal husbandry, the opening of the border is not expected to contribute positively to region's animal husbandry. As it is thought that meat prices in Armenia are lower, the selling of dairy products may be considered an opportunity.

- The opening of the border will mostly contribute to tourism; small-sized tradesmen will reap its benefits.

- The development of trade with Armenia will be important mostly for its contribution to the development of the transportation and logistics sectors, rather than the marketing of goods manufactured in Kars.

The primary benefit of the opening of the border is cited as its economic benefit. However, some people interviewed during the site visits drew special attention to the psychological and cultural aspects of this matter, as well. According to these people, opening of the door does not only mean opening to Armenia, but beyond that, it means the opening up of the "horizon" towards the East. Besides, there is a conviction that relations with Armenians will thrive and cultural exchange will be revived.

> *"If the doors open, tourism in this region will change to a great extent. You may ask 'what is the tourism potential or the sale of food products in Armenia'. That is not the case at all. The opening of that window from that sealed door will turn into a window that opens to the horizon, which will have profound and positive benefits for the human psychology." (Kars, Tourism Operator)*

> *"To which extent can we can continue with this isolation and refrain from communication and commerce, or claim the opposite to be true; is that possible? Commerce is only possible by means of communication, tourism, meetings and mutual visits. I don't know. Yerevan is only 18 - 20 kilometres away from here; it has a population of approximately 3 million people. Imagine that this gate is opened! From Iğdır, It takes us 18 hours to go - not only to Armenia - but also to Baku, Azerbaijan; if the gate is opened, we will be able to go to Baku in 6 hours." (Iğdır, Businessman, Iğdır Chamber of Commerce and Industry)*

In the year 2005, a campaign led by the Naif Alibeyoğlu, the Mayor of Kars at the time, was launched under the motto "*Close Down Metsamor, Open the Border Gate*" and 50.000 signatures were collected. In that period, there were guests from Armenia coming to Kars and taking part in various events organised the municipality. The fact that "*both peoples danced the halay together*" is considered and shows that there were not and would not be any problems between the peoples. It is also noted that there are mutual visits with Armenia, especially in the villages of Digor that is nearby border and the Halkışlak village that is located right on the border. There is only a small stream between the border villages in this region and when the stream gets frozen in winter months it becomes possible to go back and forth across the sealed border.

METSAMOR NUCLEAR POWER PLANT

Metsamor is a 32-year-old nuclear plant, located in an active earthquake zone around 30 km west of Yerevan in Armenia. It is the last nuclear plant outside Russia that still uses a Soviet-model pressurised water reactor, the design of which dates back to the 1960s. Armenia is thus largely dependent on an aged nuclear plant, which produces approximately 40% of the country's electricity, located in a seismic zone. In 1988 an earthquake with a magnitude of 6.9 on the Richter scale occurred fewer than 100 km from the Metsamor plant. The Metsamor plant was subsequently closed, but one reactor was reactivated following the energy crisis caused by the 1988-1994 conflict with Azerbaijan over disputed territory of Nagorno-Karabakh. On 18 April 2012 Parliament adopted, within the framework of the negotiations of the EU-Armenian Association Agreement, a resolution with recommendations addressed to the Council, the Commission and the European External Action Service requesting that the Metsamor nuclear power plant be closed before 2016.

Source: European Parliament

Iğdır has land borders with Azerbaijan (The Autonomous Republic of Nakhchivan), Iran and Armenia. The Alican Border Gate connecting to Armenia as well as the Boralan Border Gate connecting to Iran are both closed. There is no local customs gate in Iğdır. The only open and functioning border gate is the Dilucu Border Gate that opens to the Autonomous Republic of Nakhchivan. A decision by the Cabinet of Ministers allowed the border trade with Nakhchivan. In other words, people holding border trade certificates are able to buy and sell goods without going through the internal customs procedures. The trade with Nakhchivan is based on goods that are not manufactured in Iğdır but come to the city from outside, such as construction materials, iron and carpet. The only product that has so far been bought from Nakhchivan has been diesel oil.

"The diesel oil comes into Iğdır thanks to the cabinet decision. In return, construction materials are sent to the other side, as part of allowed the border trade. Under normal circumstances, we are not authorised to engage in importation and exportation activities. Border trade is done to contribute to the people of Iğdır. And it is mostly construction materials that we sent from here. As I said, there is nothing on the other side. I can think of rugs, they send here rugs. They also send wheat sometimes." (Iğdır, Public Servant, Dilucu Directorate for Customs)

The volume of goods sold to Nakhchivan does not seem remarkable. It has been understood that the materials transported in twenty trailer trucks could actually fit in one trailer truck; in other words the actual aim is to bring diesel oil from Nakhchivan. During the period when the diesel oil trade was totally free and allowed for everyone, many people sold their agricultural land and tractors and bought trucks. While in the past, tonnes of diesel oil were brought to Iğdır from Nakhchivan, today the trailer trucks are allowed to carry 550 litres of diesel oil, trucks 400 litres and buses 300. Anything above these volumes is subjected to taxation at the border.

"Then, our gate with Nakhchivan was opened. With the opening of our Nakhchivan gate, everyone focused on diesel oil trade. Naturally, everyone began to buy vehicles by selling their animals and jewellery. That is the reason why unfortunately animal husbandry and agriculture declined in parallel and came to a halt in Iğdır." (Iğdır, Businessman, Iğdır Chamber of Commerce and Industry)

The restrictions imposed on diesel oil traded turned out to be a significant problem for the customs officials working at the border. During the interviews conducted at the site visits, they expressed that they had difficulty enforcing the law and they were occasionally pressurised by people.

People from Nakhchivan come to Iğdır to work here. It is noted that this unregistered and illegal workforce is open to exploitation and abuse. On the other hand, there is a decline in women trafficking as compared to the past due to the aggravated penalties. Since the Boralan Border Gate in Iğdır is closed, passage to Iran and transiting to other countries via Iran is possible through the Gürbulak Border Gate, which is located in the Doğubayazıt district of Ağrı province. The transporters who were interviewed underlined the problems they faced with passage to Iran, noting that Iran "charges a city tall" to transport companies and sells fuel two times higher than the regular price; transporters as a result incur much higher costs and fail to compete with Iranian transporters.

It was also expressed that there was a decline in the trade with Iran due to the economic crisis there as well as political reasons. While more and more people from Iran used to come to Iğdır and Doğubayazıt for shopping, their number has recently declined. This situation has significantly influenced the passenger transportation to Iran as well as exports. Therefore the opening of Boralan Border Gate is quite important for Iğdır. There is a strong demand for the establishment of a free zone in Iğdır, which it is located at a junction point.

The fact that vehicles are kept waiting at the customs for weeks while transiting through Iran is cited as another major problem. Therefore, according to the transporters, a corridor that would open to Azerbaijan through Nagorno-Karabakh will be of great importance. It was underlineds that the opening of the border gate with Armenia would significantly reduce the travel time from Iğdır to Baku down to 6 hours, which is currently 18 hours. Because of its previous experience in border trade and transportation, in Iğdır there is a good level of awareness about the benefits of border gates.

"Turkish goods go to Armenia through Iran, and it is Iranians who make money out of this business." (Iğdır, Pharmacist)

However, in Iğdır, particularly amongst Iğdır's Azeri population, the sealed state of the border gate is perceived as fair and as a must as opposed to the people in Kars who take this as a state policy. In this segment of the population in Iğdır, the discourse and demands about this matter is sharper. Even though the economic benefit of an open border gate is uttered, the opening of the border is not desired unless certain pre-conditions are fulfilled. It is possible to summarise the statements and discourse of business circles in this regard as follows:

- Turkey has taken the necessary steps with respect to Armenia. Turkey did not ban the entry of Armenians to the country; did not intervene in the case of those working illegally in Turkey; opened the airway route to Armenia; turned a blind eye to the exports and imports via Georgia despite the ban on trading; and opened "Akdamar" (Akhtamar Church) in Van for religious service. Armenia should also take the necessary steps.
- Armenia should relinquish its demand for land from Turkey; give up its claims about the genocide; and solve the problem of Nagorno-Karabakh.
- Turkey's losses with Azerbaijan will be much more than its gains from Armenia. For that reason, Armenia should firstly solve its problem with Azerbaijan.

2.4.1 Railway

"Railway is at the same time a way of culture."

The Baku-Tbilisi-Kars Railway is seen as the most promising investment in the talks related to the development of Kars. According to some people, the railway will result in an economic "boom" in Kars. Others, however, acknowledge that the railway will bring its benefits, yet they point out to the possibility that Kars may only remain a transit point. On the other hand, it is expected that the logistics village and the logistics centre, planned to be built in parallel with the railway, will be instrumental in solving the employment problem in Kars. Yet, there are also rumours that this logistic village and centre will actually be established in Erzurum, bypassing Kars. Some respondents expressed concerns over this matter. Once the Baku-Tiflis-Kars railway becomes operational, there will be need to establish customs; the possible establishment of such a customs gate in Erzurum, instead of Kars, is not welcomed either. Respondents voiced their demands and expectations by noting that they want to see the railway-related investments in Kars.

When we look into the opinion of respondents in Kars, we can see that some people noted that while there is already an existing railway connection to Armenia (Kars-Gyumri Railway) that could resume operating, such a project means "taking a detour". On the other hand, the Baku-Tbilisi-Kars Railway, which was planned to be opened in 2012, was still not completed in 2013 at the time of the last site visit.

According to some respondents, the formerly active railway can thrive with the opening of the Armenia border gate and can bring comparative

BAKU-TBILISI-KARS RAILWAY

Baku-Tbilisi-Kars (BTK) railway is a regional railway that will directly connect Kars in Turkey, Tbilisi in Georgia and Baku in Azerbaijan. The total estimated cost of the project is US$ 600 million. The key objective of the project is to improve trade and economic relations between the three regions, as well as attracting foreign direct investment by connecting Europe and Asia. The project will facilitate transportation of passengers and goods, and principally oil. The project was originally scheduled for completion in 2010 but has been delayed. As of October 2014, more than 90% of the work on the railway line in Turkey has been completed. The railway is expected to open in 2015.

Source: Railway Technology

advantage in terms of tourism. In the past, before the border was sealed, there used to be a once a week train between Kars and Gyumri, the neighbouring city in Armenia. At that time, the passengers waiting for the train back to Armenia used to stay in Kars for a couple of days. According to some respondents, since the Baku-Tbilisi Railway will be passing through Kars, it will raise the value of currently idle fields and lands. This will lead to the construction of various customs warehouses and revival of trade. It is also noted that businessmen from Azerbaijan has already started buying lands in the area designated for the customs warehouse.

2.5 ASSESSMENT

According to the findings of the qualitative field study, there are two main factors that come to the fore and account for the poor economic status of the region, which is one of the least developed areas in Turkey: 1- Failure to modernise agriculture and animal husbandry, 2- Lack of development in non-agricultural industries due to the decreased competitive power resulted both from winter conditions and remoteness from other regions.

KARS-GYUMRI RAILWAY

DOĞU KAPI

Doğu Kapı is the border gate between Armenia and Turkey, located 70 km away from Kars in the district Akyaka. The railway connection as well as the border gate remains sealed since 1993.

Source: Kars City Guide, Kars City Council

However, the people in the region believe that they are "punished" in a way due to the political past of the region and this situation deteriorated especially after the military coup in the year 1980. The increase in emigration and decrease in population after the coup resulted in lack of demand; thus, curbing the development of the regional economy.

The ethnic composition of the region did change as a result of migration. The Kurdish population increased in number and became the largest ethnic group in Kars. Nearly half of the population in Iğdır is made up of the Kurds. The Kurds represent the ethnic group that gives the strongest support to the opening of the border in the region. Amongst other groups, the Azeris come to the fore as the ethnic group with the least support. In this context, it can be interpreted that the viewpoint about the possible opening of the border is more favourable in Kars.

The in-depth interviews conducted demonstrate that the people in the region mostly believe that the opening of border gates with Armenia will have positive impact on the economic and social life. This is a commonly expressed opinion, even amongst those who are against the opening. It was frequently emphasised that the problem was not between peoples, but between states. In terms of economy, the business community in the region takes the border opening seriously, seeing it an opportunity for new venues of business. Tourism, accommodation, transportation, retail and wholesale trade sectors are considered to be among the ones that will benefit the most from open border. It is generally acknowledged that the border opening will increase the demand and will lead to an economic revival.

The psychological effects of a possible border opening should also be taken seriously. The in-depth interviews held as part of this qualitative field study demonstrate that the opening of border with Armenia is not only related to Armenia as such, but it also has the potential to tear down the perception of the "sealed state" image in the region. The people of the region feel isolated and far from the West, and they feel that they are excluded from the Georgia-Trabzon-Erzurum-Iran commercial route. According to the people in the region, the border separates the region not only from Armenia, but also from the outer world. The opening of the border will help this region to become a place where Turkey begins, and not a place where Turkey ends.

The findings of the qualitative field study show that there are no serious obstacles that may prevent the economic and social development in the region after the opening of the land border with Armenia. However, the conditions under which the border gates open will be important for the Azeri population living in the region. The solution of Nagorno-Karabakh problem ranks the first among these conditions. If the state takes a step towards opening the border, this will be an act welcomed by all the other ethnic groups in the region.

EXPERT OPINION ON THE QUALITATIVE STUDY

CHAPTER III

3. EXPERT OPINION ON THE QUALITATIVE STUDY

H.Neşe Özgen[1]

In April 1993, Turkey sealed its land border with Armenia, unilaterally and completely, in response to the Nagorno-Karabakh war between Armenia and Azerbaijan and suspended "good neighbourhood." relations. This border, which starts at the Çıldır Lake and extends to Iğdır-Dilucu with a length of 328 km with one section traversing the Aras River, a river which witnessed thriving commercial relations between the governments of Turkey and the USSR until the Cold War period. Since 1993, in spite of several efforts in political, cultural, social and economic domains to open the border, it remained as "**the only closed border"** of Turkey.

In 2008, Abdullah Gül, the then President of Turkey watched the a World Cup qualifying football match between Armenia and Turkey in the company of his counterpart Serzh Sargsyan, President of Armenia, as his guest in Armenia, which was a very important step, yet failed to take the policy of good neighbourhood relations to the desired level. The protocols signed by the Ministers for Foreign Affairs of both countries on October 10th, 2004, in Zurich, Switzerland, which envisaged the re-establishment of diplomatic relations and opening of the border, unfortunately were not ratified by either of the parliaments and eventually got suspended.

It was in such a context that I took part, as a member of the research team, in the site visits carried out as part of this research carried out by Bahçeşehir University Center for Economic and Social Research (BETAM) and Social Research Center (SAM) in the years 2012-2013 upon the request of the Hrant Dink Foundation.

In this section of the report, I will discuss the findings of the qualitative field study c in order to establish the human dimension of the sealed border, and to understand and to explain the consequences of this "closed state".

This section also aims to summarise the sociological profile of this border in the light of the research I conducted, again on this border, in the years 2006-2009[2].

As part of this research, a qualitative study was conducted with the involvement of people having leadership qualifications from various perspectives in the economic, social and cultural lives (*key informant*), examples reflecting the daily social potential (*casual effect*), academy and other intellectual social structures (*intelligent effect*) in the cities of Kars, Iğdır and Ardahan as well as their districts.

3.1 THE HISTORY OF BORDER'S PERMEABILITY

The border between Turkey and Armenia has been in a permeable state since 1921. The reunification of families who were separated and fragmented on either side of the border between 1928-1938; volumes of exportation in the period of 1935-1960 banked through Ziraat Bank; organisation of various sports activities and contests between the two countries under the state control as well as other similar venues of interaction came to a halt with the start of the Cold War era[3]. It was quite promising to see that many tradesmen, herders and former elites in the agricultural sector from Turkey – at very local level- became rich thanks to these economic and human connections. Many local agricultural groups from towns and villages seized the chance to become urban tradesmen, and the human interaction between the two countries continued to develop between 1921-1938 albeit in a controlled manner.[4]. However, it is possible to say that, in the aftermath of the Cold War, the traces of the stigmatisation of "those at the border" as "collaborators

1 Professor of Sociology

2 For further information about this particular study and other articles, please visit http://neseozgen.net/caucasian-boundaries-and-citizenship/

3 For further details about these personal and official contacts please refer to *"Caucasian Boundaries and Citizenship from Below"* by the Max Planck Institute for Social Anthropology.

4 For the findings of this particular study by Özgen. H.N., please see http://neseozgen.net/wp-content/uploads/84.pdf.

of ethnic enemies"; the perception of border areas as isolated ethnic pools, thus as a national security issue; and the naming of Armenians (not Armenia) as the "eternal enemy-neighbour" is still widespread today. The traces of the official history construct that dates back to the year 1938 is still maintained today.

In recent periods, the closed state of the border was investigated by various experts with respect to security, international relations and economy; however, very few studies assessed the human capacities of cities on both sides[5].

Leaving aside a group studies performed with political engagements and within the context of the foreign relations, majority of which unfortunately carry rather a racist tone, the academic literature that deals with the sealed Armenia border as well as the mutual benefits of both countries can predominantly be termed *political-academic studies*. These studies actually put the economic benefits of the opening of the Turkey-Armenia border in the foreground and list down the economic and political gains of this opening for both countries.

Researches that dwell on this topic, from the perspective of either country, focus on the economic benefits an open border. This is clearly seen in reports drafted for Turkey. The topics that are tackled very often include the potential for enlarging the market of Trabzon and Eastern Anatolia, their potential gains from an open border, the impact on the Batumi, Iranian and Chinese markets, the dynamism of commercial activity to be enhanced by the railway and similar gains[6]. The reports by the European Union[7] and in particular the report titled "Economy of Peace"[8] published by the International Alert discuss the great economic importance of open borders for both parties with detailed statistics and comparison.

On the other hand, this study, which was conducted in the period 2012-2013 by BETAM and SAM upon the request by the Hrant Dink Foundation, in an effort to scientifically investigate the economic and social impact of the sealed border, shows us that the discussion on mutual gains offered for both countries in case of an open border, should not only remain in the political domain but should also be debated in terms of its ethical aspects.

3.2 ASSESSMENT OF THE QUALITATIVE FIELD STUDY RESULTS

This study, which surveys the social, human and economic effects of the sealed Armenia-Turkey border on the people of the region, shows that this border that is closed to the flow of goods and people has in fact triggered various exchanges in indirect ways. During the field study, we observed that certain relations were still maintained such as cultural and artistic activities; festivals geared towards strengthening the bonds of friendship and memory between both sides; joint productions in cinema, visual arts; indirect trade via Georgia and Iran. However, the essential problem here is the fact that the border is sealed. The sealed border in a way makes all these economic and social relations and interactions illegitimate on the one hand, and subjects these relations to the political manoeuvres of a rhetoric that leans on the power apparatus, thus making them vulnerable.

Human and Commercial Relations Knows No Boundaries

It is not possible to say that the sealed Armenia-Turkey border is not permeable and it hinders all social and economic relations. In the contrary, the commercial and human contact established along the route of Istanbul-Trabzon Iğdır already extends to Nakhchivan and stretches further to Central Asia. It is possible to see that another commercial and humanitarian route: İstanbul-Erzurum-Kars/Artvin/Ardahan. The route of

5 Fabio Salomoni's study *"Construction of Cultural Borders: The Relations between the Cultural, Socio-Economic and Ethical Status Indicators in Turkey"* conducted in 2009-2011 with the support of TÜBİTAK is a good example of this.

6 Baghramyan, M. (2007) *"Estimating the Change in Trade Flows Between Armenia and Turkey if the Border is Open: Case Study Based on Georgia-Turkey and Armenia-Iran"*

7 The reports published by the European Union on this subject is listed in the Bibliography.

8 For "Economy of Peace" please see International Alert (2004), *From War to Peace: the South Caucasus,* Economy and Conflict Research Group of the South Caucasus. International Alert Publications.

İstanbul-Trabzon/Hopa-Batumi-Armenia has indeed already extended to Armenia through tourism and commercial relations work rather well. Another route of exchange runs through İstanbul-Mersin/İskenderun/Doğubayazıt-Iran-Armenia. It would not be wrong to say that the developing commercial and human relations know no boundaries and those who want to be engaged in relations already do that, albeit indirectly. As expressed by a respondent, *"Humanity and trade know no boundaries"* (Iğdır, Merchant, 40 years of age).

On the other hand, during the site visits of this field study, we observed the excitement of the region's residents about the awaited Baku-Tbilisi-Kars Railway as well as the importance they attached to the land road connection between Iğdır, Doğubayazıt and Kars and the enthusiasm that these connections and flows triggered among the residents. Both the statement by a respondent from Iğdır *"What do I produce? I produce bread. However, if the market were large, I would produce everything. Today, I sell plaster. I produce and sell everything" (Iğdır, Small-sized enterprise, Trader, 45)* as well as the statement *"a commercial system that is healthy should be based on production. What we have here is buying-selling, marketing and service. If we had a bit of production, that would make everyone happy."* (Çıldır, local authority, 55) are indicators that the local people already look towards a future that goes beyond the borders of their hometowns.

Is the Border Gate Closed Only to the Region?

Having said that, we observed during the interviews in the region that they were well aware of the above-mentioned human and commercial relations as well as the current trade done indirectly via Georgia and Iran. **It is possible to hear the following remark from the self-employed and business people in the region: "The gate is closed only to us."** There are some who believe that the if the border remains to be sealed, Doğu Kapı Border Gate, which used to be the transit stop of the Kars-Gyumri train carrying cargo and passengers 20 years ago, will remain idle too. This is in fact perceived as a punishment in the region as people feel that they are the ones who are by-passed here and not Armenia.

Closed Borders Incite People to Opposition

However, things cannot be that easy on the level of states, i.e., in terms of the legitimisation of these relations: The continuation of commercial relations via another state (Azerbaijan, Georgia or Iran) always increases the number of intermediaries involved; forces these relations to tiptoe around the laws; leave them at the hands of intermediaries and makes them so vulnerable to the extent that they may collapse they any time. To see the extent of the damage on people's relations caused by all that bargaining in international platforms, one needs to look no further than the two sides of the Armenia-Turkey border. Throughout the study, we noticed several remarks that suddenly changed; that were not actually bound by fixed ideologies; that were in line with the official discourse of the three states (Azerbaijan, Armenia and Turkey) that share borders and conflicts with one another. Those who did not follow the official discourse often voiced their fear about their connection with the other side of the border. We often heard the remark *"No matter what we want, it all depends on the solution of the problem between the states themselves."* That did not apply only to Kars. We also heard about the great despair in Iğdır caused by the fact that the diesel oil, smuggling, which used to be allowed and qualify as "border trade" with Nakhchivan in the past, was no longer allowed. The residents of the city expressed that diesel oil trade had become a privilege granted to those large brokerage firms. The respondents living in the city expressed that they now understood that everything depends on the politicians. The advantage of being located to border gates may easily turn into a disadvantage when the politicians arbitrarily offer you benefits and subvention and take them back as they please, thus causing despair in the city.

For example, a 50-year-old merchant from Nakhchivan we interviewed in Iğdır who had a medium-scale trade volume said: *"The customs (Turkey) makes us suffer from the hell of its own paradise."* Similarly, the remark by the same merchant *"Naturally, everyone turns their faces to the civilisation, to the West. Our faces are of course turned to the West, the civilisation. However, the circumstances force us to get our input from the East"*;

the complaint by another respondent *"Why am I not engaged in trade? There is a monopoly in the Nakhchivan side (at the customs). There are 3-5 companies, they agree among each other before they bring in the goods. The cost of customs is too high for us"* (Kars, 50, trade, manufacturing); the statement by another one *"The politicians always go for the extremes. However, we are the ones who suffer the most."* as well as the remark *"In the past, the crisis in Ankara or Istanbul would come to Iğdır with one year delay. Now, it comes here in one day. It breaks our back. We are in a global system, but we live in a cage."* (Kars, 40-50, Merchant, Small volume exportation) are all full of resentment.

On the other hand, we see that the harsh competition amongst the settlements in the region in the past over border gates have today been replaced by solidarity. Apart from those who are committed followers of strategist state policies, most respondents call for activation of border gates opening to other countries such as the Kars-Doğu Kapı Gate and Iğdır-Alican Gate, Aktaş Gate[9], Gürbulak Gate[10], Boralan Gate[11] would no longer have any effects for them.

> *"Aktaş Gate would not be a hurdle for Iğdır's roads." (Iğdır, 55, merchant)*
>
> *"It would be good if the Alican Gate was opened." (Iğdır, 38, self-employed)*
>
> *"Boralan Gate would be good." (Kars, 49, self-employed)*
>
> *"Gürbulak Gate has no restrictive impact on our trade. On the contrary, Boralan should also be opened." (Iğdır, 55, merchant, real estate agent)*
>
> *"If this trade was to be conducted via Alican that would revitalise Iğdır, Kars and Erzurum, too. As a matter of fact, the merchants in Georgia control the trade route. Isn't it nationalism?" (Iğdır, 35-40, self-employed)*

9 Aktaş Border Gate: This is the border gate that will be connected to the city of Akhalkalaki, Georgia via the Çıldır district of the city of Ardahan, which is still under construction as of 2014.

10 Gürbulak Border Gate: This is the most important gate connecting Turkey to Iran through Gürbulak district of the city of Ağrı. The gate was opened for service on May 30th, 2003.

11 Boralan Border Gate: This is the border gate that will connect the city of Iğdır to Iran, which is still under construction as of 2014.

All these testimonies show that there is reproach and anger against the states, which close the gates to their own citizens living in border areas yet open it for larger-scale on trade.

Opening the Border is not Only a Political, but also an Ethical Matter

Dozens of interviews in several cities and districts were held during this study. Interviews were held with representatives of local governments (mayors, deputy mayors, members of municipal councils), provincial/sub-provincial heads of political parties, presidents of chambers of commerce, directors of agricultural cooperatives, bank managers, local media representatives, non-governmental organisations, business people and academics, self-employed people including traders, farmers and service professionals operating on medium- and large-scale level as well as notable figures. The shared message that came out of these in-depth interviews is that "**Everybody wants the border to be opened**", which is also an indication that human relations and other aspects of life cannot be guided by rigid political stances.

One of the most negative implications of the sealed border in the region is "**excessive attribution of meaning to the border'**[12]. For many years, Turkey has failed to see its borders beyond a matter of security. The settlements in the border areas talk about their deprivation and exclusion from investments and tie it to their "being located at the border". Over time, they come to think of themselves as "*soldiers condemned to wait at the border*" (Kars, 55-60, agricultural producer, medium-sized merchant). For example, one of respondent's following statement "*It can be possible if it is done as a state policy, it can be possible if the state opens it*" (Kars, 45, Academic) gives us a hint about the burdens on the lives of people living in the border areas.

Factors such as the poverty being associated with ethnic identity, the lack of social life and its resulting restrictive impact on the settlements have long suppressed these settlements over time, and lead to the emergence of competition amongst cities (Kars vs. Erzurum, Ağrı vs. Iğdır, etc.).

12 Overdoing: "To show something, it is not enough to only show it; one needs to exaggerate the image, as well".

On the other hand, several settlements which used to think they could compensate for their deprived state in return for various concessions, do now demand the space to freely take their decisions themselves, as a result of the human interaction and commercial flow of our globalised age:

> *"Great minds think alike: This is a fact that is known to everyone. Turkey needs to engage in trade with the countries in its East" (Iğdır, 45, Merchant).*

> *"We went there 7 years ago with a delegation. We had a meeting with the President of the Yerevan Chamber of Commerce. 7-8 cargo planes a day were landing there. If we could do it that would revitalise both Iğdır and Kars" (Iğdır, 60, Merchant, Manufacturer).*

> *"Everyone here has a covert source of earning. As a matter of fact, they are worried that the prospects of their investment. That's why they cannot invest in the city" (Kars, 55, Journalist, Local Media).*

"I can drive at 150 km/h. The only condition I have is my road safety." (Iğdır, 45, Manufacturer, Merchant) says another respondent pointing out to the need for assurance. The safety uttered here is not the *"safety demanded from the state in return to the disadvantage of living in the border"*, as was voiced in the past. But this is a demand is for public safety that will pave the way to free and equal communication.

A respondent in Iğdır noted that Turkey's opening of border with Armenia was not only a political, but also an ethical matter: *"Armenia is already buying everything it needs from us, but the opening of the border will put an end to prejudices. As a matter of fact, contact is very vital for human beings. The Armenians are among the most civilised communities in the neighbourhood. Their civilised nature will also make those on our side of the border gentler. We cannot continue living with our prejudices and with this mentality."*

We need to hear the voices of the border people.

FINDINGS AND POLICY RECOMMENDATIONS

4. FINDINGS AND POLICY RECOMMENDATIONS

4.1 GENERAL ASSESSMENT

"Research on the Socio-Economic Impact of the Turkey-Armenia Border" consisted of an econometric analysis that made comparisons with other border regions as well as a qualitative field study.

The **econometric study** conducted by **Bahçeşehir University Center for Economic and Social Research (BETAM)** analysed the commercial and economic potential of open border for the region.

While Turkey continues to trade with all the neighbouring countries in her land borders, with or without signed free trade agreements, her border with Armenia remains sealed since 1993. This is indeed the only closed land border in Turkey. Besides, import and export activities with Armenia are carried out through indirect channels and in limited volumes. There are anecdotes and accounts referring to the limited volume of goods being exported to Armenia through other countries (Georgia, Iran). According to the estimates from Armenia, every year goods worth US$300 million are imported from Turkey. [1] On the other hand, official data in Turkey gives us different figures; exports to Armenia was US$241,000 in 2012, and imports from Armenia was US$222,000. [2]

TRA2 region (Kars, Iğdır, Ağrı, Ardahan), majority of which is located right on the border with Armenia, cannot benefit from the opportunities offered by free trade agreements – unlike the other regions of Turkey – due to the sealed border. The region also cannot benefit from the indirect trade between Armenia and Turkey as the border is closed and these goods get shipped from regions close to Georgia or Iran borders. Besides, since the existing trade with Armenia is not legal and comes at a high transit cost, due to the sealed land border, the volume of the existing trade remains very limited.

As part of the econometric analysis, a comparative model was used in order to study the regional impact of open borders. This model employs regression analysis, which is explained in greater detail with its theoritical aspects in Chapter I. of this research report; and examines changes in employment before Turkey's signing of foreign trade agreements (2003-2006) with the neighbouring Syria and Iraq, and after the signing of the agreements (2006-2010). The results of the regression analysis suggest that the two important factors on the change in relative employment are regional and sectoral agglomeration as well as the proximity to the border. The coefficients of both variables are, in fact, statistically significant.

By employing the very same model used above to analyse the regional impact of border openings to Syria and Iraq, we can estimate the possible contribution of "open border with Armenia" to employment in the TRA2 region (Ağrı, Ardahan, Iğdır, Kars), According to the results of this model, the opening of the Turkey-Armenia border would not only increase transit trade in the region, but also production and employment in many sectors. If we assume that the Turkey-Armenia border (Doğu Kapı Gate and Alican Gate) is open to trade, then according to the model estimates, taking into account the effect of all other sectoral and regional variables, private sector employment in the Ağrı, Ardahan, Iğdır, Kars region would have increased at a rate of 7 percentage point higher per year than in the period 2006-2010. In other words, according to the model, if the two border gates leading to Armenia were opened in 2007, the employment would be about 31 percent (one third) higher than the current level.

The model also generates forecasts about open border and sealed border scenarios for the year 2010. In the open border scenario, the total employment seems to be higher than the closed border scenario with 12,000 additional people (31 percent) in employment. Even tough we can observe the impact of "open border" is spread to all

1 According to the data of the National Statistics Service of Armenia, in 2011, Armenia's imports from Turkey amounted to US$240 million.

2 According to the model adopted in BETAM Study Note 12/135 (İmamoğlu and Soybilgen, 2012), the potential trade volume between Turkey and Armenia is estimated around US$280 million.

sectors; the impact is substantially significant in retail trade, land transportation, accommodation and food service sectors. The impact of the ''border opening'' may certainly go beyond the sectors listed here. This model's forecasts are valid only for those sectors that are active since 2006. Besides, it is impossible to make forecasts for many small sectors. The most recent 2010 data points out to some new sectors that are becoming active in the TRA2 region (Ağrı, Ardahan, Iğdır, Kars). If the border opens, the benefits and opportunities that will come along may as well lead to significant increases in the employment of sectors that were not covered here. Therefore, the model's forecasts presented here should be considered as the lowest benchmarks.

''The Research on the Socio-Economic Impact of the Turkey-Armenia Border'' did also feature a **qualitative field study** that was conducted by the **Social Research Center (SAM)** in the years 2012-2013.

For the qualitative field study, the researchers organised joint site visits to the provinces of Kars, Iğdır and Ardahan bordering Armenia, and held in-depth interviews with about seventy respondents from the chambers, local authorities, regional development agency representatives, academics and civil society and collected data in the fields of agriculture-husbandry, health, youth and education. The in-depth interviews primarily focused on the city of Kars, which was previously connected to Armenia by railway (Doğu Kapı Gate), and the city of Iğdır, which was connected via land road (Alican Gate).

According to the findings of the qualitative field study, the notion of "border" is important for all the cities in this region. It is widely believed that the opening of border gates with Armenia and revival of the Kars-Gyumri Railway that will connect the region to the countries in the East would positively affect the economic and social life in those cities. The impressions derived from the in-depth interviews show that the region's integration with the national market and revival of economic and social relations with the countries in the East would bring a significant dynamism to the region.

The sealed border is seen as one of the reasons for the region's failure to fully realise its tourism potential. It was emphasised that the historical and cultural assets in the region should be valued and well utilised, in particular the Ancient City of Ani as well as Sarıkamış - a promising winter tourism destination.

The in-depth interviews conducted demonstrate that the people in the region mostly believe that the opening of border gates with Armenia will have positive impact on the economic and social life. This is a commonly expressed opinion, even amongst those who are against the opening. It was frequently emphasised that the problem was not between peoples, but between states. In terms of economy, the business community in the region takes the border opening seriously, seeing it an opportunity for new venues of business. Tourism, accommodation, transportation, retail and wholesale trade sectors are considered to be among the ones that will benefit the most from open border. It is generally acknowledged that the border opening will increase the demand and will lead to an economic revival.

The psychological effects of a possible border opening should also be taken seriously. The in-depth interviews held as part of this qualitative field study demonstrate that the opening of border with Armenia is not only related to Armenia as such, but it also has the potential to tear down the perception of the ''sealed state'' image in the region. The people of the region feel isolated and far from the West, and they feel that they are excluded from the Georgia-Trabzon-Erzurum-Iran commercial route. According to the people in the region, the border separates the region not only from Armenia, but also from the outer world. The opening of the border will help this region to become a place where Turkey begins, and not a place where Turkey ends.

The findings of the qualitative field study show that there are no serious obstacles that may prevent the economic and social development in the region after the opening of the land border with Armenia. However, the conditions under which the border gates open will be important for the Azeri population living in the region. The solution of Nagorno-Karabakh problem ranks the first among these conditions. If the state takes a step towards opening the border, this will be an act welcomed by all the other ethnic groups in the region.

4.2 TURKEY-ARMENIA BORDER...

Turkey's border with Armenia has been sealed since 1993. This is also **Turkey's only closed land border**. Therefore, the region that encompasses the provinces of **Kars-Ardahan-Iğdır**, which share land border with Armenia, is in a very different state in comparison to the other border regions in Turkey. While the sealed border encircles the region from the East, its geographical position isolates and separates it from the West. According to the findings of the research, the fact that the region is in a "closed state of being" has visible implications in almost every field such as the social structure, the economy, social life, education, health and development.

As shown by the interviews conducted in the region, the local people are aware of the existing trade activity in indirect channels through Georgia and Iran. It is possible to hear views such as, "**the border gate is closed only to us**" both from the small tradesmen as well as the business circles. **Doğu Kapı Gate**, which is the transit point of the Kars-Gyumri railway used in passenger and freight transport until 20 years ago, remains sealed. Many believe that the region being bypassed in terms of trade as a result of this Gate remaining closed has the consequence of the region being "punished" rather than this serving as a punishment to Armenia. In this respect the opening of the new Baku-Tbilisi-Kars Railway is considered important in the region.

The study findings indicate that the cost of the sealed border is not only limited to the US$ 300 million worth trade volume. The study suggests that, in case of the border opening, **there will be revival in many sectors** including the **services sector**, and **employment will be created** in the region around the border. For example it is stated that the opening of the Nakhchivan Gate right next to the region has enabled the development of Iğdır resulting in this province's population surpassing that of Kars and the free trade agreement made with Syria has ensured a much higher increase in employment in the regions around the border in comparison to other regions.

According to the econometric analysis carried out by BETAM for this particular report, while the proximity to the Syrian border had no meaningful impact on the employment increase during 2003-2006, it does reach a significant level during 2006-2010. In the econometric analysis that controls collectivity, sectorial diversity, the connections back and forth in the supply chain together with the average company size and the wage variables, the revival in the services sector particularly stands out.

It is estimated that employment in the border region will increase approximately by fifty percent within a period of five years in case of opening up of the Armenia border. Retail trade, accommodation and transportation sectors are amongst those that are expected to grow. The study findings suggest that the opening of the border **will not only increase transit trade but will also have real impact on regional economy**.

4.3 THE IMPACT OF THE EXISTING INCENTIVES AND SOCIAL POLICIES

The main sources of income of the region are agriculture and husbandry. Thus, investment and loan incentives within the scope of the 6th region as well as social transfers and agricultural support are provided. According to the study's findings the people of the region do not believe that a great benefit is derived as a result of these policies.

- Informal economy is very prevalent in the region. This fact stands out as one of the factors decreasing the rate of benefit from investment incentives.

- It is stated that social transfers (green card) accustoms a part of the employees to idleness and that employers experience difficulty particularly in terms of finding registered labour force to employ. Employers reflect that they are not able to receive incentives due to the necessity of employing a certain number of registered workers.

- It is understood that the new products and methods encouraged by agricultural support and policies do not find favour among the people of the region accustomed to traditional agriculture and husbandry and that, hence, these policies are not very successful.

- Lack of infrastructure is one of the factors preventing the investments. Water cuts, the frequent deterioration of the roads' conditions due to climatic factors, the lack of milk collection storehouses in the villages are all issues raised often.

- There is a great interest towards institutions operating with the purpose of development in the region. The number of people submitting proposals to such organisations as Serhat Development Agency (SERKA), Agriculture and Rural Development Support Institution (ARDSI) and Small and Medium Enterprises Development Organisation (KOSGEB) are increasing gradually as well as those benefitting from the supports and trainings.

- The new projects planned with regard to both the infrastructure and the common living areas of the city give hope in terms of the future.

4.4 POLICY RECOMMENDATIONS

With respect to the study's findings, people of the region – even though not very satisfied with their lives presently - wish to stay here, live here and make the region more habitable. In this sense there are great expectations from the state.

- **It is necessary for the region to lay claim to its historical past and to, once again, receive all the people who have lived here with open arms** in order for it to be able to evaluate the **tourism potential of the region**. Hence it is imperative for the historical fabric of the city to be preserved, for the sites of ruins to be maintained and for new archaeological excavations and similar activities to be initiated.

- Parallel to the revival in tourism; it is also necessary to diversify and improve the **health services** in the region.

- Another considerably important issue is related to the **Baku-Tbilisi-Kars Railway**, which is planned to pass through the region. It should be ensured that this railway line is not a transit route enabling the passage of commercial goods only but that it will serve as an investment, which will create employment for the region with all the logistical villages and centres to be established in the region.

- It is essential that trainings and support for the development of **husbandry** in the region and the dissemination of modern methods is increased as well as presenting the region with practical examples and taking measures to break the monopoly in the market and provide competitiveness.

- To improve the state of **social life**; incentives need to be applied in order to increase such locations as parks, entertainment and shopping centres which will enable the people to come together and spend time as a family.

- The study also underlines that even though all these policies will improve the current situation in the region to a certain extent, **as long as the border with Armenia remains sealed, it will not be possible for the region to come out of the psychology of isolation and overcome the problems caused by this tied state of being. To become a place where Turkey begins, and not a place where Turkey ends; the region needs open borders and activation of the Kars-Gyumri Railway, which will help the region and Turkey to reach out to the Far East and China through the Silk Road.**

THE LIST OF PEOPLE AND ORGANISATIONS INTERVIEWED IN THE QUALITATIVE FIELD STUDY

APPENDIX 1

A1. LIST OF PEOPLE AND ORGANISATIONS INTERVIEWED IN THE QUALITATIVE FIELD STUDY

KARS

- Kars Provincial Head of the Justice and Development Party (AKP)
- Bar Association of Kars
- Kars Municipality
- Kars Chamber of Tradesmen and Artisans (KARSEBOB)
- Kars Provincial Directorate for Food and Agriculture
- Kars Provincial Directorate for Culture and Tourism
- Kars Kafkas University
- Kars SME Development Organisation (KOSGEB)
- Kars Chamber of Certified Public Accountants
- Kars Chamber of Architects
- Kars Organised Industrial Zone (OIZ)
- Kars Chamber of Commerce and Industry (KATSO)
- Association of Industrialists and Businesses of Kars (KASIAD)
- Agriculture and Rural Development Support Institution (ARDSI)
- Kars Commodity Exchange
- Kars Railway Authority
- Association of Tourist and Hotel Operators of Kars (KARSOD)
- Governorship of Kars
- Kars Chamber of Agriculture
- Serhat Development Agency (SERKA)
- Cheese, Milk, Honey and Fodder Producers
- Civil Society Organisations (Environment, Women, Youth, Culture and Arts)

IĞDIR

- Iğdır Municipality
- Dilucu Customs Directorate
- Logistics and Transportation Firms in Iğdır
- Iğdır Provincial Head of the Nationalist Movement Party (MHP)
- Iğdır Chamber of Commerce and Industry
- Iğdır Commodity Exchange
- Iğdır University
- Shopkeers (White Goods, Pharmacy, Construction Materials, Marble Producer, Restaurant Owner)
- Civil Society Organisations, Local Media

ARDAHAN

- Ardahan – Çıldır District Municipality

REGIONAL OUTLOOK IN NUMBERS:
SOCIO-ECONOMIC STATISTICS (KARS-IĞDIR-AĞRI-ARDAHAN)

Tables and Figures

A2. REGIONAL OUTLOOK IN NUMBERS: SOCIO-ECONOMIC STATISTICS (KARS-IĞDIR-AĞRI-ARDAHAN)

The region that encompasses the provinces of Kars, Iğdır and Ardahan, which are located right on the Turkey-Armenia border, is one of the least developed areas of Turkey in terms of economic indicators. The region, being the penultimate amongst Turkey's 26 regions with respect to income, has the highest non-agricultural unemployment rate - 20.4 percent. With its informality rate being higher and private sector per capita income being lower than Turkey's average, the region has a very weak economic outlook. The economic situation manifests itself in social indicators as well. While the cities in the region rank among the ones with highest emigration rate, the region also has the second highest suicide rate in Turkey.

2.1 GROSS VALUE ADDED

The Turkish Statistical Institute (TURKSTAT) does not generate income data on city basis. On the other hand, it publishes regional Gross Value Added (GVA) as a benchmark that gets closest to income in regional basis. The course of per capita GVA from 2004 to 2011 is shown in **Table 2.1**. While Ağrı-Kars-Iğdır-Ardahan region (TRA2) was antepenultimate during the years 2004 and 2005, it fell to the penultimate rank in 2006 and stayed in that position until 2011. The per capita GVA generated in the region is approximately 40 percent of the Turkey's average.

Table 2.2 shows the sectoral distribution of GVA for the year 2011. 27 percent of the GVA obtained in Turkey during 2011 is generated in İstanbul. This region is followed by Ankara with 8.6 percent. Ağrı-Kars-Iğdır-Ardahan region, on the other hand, is the last region with 0.7 percent. The added value created in industry and services is the lowest among all other regions. With respect to industrial added value, the region creates almost half of the added value of the region that ranks just before - Kastamonu-Çankırı-Sinop region. In terms of the added value created in agricultural industry, which is one of the most important sectors for Ağrı-Kars-Iğdır-Ardahan, the region ranks the fifth from the lowest ranking one. Labour Force and Employment

It is possible to establish the regional employment and income figures based on two different surveys. The most comprehensive one is the Household Labour Force Survey (HLFS). The other one is the Annual Industrial and Service Statistics (AISS) generated on the firm-level basis.

According to HLFS data, the majority of the employed population of the region is engaged in agriculture. As of 2011, the distribution of the employed population in this region on sectoral basis is shown in **Table 2.3**. 55.8 percent of those employed works in agriculture, forestry and fishing; 9.4 percent in

Table 2.1 Regional Gross Value Added (2004-2011)

	Turkey's Average (US$)	Region (Ağrı, Kars, Iğdır, Ardahan) (US$)	Rank
2004	5,103	2,048	24
2005	6,187	2,507	24
2006	6,686	2,661	25
2007	8,267	3,174	25
2008	9,384	3,601	25
2009	7,769	3,254	25
2010	8,926	4,055	25
2011	9,244	4,001	25

Source: TURKSTAT

Table 2.2 Share from the Sectoral Gross Value Added (2011)

	Agriculture	Industry	Services	Value Added	Rank
Turkey	100	100	100	100	
Ağrı, Kars, Iğdır, Ardahan	1.8	0.3	0.6	0.7	26
İstanbul	0.6	27.0	31.0	27.2	1

Source: TURKSTAT

construction; 9.3 percent in public administration, defence and education; 8.7 percent in wholesale and retail trade and only 3.7 percent works in manufacturing industry. In comparison with the Turkey-wide sectoral distribution, employment distribution in the region differs significantly. While 18 percent of the employees in Turkey work in manufacturing industry; the corresponding rate in the region is only 3.7 percent. Yet, the rate of people employed in agriculture is two times higher than the Turkey average.

2.1.1 Unemployment and Labour Force Participation

Unemployment is observed as an important problem in the region. Although the overall unemployment rate is close to Turkey's average, the highest non-agricultural unemployment rate is in the Ağrı, Kars, Iğdır, Ardahan region. **Figure 2.1** illustrates the overall unemployment rate in Turkey and in the region. While the overall unemployment rate in the region as of 2011 is 10.2 percent, the overall Turkey rate is 9.8 percent. On the other hand, the non-agricultural unemployment rate in Turkey for 2011 is 12.4 percent, whereas in the region it is 20.4 percent.

A similar picture appears in in the region when it comes to labour force participation. Although the overall labour force participation is high, non-agricultural labour force participation is quite low. As can be seen in **Figure 2.3**, while the labour force participation rate in overall Turkey is 49.9 percent as of 2011, the labour force participation rate in the region is 54.4 percent. One of the reasons for this higher labour force participation rate in comparison to Turkey is the prevalence of employment in agriculture. It is possible to have a better understanding about the non-agricultural employment

Table 2.3 The Distribution of Employment by Sectors in the Region and in Turkey (thousand people, 2011)

	Region (one thousand people)	Turkey (one thousand people)	Region Ratio (%)	Turkey Ratio (%)
Agriculture, forestry, hunting and fishing	192	6,143	55.8	25.5
Mining and quarrying	0	125	0.0	0.5
Manufacturing industry	13	4,367	3.7	18.1
Electricity, gas and water	2	212	0.5	0.9
Construction and public works	32	1,676	9.4	7.0
Wholesale and retail trade, restaurants and hotels	40	4,617	11.6	19.1
Transport, storage and communication	13	1,255	3.8	5.2
Financial institutions, insurance, jobs and institutions related to real estate, auxiliary business services	1	280	0.3	1.2
Community services, social works and personal services	51	5,435	14.9	22.5
Total	344	24,110	100.0	100.0

Source: TURKSTAT, HLFS – Household Labour Force Survey

Table 2.4 Unemployment Rate

	Region (%)	Turkey (%)
Overall Unemployment Rate	10.2	9.8
Non-agricultural unemployment rate	20.4	12.4

Source: TUIK, HLFS – Household Labour Force Survey

Figure 2.1 Overall Unemployment Rate (2011)

Source: TURKSTAT, HLFS – Household Labour Force Survey

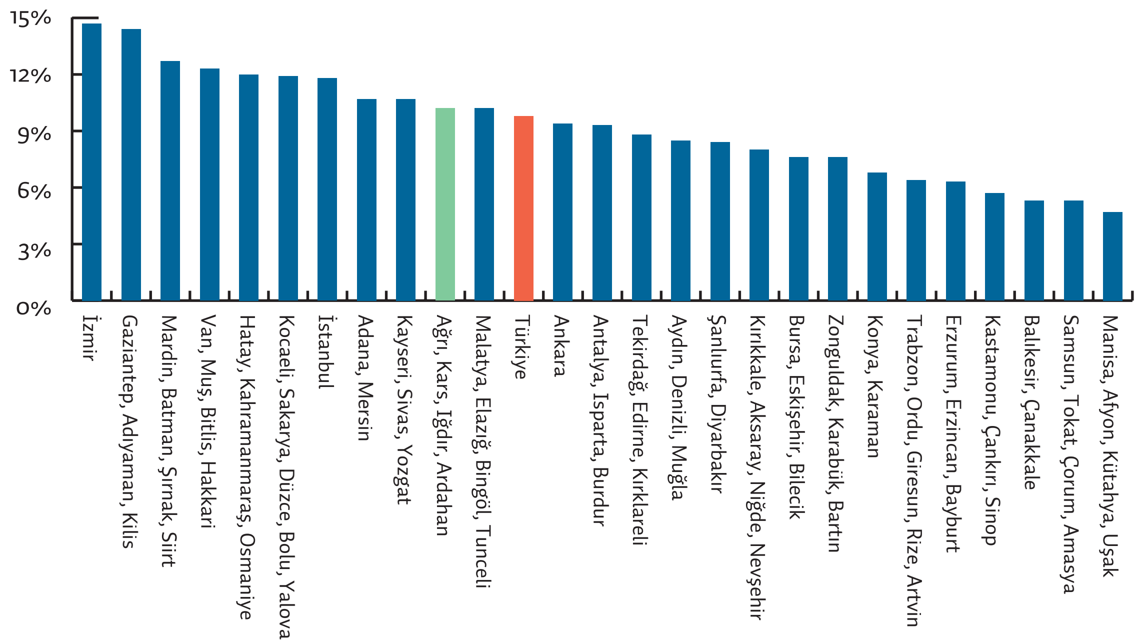
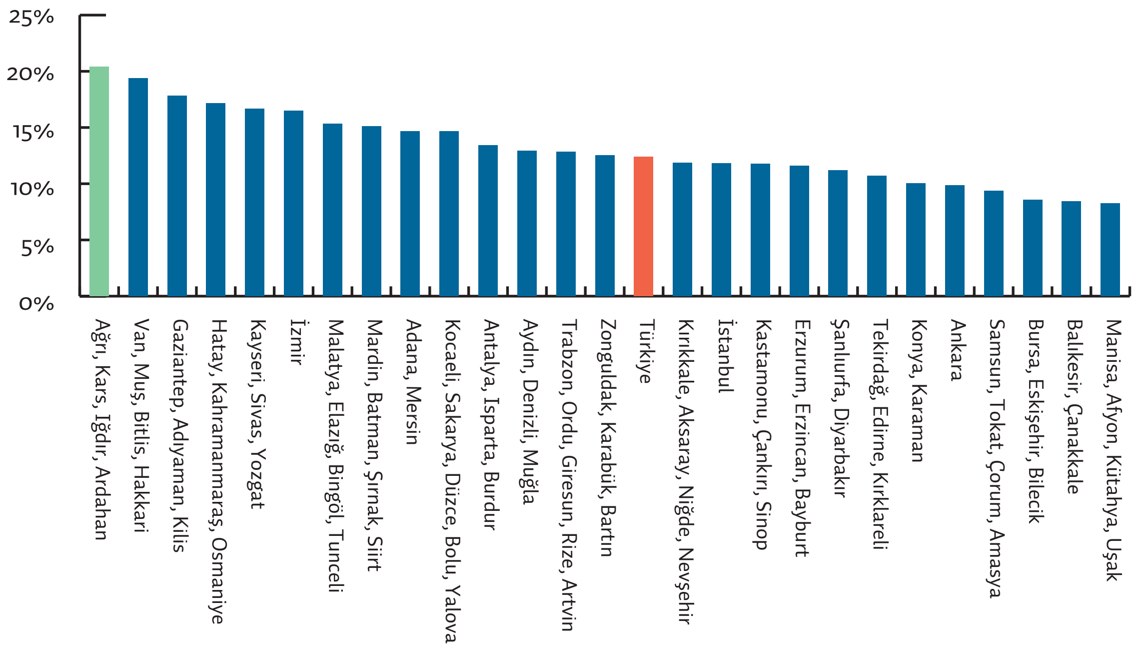


Figure 2.2 Non-Agricultural Unemployment Rate (2011)

Source: TURKSTAT, HLFS – Household Labour Force Survey



by looking at the labour force participation rate in urban-rural divide. While the urban labour force participation rate for the overall Turkey is 47.6 percent, it is a bit lower in the region - 44.5 percent. As it is shown in **Figure 2.4**, when we make a regional comparison, we cannot observe a significant problem in this particular region in terms of labour force participation. The one that is facing difficulties with employment is the Southeast Anatolian region. The reason for low employment in South Eastern Anatolia is mainly the very low female labour force participation rate as compared to the Turkey average.

The labour force participation rate in urban areas is close to Turkey's average, yet

Figure 2.3 Overall Labour Force Participation Rate (2011)

Source: TURKSTAT, HLFS – Household Labour Force Survey

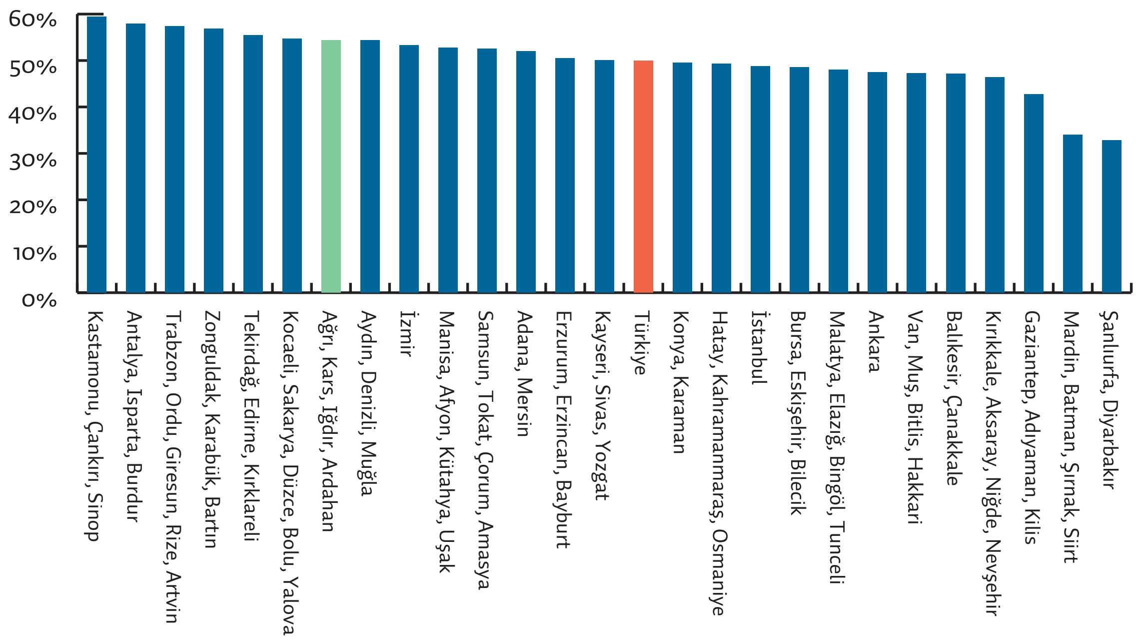
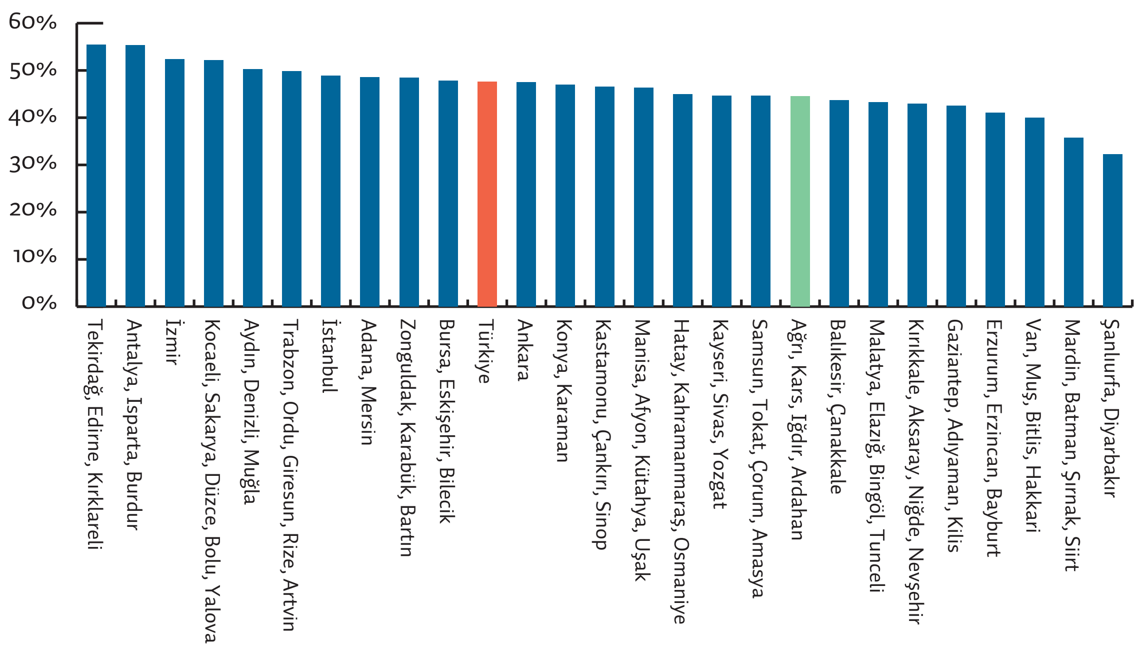


Figure 2.4 Labour Force Participation Rate in Urban Areas (2011)

Source: TURKSTAT, HLFS – Household Labour Force Survey



non-agricultural unemployment is very high at 20 percent. This shows that the region faces significant problems in creating non-agricultural employment. Besides, a great portion of those categorised as urban labour force in the region make their living on agricultural income. If those problems are not addressed in the short term and if the unemployment rate increases further, they are expected to will bring along social problems.

2.1.2 Wages and Informality

The wage data concerning the employees in Turkey can be derived from both the Household Labour Force Survey (HLFS) and the Annual Industrial and Service Statistics (AISS) that is collected on firm-level basis. While the HLFS covers those who work informally as well as those who work in agricultural sector, the AISS - based on firms' statements - shows statistics of employees that are mostly in the private sector and registered. However, since the AISS presents a narrower data set[1] vis-à-vis HLFS, we are comparing and crosschecking the employment and wages figures extracted from the AISS with the figures from the HLFS.

In the HLFS data, we can observe that an average of 305,985 people were employed in Ağrı-Kars-Iğdır-Ardahan region from 2004 to 2008. While 242,034 of those were not formal and not registered with any of the social security institutions, 63,951 people were registered and had social security coverage. The non-agricultural informality rate in the region, at 46.6 percent, is much higher than Turkey's overall informality rate in non-agricultural employment, which is 32.8 percent. These figures demonstrate us that this small portion of the population that managed to get urban jobs is mostly employed in informal economy.

According to the HLFS data, those, who are employed on payroll, salary or daily wages basis in Ağrı-Kars-Iğdır-Ardahan region from 2004 to 2008, have an average wage of 675 TL. This corresponds to 98.6 percent of the Turkey average (**Figure 2.5**). However, when we take into account the AISS data, we can trace that an average of 18,944 units (firms) did employ 41,009 people between 2003 and 2008. In these units, average wage per employee is 377 TL. This figure

1 According to the TURKSTAT meta-data, the following sectors are not included in the AISS data set: Agriculture, Hunting and Forestry, Fishing; Real Estate, Renting and Business Activities; Public Administration and Defense; Mandatory Social Security; Activities related to Home Industry; International Organisations and Representation Offices and Non-profit Organisations.

Figure 2.5 Average Wage According to the HLFS (2004-2008 Average)

Source: TURKSTAT, HLFS – Household Labour Force Survey

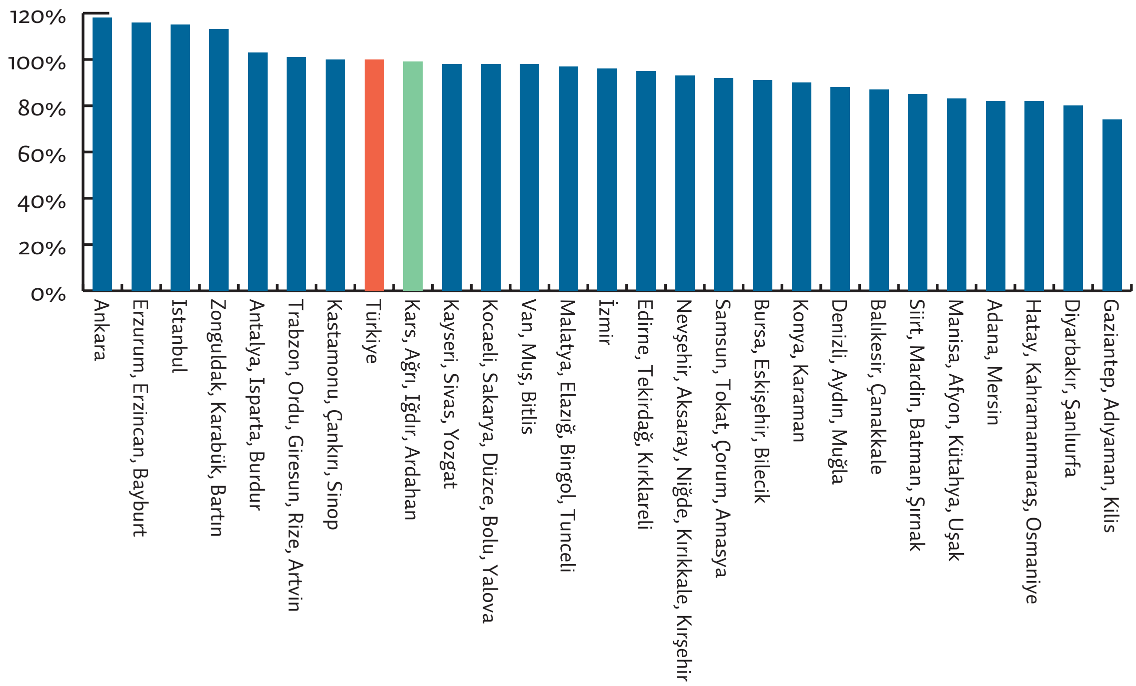
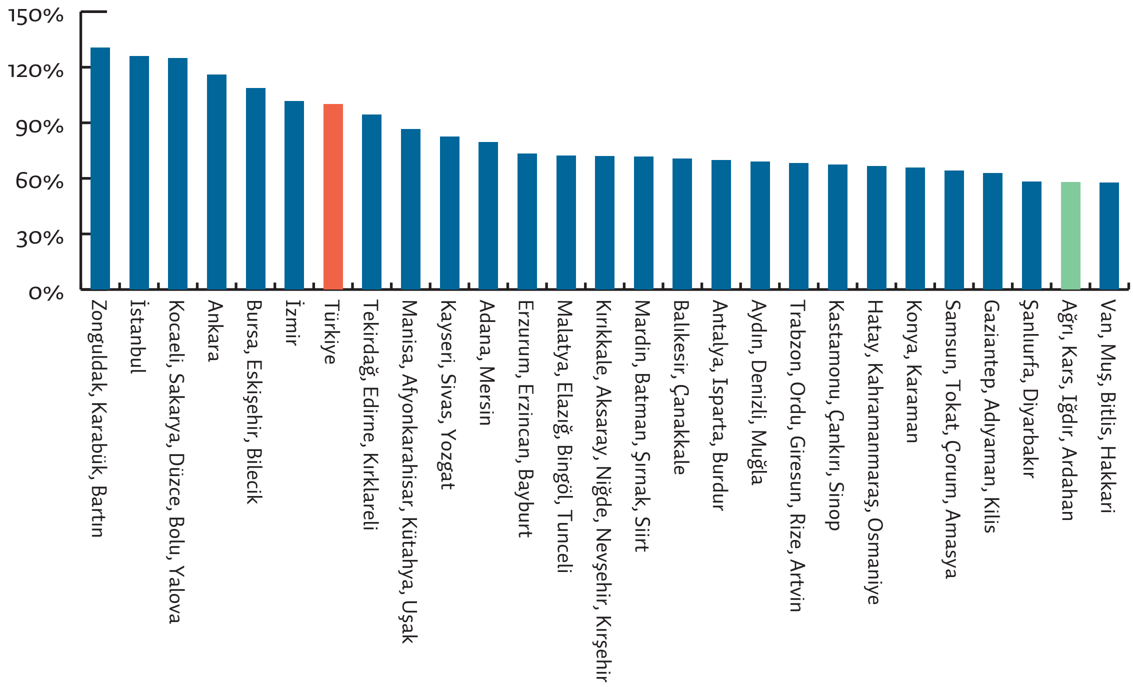


Figure 2.6 Average Wage According to the AISS (2003-2008 Average)

Source: TURKSTAT, AISS – Annual Industry and Service Statistics

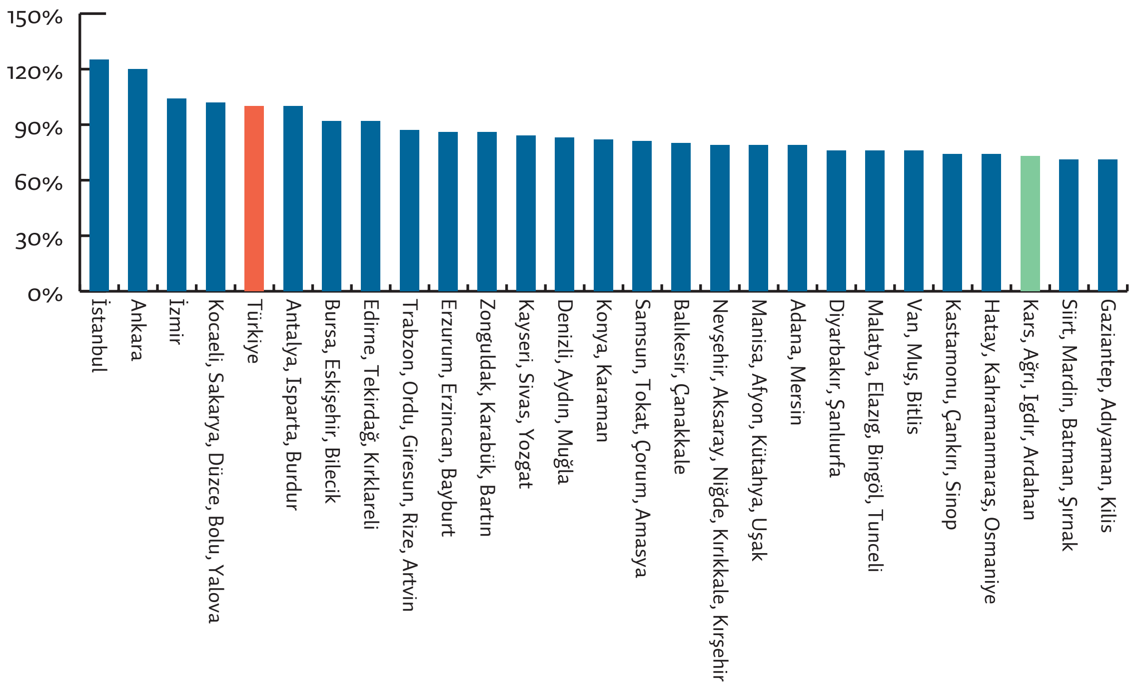


corresponds to 57.8 percent of Turkey's average wage according to the AISS data set (**Figure 2.6**). According to these data, Ağrı-Kars-Iğdır-Ardahan region ranks the second lowest in terms of regional wages distribution.

The reason why the average wage in the HLFS data set is higher than the average wage in the AISS, we believe, is as follows. While the AISS data set excludes public employees; the HLFS data set covers them. We can distinguish those

Figure 2.7 Average Wage Ratio According to the HLFS Excluding Public Sector (2010)

Source: TURKSTAT, HLFS – Household Labour Force Survey



who work in public sector and those in non-public sectors in the HLFS data that is obtained after 2010. When those in public sector employment are excluded in the data set for 2010, the average wage of those employed in Ağrı-Kars-Iğdır-Ardahan region corresponds to 73.3 percent of Turkey's average (**Figure 2.7**). However, even under these circumstances, the region ranks the third lowest in regional wage distribution, as was the case in the firm-level data.

All these findings indicate that the generated added value in Ağrı-Kars-Iğdır-Ardahan region in comparison to other regions of Turkey is very low; unemployment and informality rates are high and average wage per employee in the private sector is low.

2.2 SECTORAL DIVISION OF LABOUR (AGGLOMERATION/SPECIALISATION)

Specialisation index (Agglomeration/Specialization) indicates the extent of agglomeration of regional sectors in comparison to overall Turkey in terms of employment[2]. The value zero indicates the same ratio of specialisation with the country level; positive values indicate higher specialisation and the negative values indicate lower specialisation. The progress of specialisation index of TRA2 Region for industrial sectors is shown in **Figure 2.8** for the years 2003, 2006 and 2010, respectively. No structural change is observed between 2003 and 2006. The region showed specialisation in food, wood products and furniture manufacturing, with rates a bit higher than the

2 Specialisation index is calculated by adjusting the ratio of regional employment in sectors to the region's total employment with the ratio of that sector's employment in Turkey to the overall national employment.

Figure 2.8 Sectoral Specialisation in Industry (Agglomeration) (2003-2006-2010)

Source: TURKSTAT, AISS – Annual Industry and Service Statistics, BETAM's calculations.

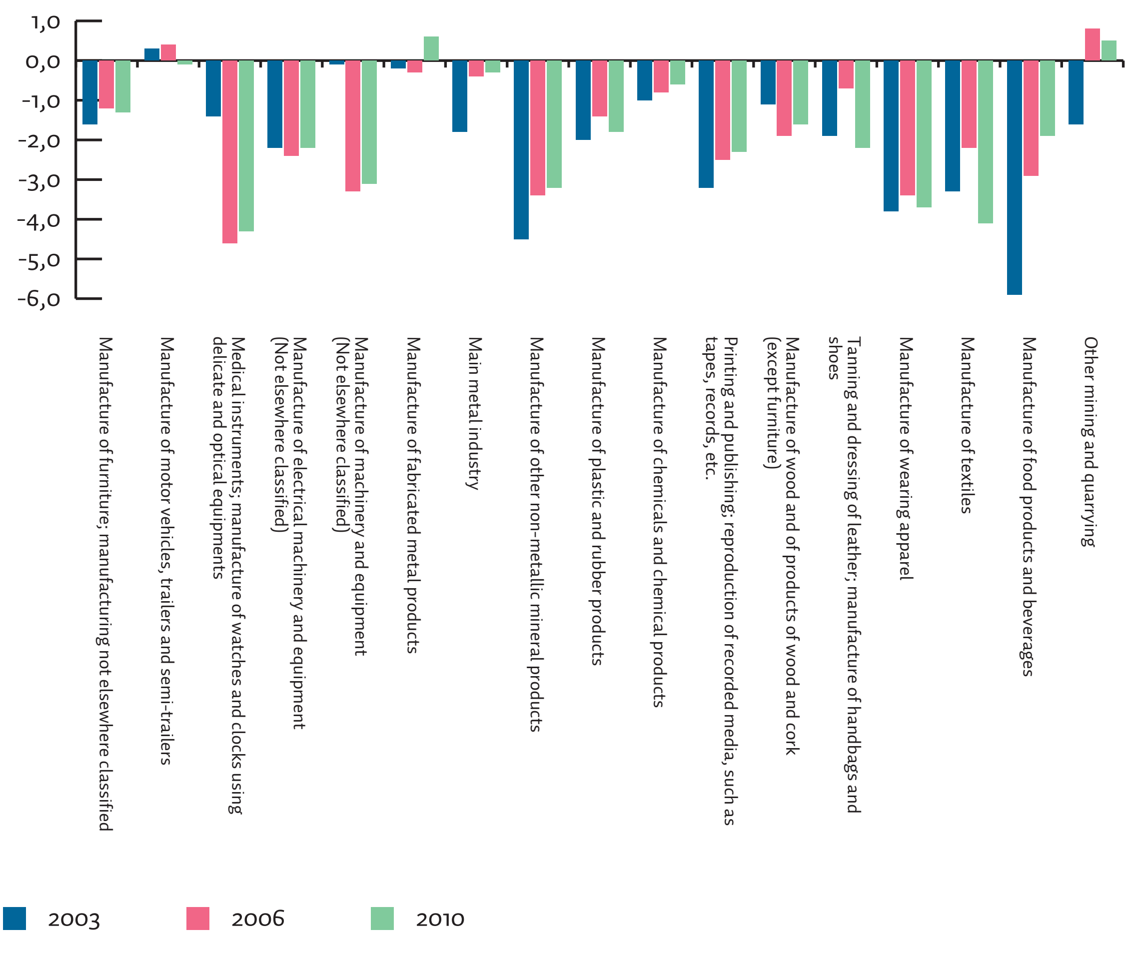
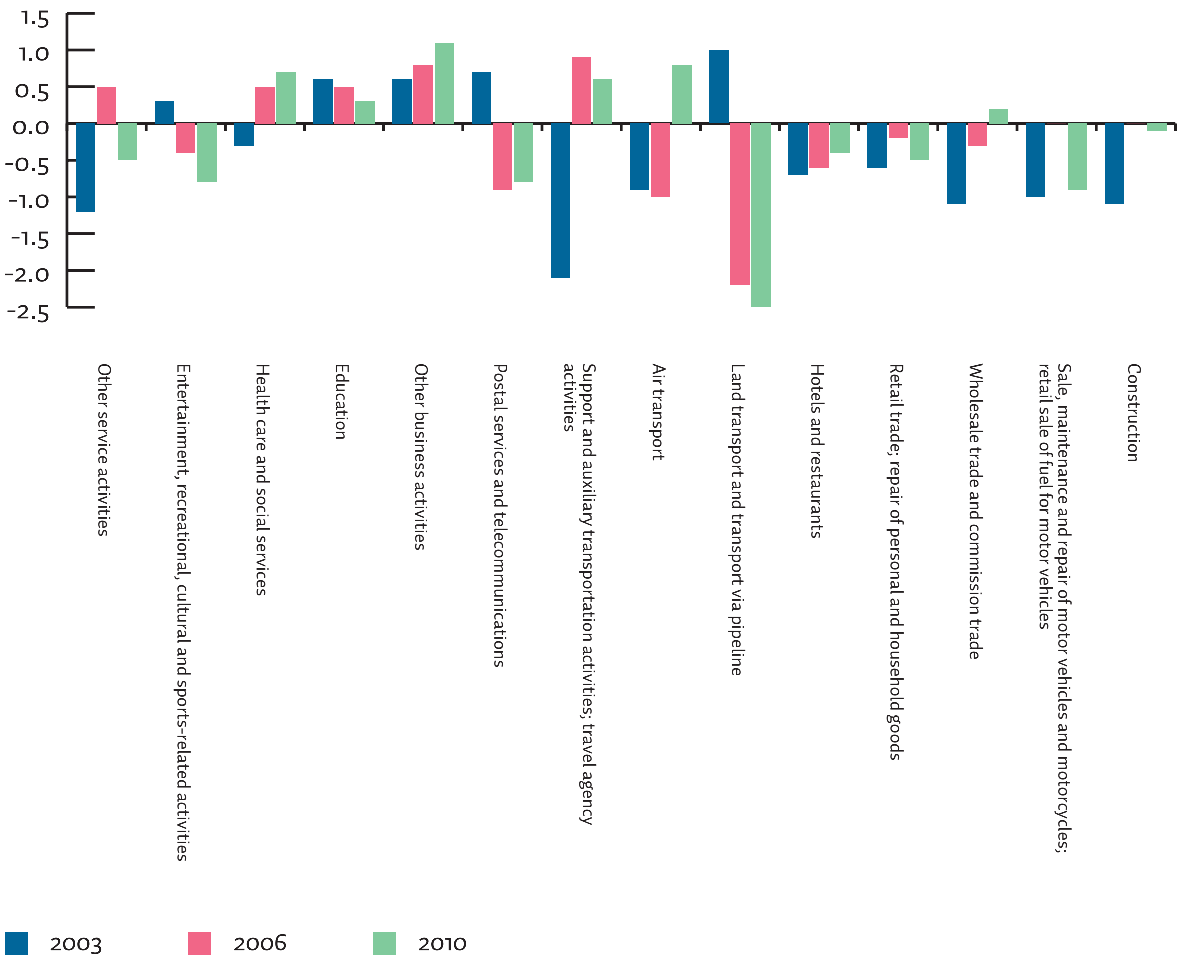


Figure 2.9 Specialisation in Services Sector (Agglomeration) (2003-2006-2010)

Source: TURKSTAT, AISS – Annual Industry and Service Statistics, BETAM's calculations.



Turkey's average, yet in limited nature. On the other hand there is almost no specialisation in other industrial sectors. Although the region was above the average with respect to food manufacturing sector in 2003 and 2006, it fell below the average in 2010. Given the fact that the region is especially ambitious in dairy products, this regression is alarming.

In the services sector, specialisation was observed in wholesale and retail trade as well as in hotel and accommodation sectors (**Figure 2.9**). In particular, since the region is becoming more attractive in terms of tourism, there is a steady and noteworthy increase in the agglomeration of hotel and accommodation sectors since 2003. However, the agglomeration in the entertainment sector, which usually goes in harmony with tourism, is still very low. With the opening of the airport; the developments in the air transport are reflected in 2006 and 2010 figures. We can observe a small improvement in social services in 2010.

The fact that the region is regressing in dairy production, which is a traditional area of specialisation of the region, shows that it falls behind in price competition and cannot receive enough shares from the domestic market. The progress in tourism and accommodation sectors, on the other hand, looks promising for the regional economy.

2.3 AGRICULTURE

The main source of income in Kars is agriculture and livestock. Even though there is no labour force data in province level, as is indicated in **Table 2.3** above, 55.8 percent of the population in Ağrı, Kars, Iğdır and Ardahan region works in agriculture, forestry, hunting, and fishing.

Table 2.5 The Use of Cultivated Land in Kars Between 2003-2012 (In Decares)					
	Total Agricultural Land	Sown Area of Cereals and Other Crop Products	Fallow Land	Area of Vegetable Gardens	Area of Fruits, Beverages and Spice Crops
2003	3,371,780	2,448,210	915,000	1,590	6,980
2004	3,388,820	2,464,300	915,000	1,800	7,720
2005	3,410,000	2,501,410	900,000	1,800	6,790
2006	3,358,749	2,607,860	742,302	1,798	6,789
2007	2,901,351	2,280,820	614,000	-	6,531
2008	3,080,837	2,497,813	573,655	-	9,369
2009	2,442,962	2,045,671	389,200	-	8,091
2010	2,368,382	2,032,845	328,702	-	6,835
2011	2,440,240	2,193,391	239,986	-	6,863
2012	3,752,258	2,376,496	1,368,908	-	6,854

Source: TURKSTAT

According to 2012 data, there is 3,752,258 decares of cultivated land in Kars (**Table 2.5**). While 2,376,496 decares of this area is planted with cereals and other crop products, 6,854 decares is planted with fruits, beverage and spice crops. The remaining area is fallowed. Even if there was a bit of vegetable farming in the city before 2007, there is no registered vegetable farming activity after 2007. The sown area of cereals and other crop products as well as the sown area of fruits, beverage and spice crops did not change much over time. As can be seen in **Table 2.6**, the weight of fruits, beverage and spice crops, which have an significant place in Turkey's agriculture, is very low in the TRA2 region and in Kars due to unfavourable weather conditions.

Table 2.6 The Use of Cultivated Land in Kars, TRA2 and Overall Turkey (In Decares)					
	Sown Area of Cereals and Other Crop Products	Area of Vegetable Gardens	Area of Fruits, Beverages and Spice Crops	Area of Ornamental Plants	Total Area
Kars	2,376,496	-	6,854	-	2,383,350
TRA2	5,996,203	49,645	51,446	-	6,097,294
Turkey	154,644,523	8,265,966	32,129,886	47,895	186,822,304

Source: TURKSTAT

Figure 2.10 The Number of Tractors in the City of Kars in 2003-2012

Source: TURKSTAT

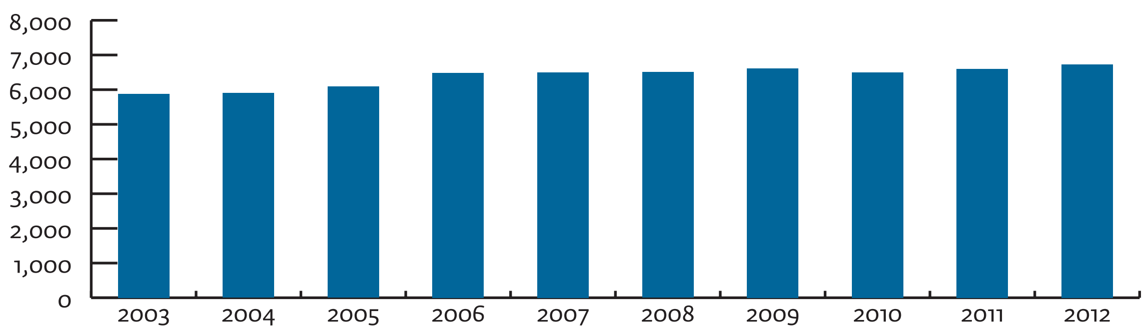
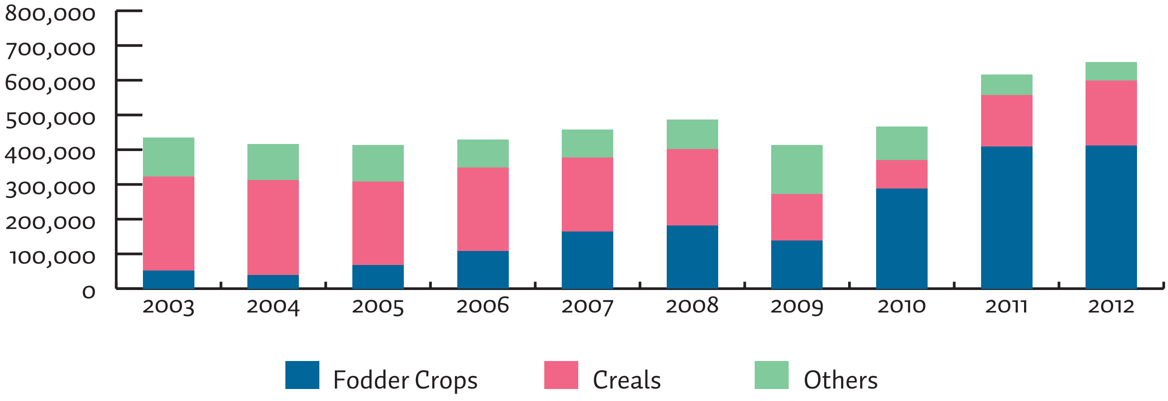


Figure 2.11 The Production of Cereals and Other Crop Products in the City of Kars Between 2003-2012 (In Tonnes)

Source: TURKSTAT



The city of Kars has not yet fully adopted modern agricultural techniques. Even though 43.8 percent of the agricultural land is irrigable, only 27.3 percent of these lands are used for agriculture[3]. At the same time, it not common to use drip irrigation and sprinkler irrigation methods; and besides great portion of the irrigation network is old and has earth lined canals. These reasons coupled with application of wrong irrigation methods (flooding method, etc.) cause overuse of water in agriculture[4]. Most of the businesses are family- owned and agricultural enterprises in the city are not large-scale enterprises in terms of the land size[5]. On the other hand, agricultural mechanisation is on the rise. Although there is no combine harvester in the region, the number of tractors increased by 14.6 percent between 2003 and 2012 (**Figure 2.10**). During the same period, the number of tractors in Turkey increased by 18.1 percent. There are 19 Agricultural Credit Co-operatives in Kars[6]. However these cooperatives are insufficient both quantitatively and qualitatively. Under these circumstances, sustainability of production becomes difficult, competitiveness within the market and production efficiency decreases[7].

The group of cereals and other crop products is the most important group of agricultural products in the city. The production of these agricultural products has increased by 50.1 percent from 2003 to 2012 (**Figure 2.11**). During the same period the increase in the overall Turkey is 53.2 percent. The production of fodder crops in particular has increased substantially since 2003[8]. The production of fodder crops has increased by 689.3 percent since 2003, from 52,200 tons to 412,023 tons. Such an increase compensates the decline in the production of cereal products[9]. During the same period, the production of cereal products has decreased by 30.8 percent, from 270,249 tons to 187,102 tons. The production of cereals and fodder crops makes up 91.8 percent of the total production of cereals and other crop products. Other major agricultural products of the city are sugar beet and potato.

2.4 LIVESTOCK

Generally TRA2 Region and the city of Kars have quite convenient conditions especially for bovine breeding due to the geographical nature of the region and the availability of large meadows and grazing lands throughout the region[10]. Bovine breeding in the city has increased by 88.9 percent, from 258,511 to 488,252 bovine animals, between

3 Hüseyin Tutar et al., 2012."Kars'ın Sosyo-Ekonomik Durumu ve Uygun Yatırım Alanları," Serhat Development Agency (SERKA), p. 27.

4 ibid.p. 27

5 ibid.p. 28

6 ibid.p. 28

7 ibid.p. 28

8 The major fodder crops in the city are vetches, sainfoins and alfalfas.

9 The major cereal products in the city are barley and wheat.

10 op cit. p. 30

Figure 2.12 The Number of Bovine Animals in the City of Kars Between 2003-2012*

Source: TURKSTAT. * The number of buffaloes is not included in the figure due to its negligible number.

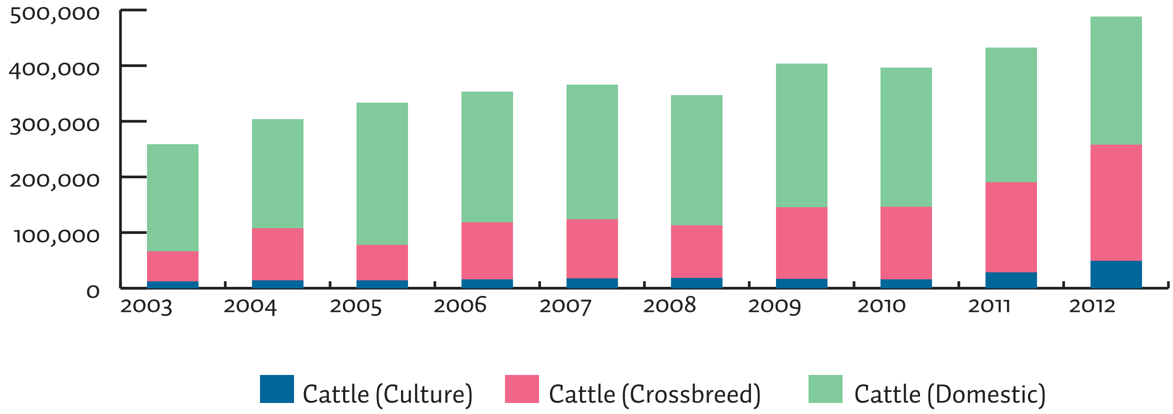


Figure 2.13 The Number of Sheep and Goats in the City of Kars Between 2003-2012

Source: TURKSTAT

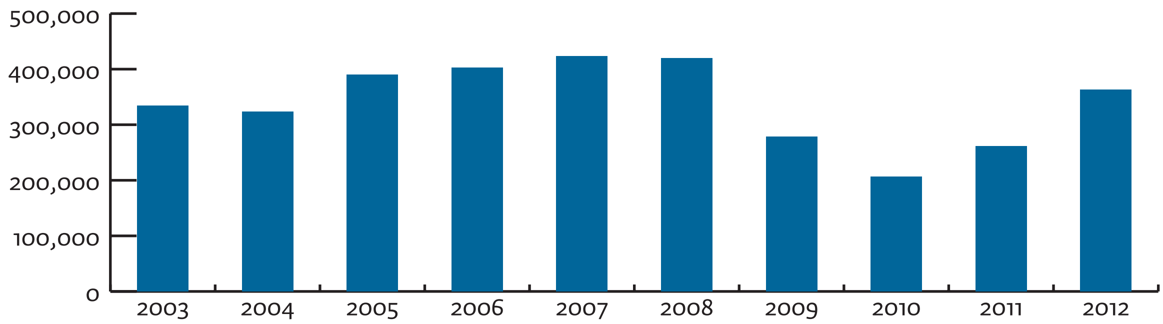


Table 2.7 The Number of Milked Animals, Milk Production and Milk Yield in the City of Kars in 2012

Livestock	Number of Milked Animals (Per Head)	Milk (Tonnes)	Milk Yield per Animal (Tonnes)
Cattle (Cross-Breed)	94,569	280,114	2.96
Cattle (Domestic)	106,042	139,551	1.32
Cattle (Culture)	21,699	82,890	3.82
Sheep (Domestic)	121,529	8,507	0.07
Goat (Hair)	7,731	765	0.10
Buffalo	4	4	1.00
Total	351,574	511,831	

Source: TURKSTAT

Table 2.8 The Number of Milked Animals, Milk Production and Milk Yield in Overall Turkey in 2012

Livestock	Number of Milked Animals (head)	Milk (Tonnes)	Milk Yield per Animal
Buffalo	46,959	46,989	1.00
Cattle (Culture)	2,211,242	8,554,402	3.87
Cattle (Cross-Breed)	2,263,400	6,166,762	2.72
Cattle (Domestic)	956,758	1,256,673	1.31
Goat (Hair)	3,439,708	367,208	0.11
Goat (Angora)	62,564	2,221	0.04
Sheep (Domestic)	12,374,732	973,619	0.08
Sheep (Merino)	693,696	33,388	0.05
Total	22,049,059	17,401,262	

Source: TURKSTAT

2003 and 2012 (**Figure 2.12**). On the other hand, bovine breeding in overall Turkey has increased by 41.6 percent during the same period. Almost 90 percent of the total bovine animals in the city are domestic and crossbreed cattle. The remaining 10 percent is comprised of the culture cattle race. There is minute number of buffaloes in the city.

While the number of sheep and goats was 334,120 in 2003, it increased by 25.6 percent and reached 419,625 in 2008 (**Figure2.13**). However, the number of sheep and goats had a sharp decline in 2009 – the number has dropped to 278,772. In 2012, the number of sheep and goats still falls behind the number in 2008. Even though the increase in sheep and goats falls behind increase in bovine animals in Turkey in general, it increased by 11.1 percent from 2003 to 2012. Increase in emigration from rural areas, preference of bovine animal products by consumers, incentives given to bovine animal breeding and sheep and goat breeding being labour intensive can be indicated among the reasons for the decrease in number of sheep and goats[11].

Milk supply in the city is an important problem. Due to the widespread practice of traditional stockbreeding and the relatively low quantity of culture races that could offer high milk yield, 63 dairy processing plants in the city barely operate at their half capacity. **Table 2.7** shows the milk yield of ovine and bovine animal races for 2012.

11 op cit. p. 30

Figure 2.14 Poultry Farming in the City of Kars (2003-2012)

Source: TURKSTAT

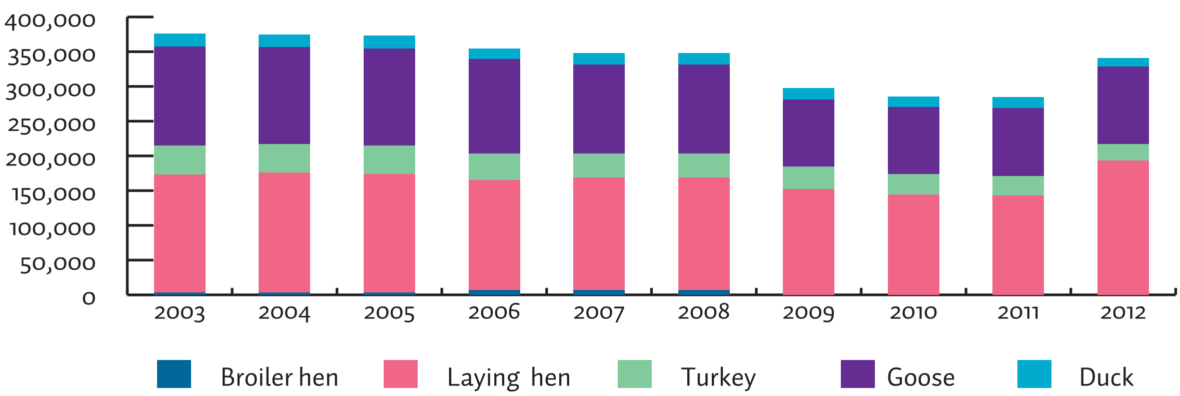


Table 2.9 The Number of Beekeeper Villages, Total Number of Beehives, Amount of Honey Production and Productivity in the City of Kars Between 2002-2012

Year	Number of Villages	Total Number of Beehives	Honey Production (tonnes)	Honey Production per Beehive
2003	151	46,278	1110.83	24.00
2004	143	44,296	1058.73	23.90
2005	144	44,298	1068.74	24.13
2006	152	44,898	975.85	21.73
2007	180	47,100	1009.10	21.42
2008	180	47,500	1015.63	21.38
2009	186	51,130	418.14	8.18
2010	195	70,298	486.40	6.92
2011	182	60,882	475.92	7.82
2012	156	68,587	398.42	5.81

Source: TURKSTAT

Even though the milk yield of ovine and bovine animals in Kars is close to Turkey's average yield, the low number of culture race in the city significantly limits the milk yield. The largest portion of the milk yield in overall Turkey is supplied by culture races (**Table 2.8**).

Even though poultry farming prevails in Kars, because that the farming is for subsistence, the economic income of the activity is limited. Among the poultry, especially goose has the potential for branding. Goose rising in the city is traditional and raised geese are mostly consumed within the city. For these reasons, products that have economic value like feathers, meat and eggs of geese have not been made use of yet[12]. According to 2012 data, 56.7 percent of the poultry in the city are laying hens, whereas geese are 32.6 percent of the total poultry in the city (**Figure 2.14**).

2.5 INDUSTRY

Thanks to its capacity to create products with high added value, industrial sector is one of the most important driving forces of economic growth. TRA2 region in general and the city of Kars in particular, is one of the most underdeveloped areas of Turkey in terms of industrialisation.

We have extremely limited statistics on industry; especially statistics on city basis are very rare. In order to understand the development of industrial sector, we use regional Gross Value Added (GVA) statistics generated by the TURKSTAT for the years 2004 and 2011.

We can observe that TRA2 region's share of industry in the GVA saw only a slight increase from 2004 to 2008. While Turkey's overall industrial sector had a 27.2 percent share in the GVA in 2008, TRA2 region's share in the GVA remained at 12.6 percent. It is obvious that the regional industrialisation is far behind the country wide industrialisation. On the other hand, TRA2's services sector has significantly increased its share in the GVA from 2004 to 2008. Since the TURKSTAT has not updated the GVA statistics, we need to look for other statistics for the periods after 2008.

According to **Table 2.11**, between 2009 and 2012, industrial employment's share within total employment significantly increases. Nevertheless, this share is quite small in comparison to Turkey's average. While the share of TRA2's industrial employment in the total employment is 13.2 percent in 2012, this share is 26 percent for the overall Turkey.

As can be seen in **Table 2.12**, the number of work places in the manufacturing industry in Kars was 425 in 2002, which increased by 53.6 percent

12 op cit. p.33

Table 2.10 Regional GVA and Sectoral Shares in 2004 and 2011 (%)

	2004			2011		
	AGRICUL-TURE	INDUSTRY	SERVICES	AGRICUL-TURE	INDUSTRY	SERVICES
Turkey	10.7	28.0	61.3	9.0	27.5	63.5
TRA2	34.5	11.9	53.7	24.8	14.0	61.2

Source: TURKSTAT

and rose to 653 in 2011. In the overall TRA2 region, the number of work places in manufacturing industry has increased even more. The number of work places in the TRA2 region has increased from 1078 to 2130 between 2002 and 2012, by a margin of 97.6 percent.

When we look at the work place distribution statistics, we can observe that in the year 2002 in Kars 24.9 percent of the businesses in manufacturing industry are operating in food products and beverages sector; 21.9 percent in forestry and forestry products; 14.1 percent in metal products; 12.7 percent in textile products and apparel; 8 percent in machinery and equipment, and the remaining 18.4 percent in other manufacturing.

On the other hand, in 2011, 26.8 percent of the businesses in manufacturing industry are active in food products and beverages sector; 17.3 percent in forestry and forestry products; 22.2 percent in metal products; 11.9 percent in textile products and wearing apparel; 5.5 percent in machinery and equipment, and the remaining 16.2

Table 2.11 Employment Distribution Ratios by Region and by Sector Between 2009-2012 (%)

	2009			2010			2011			2012		
	A	I	S	A	I	S	A	I	S	A	I	S
TRA2	64.1	6.3	29.6	58.2	9.2	32.6	55.8	13.7	30.5	52.7	13.2	34.1
Turkey	24.6	25.3	50.1	25.2	26.2	48.6	25.5	26.5	48.1	24.6	26.0	49.4

Source: TURKSTAT. A: Agriculture, I: Industry, S: Services.

Reference: Hüseyin Tutar et al., "Kars'ın Sosyo-Ekonomik Durumu ve Uygun Yatırım Alanları," Serhat Kalkınma Ajansı (SERKA), 2012. p.37.

Table 2.12 The Distribution of the Number of Enterprises in Manufacturing Industry by Sub-Sectors in 2002 and 2011

Years	2002				2011			
Sub-Sectors	Kars		TRA2		Kars		TRA2	
	Number	%	Number	%	Number	%	Number	%
Food Products and Beverages	106	24.9	237	22.0	175	26.8	516	24.2
Forestry and Forestry Products	93	21.9	234	21.7	113	17.3	374	17.6
Metal Products	60	14.1	162	15.0	145	22.2	455	21.4
Textile Products and Wearing Apparel	54	12.7	145	13.5	78	11.9	245	11.5
Machinery and Equipment	34	8.0	70	6.5	36	5.5	109	5.1
Other Manufacturing	78	18.4	230	21.3	106	16.2	431	20.2
Total	425	100.0	1,078	100.0	653	100.0	2,130	100.0

Reference: Hüseyin Tutar et al., "Kars'ın Sosyo-Ekonomik Durumu ve Uygun Yatırım Alanları," Serhat Kalkınma Ajansı (SERKA), 2012. p.37.

Table 2.13 Nominal Export and Import Statistics in 2002-2012 (One Thousand US$).

Yeears	Kars		TRA2		Turkey		Share of TRA2 in Turkey's foreign trade	
	Export	Import	Export	Import	Export	Import	Export	Import
2003	2,358	1,342	37,391	13,966	47,252,836	69,339,692	0.1%	0.0%
2004	3,277	1,117	60,232	21,585	63,167,153	97,539,766	0.1%	0.0%
2005	2,694	783	72,600	45,219	73,476,408	116,774,151	0.1%	0.0%
2006	1,945	1,082	82,725	44,797	85,534,676	139,576,174	0.1%	0.0%
2007	57,363	486	154,047	60,319	107,271,750	170,062,715	0.1%	0.0%
2008	344	686	138,887	79,859	132,027,196	201,963,574	0.1%	0.0%
2009	236	857	126,099	48,572	102,142,613	140,928,421	0.1%	0.0%
2010	159	3,049	182,061	68,010	113,883,219	185,544,332	0.2%	0.0%

Source: TURKSTAT

percent in other manufacturing jobs. From 2002 to 2011, there is a remarkable increase in the number of enterprises that operate in the manufacturing of metal products, an increase by 141.7 percent. Food products and beverages follow metal products manufacturing with 65.1 percent, textile products and apparel with 44.4 percent and enterprises in forestry and forestry products manufacturing with 21.5 percent.

51 percent of the industrial enterprises in the city of Kars are micro-enterprises; 25 percent are small-sized enterprises; 18 percent are medium-sized enterprises; and 6 percent are large enterprises. According to industrial registry records, there are 1280 employees working in the formally registered enterprises in the city of Kars, and only 5 percent of these employees are working at research and development units[13].

2.6 FOREIGN TRADE

Since the industry in the city of Kars is not well developed, the number of export and import companies in the city is quite low. There were

13 Directorate-General for Industry, 2012. "81 İl Durum Raporu" [Status Report for 81 Provinces], Ministry of Science, Industry and Technology of Republic of Turkey, p. 249.

Table 2.14 The Number of Vehicles Passed through the Borders, by Border Gates (One Thousand Vehicles, 2011)

	2011 1st Quarter	2011 2nd Quarter	2011 3rd Quarter	2011 4th Quarter	Total
Dilucu (Nahçıvan-Iğdır)	166	154	61	67	448
Entry	85	78	32	35	230
Exit	81	75	29	32	217
Gürbulak (Iran-Ağrı)	91	100	103	103	397
Entry	41	44	46	46	177
Exit	50	56	57	57	220
Türkgözü (Gürcistan-Ardahan)	5	10	14	9	38
Entry	2	5	7	4	18
Exit	3	5	7	5	20

Source: Ministry of Customs and Trade, Republic of Turkey only two export firms in Kars in 2011, and only seven import firms. Dismissing the one-time leap in 2007, export and import in Kars is rather limited as compared to other cities and regions; in fact scarcely any. Therefore, the region's in Turkey's overall export is only one per thousand (0.1 percent). The studies by the Serhat Development Agency's (SERKA) lists main reasons for low exportation as follows: insufficient transportation opportunities, local people's lack of information on foreign trade and lack of industrial production history in the region[14].

International Kars airport currently under construction; high-speed railway between Ankara and Kars; Baku-Tbilisi-Kars railway; Kars-Iğdır- Nakhchivan railway in the pipeline and the planned logistical centre in Kars may considerably increase the region's industrial capacity as well as its exports[15]. Besides, having a sealed border with Armenia remains as a significant obstacle before the export capacity of the province and region as such.

14 Tutar et al. p.47

15 ibid. p.48

2.6.1 Border Gates and Border Traffic

TRA2 Region has land borders with Georgia, Armenia, Nakhchivan, and Iran. Kars, Iğdır and Ardahan provinces share a 328 km long land border with Armenia. This land border remains sealed since 1993. The length of Iğdır's land border with Nakhchivan is 18 km and Dilucu Gate is an active one. 447 thousand vehicles passed through this gate throughout 2011. Gürbulak Gate, which connects Ağrı and Iran, is as active as Dilucu Gate. Other than that, 38 thousand vehicles passed through Türkgözü Gate, which connects Ardahan and Georgia, in the year 2011.

2.7 THE STATUS OF EDUCATION IN KARS AND TRA2

We once again use the Household Labour Force Statistics (HLFS) for the status of education in the region. The average years of schooling in Turkey's total population is seven years. In other words, the average education level in Turkey may be interpreted as the average school dropout at the 7th Grade. On the other hand, the average years of schooling in the region is 5.3 years, and when compared with other regions in Turkey, TRA2 ranks the antepenultimate (**Figure 2.15**).

Figure 2.15 Average Years of Schooling in the Total Population (2011)

Source: TURKSTAT, HLFS – Household Labour Force Survey.

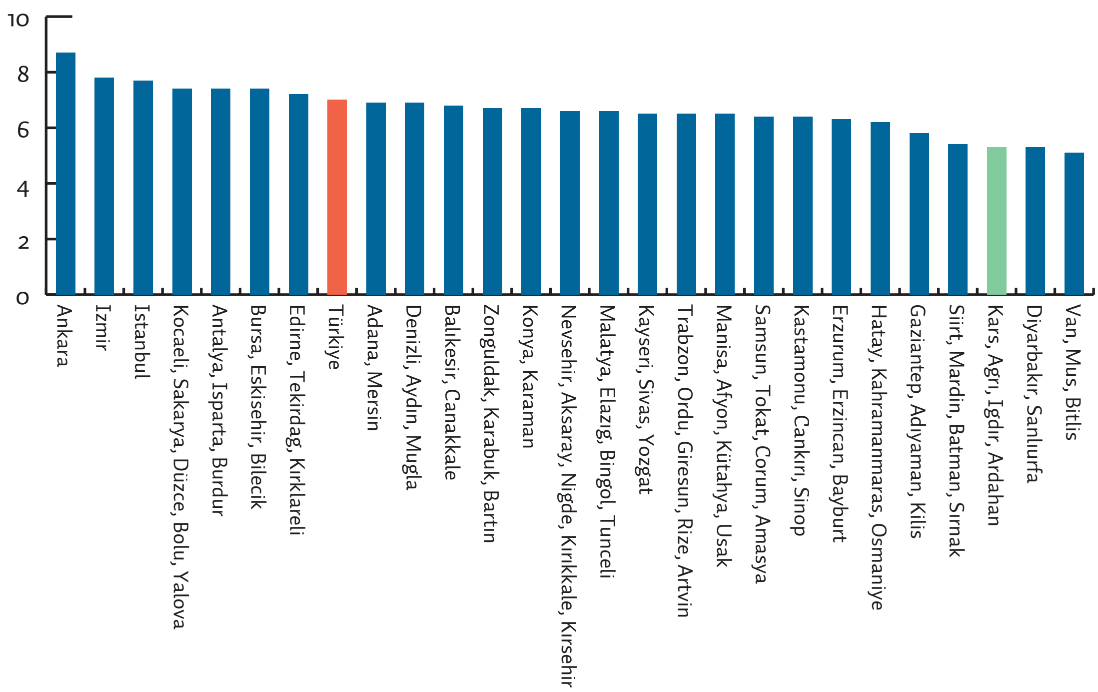
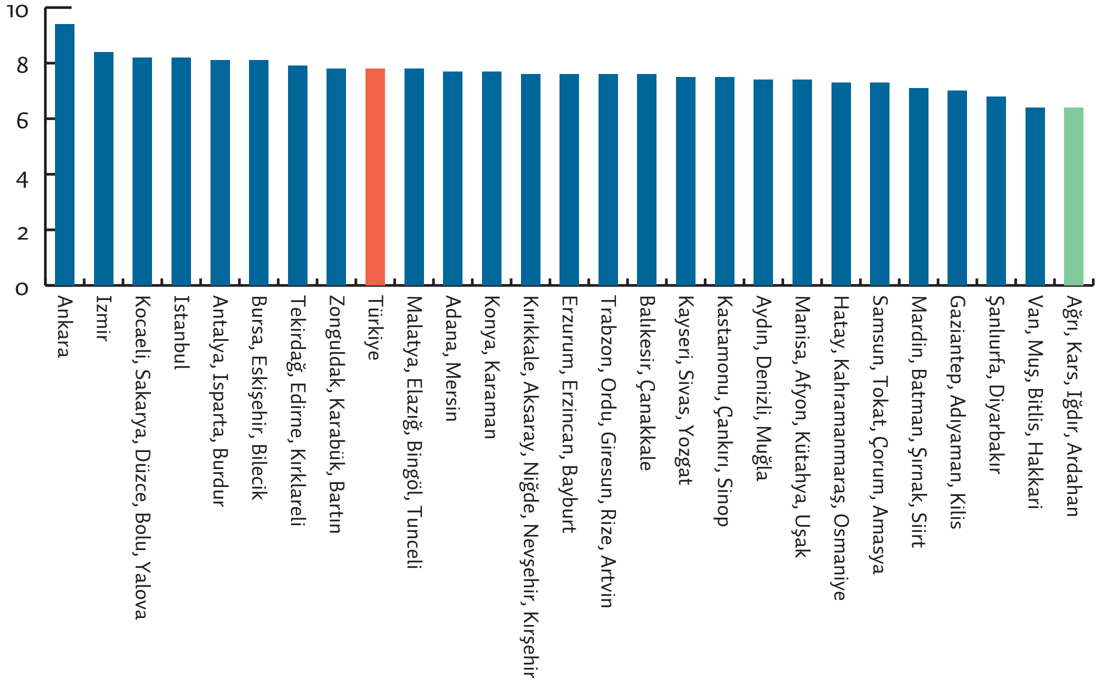


Figure 2.16 Average Years of Schooling in the Total Population (Male, 2011)

Source: TURKSTAT, HLFS – Household Labour Force Survey.



In terms of gender differences, Turkey schooling average for males is 7.8 years and the region average is 6.4 years; Turkey average for females is 6.4 years and the region average is 4.5 years. When we compare the status of education by gender, we observe that the region ranks the lowest in male education and the third lowest in female education. (**Figure 2.16** and **Figure 2.17**).

When we take into account the education level of those in employment, as opposed to the education level in total population, we can see that the region ranks the lowest for both men and women.

When we make a comparative analysis for the years between 2008 and 2012, we observe a significant decrease in the number of illiterate

Figure 2.17 Average Years of Schooling in the Total Population (Female, Year 2011)

Source: TURKSTAT, HLFS – Household Labour Force Survey.

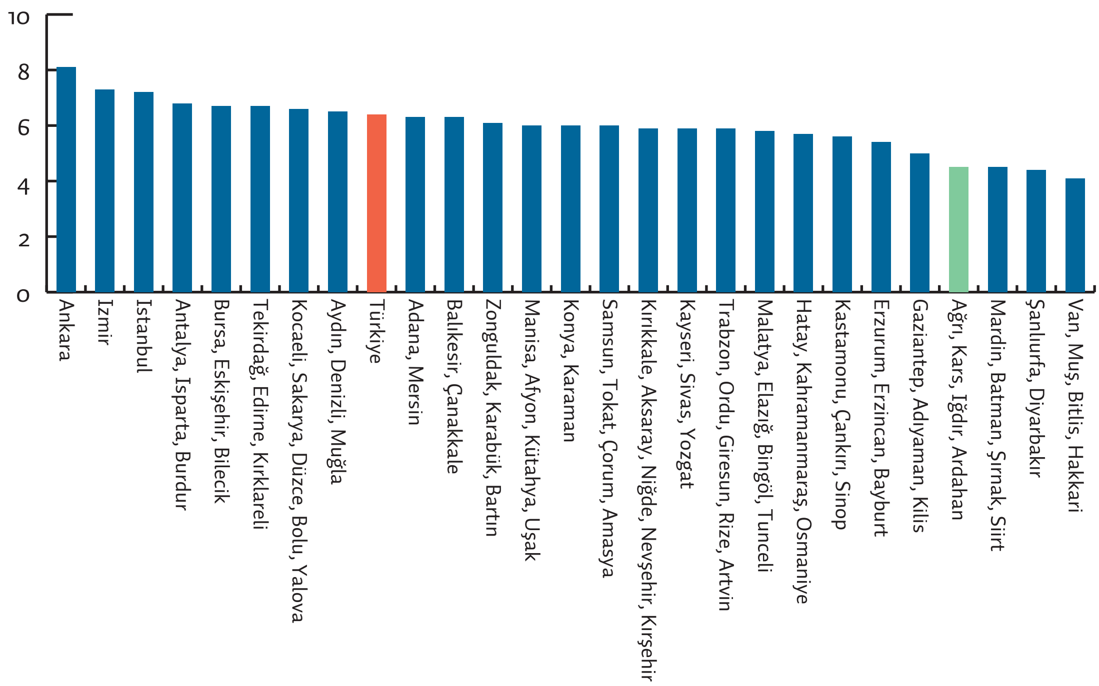


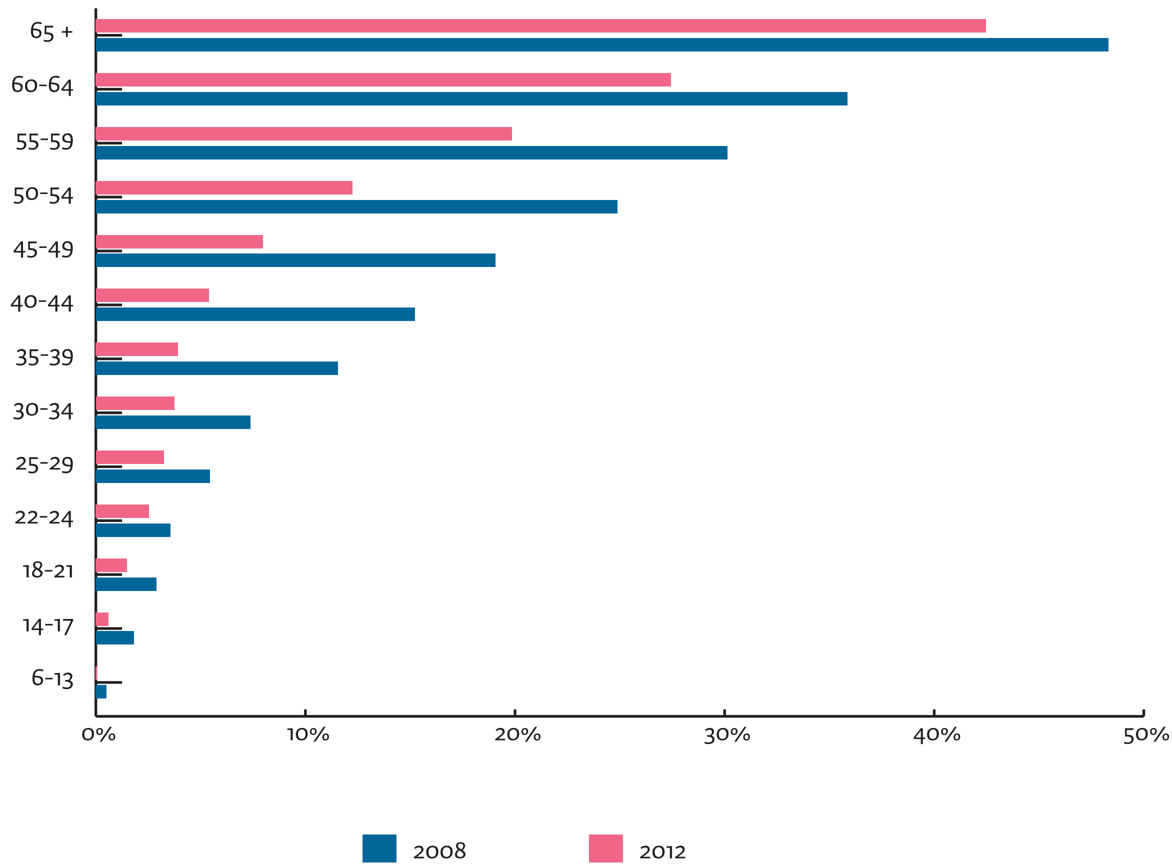
Table 2.15 The Status of Education in the City of Kars for 15+ Age Group and the Population by Gender

Status of Education	2008			2012		
	Female	Male	Total	Female	Male	Total
Illiterate	24,557	5,711	30,268	16,753	3,348	20,101
Literate without school completion	11,255	9,515	20,770	11,132	7,385	18,517
Primary school graduate	25,964	31,918	57,882	26,884	25,833	52,717
Primary education graduate	11,126	15,806	26,932	19,554	30,732	50,286
Junior high school or equivalent graduate	2,386	5,375	7,761	2,953	5,711	8,664
High school or equivalent graduate	10,542	21,390	31,932	12,026	21,818	33,844
College graduate or bachelor	2,440	4,563	7,003	6,021	8,782	14,803
Masters degree	162	280	442	258	415	673
PhD degree	32	134	166	85	210	295
Unknown	12,504	18,792	31,296	4,993	5,872	10,865
Total	100,968	113,484	214,452	100,659	110,106	210,765

Source: TURKSTAT

Figure 2.18 The Ratio of Illiterate Population to the Total Population by Age Groups, Kars (2008, 2012)

Kaynak: TÜİK



population in Kars (**Table 2.15**). While illiterate population in 2008 was 30,268, it dropped to 20,101 people in 2012. The number of college graduates and bachelors increased by 100 percent, from 7,003 people up to 14,803, between 2008 and 2012. Even though this is a small portion of the total population, there is a clear increase in the number of people who holds a Ph.D. or Master's degree. However, according to the 2012 data, while the number of those with a college degree or higher degree corresponds to 11.4 percent in the total population, this ratio remains at 7.5 percent for the city of Kars. According to the data extracted for the same period, in overall Turkey those who are graduates of high school or equivalent make up the 21.4 percent of the population, whereas this ratio remains at 16.1 percent in Kars. **Figure 2.18** shows the ratio of illiterate people in Kars to the total population in the years between 2008 and 2012. As it is expected, as the age groups get younger, the ratio of the illiterate people significantly decreases as well. The ratio of the illiterate people in 2012 has considerably decreased for all age groups in comparison to 2008.

2.8 POPULATION, MIGRATION AND SUICIDE RATES

With its 1.2 million population, Ağrı-Kars-Iğdır-Ardahan region is the fourth least populated region in Turkey. All the cities of the region have net migration. However, whereas the net migration of the region was 30,730 between the years 2007 and 2008, this number has decreased to 18,825 between the years 2010 and 2011 (**Table 2.16**). Net migration rate in the cities of this region are higher than those in other cities. Between the years 2010 and 2011, Kars ranked the fifth, Ağrı ranked the seventh and Ardahan ranked the ninth among the top 10 cities with the highest migration rate (**Table 2.17**). On the other hand, Iğdır ranks the 26th. The region has the second highest suicide rate among all the other regions, Aydın, Denizli, Muğla region being the one with the highest rate (**Table 2.18**).

Table 2.16 Total Population of the Provinces, Net Migration and Net Migration Rate (One Thousand People)

	Total Population				Net Migration				Rate of Net Migration (per thousand)			
	2008	2009	2010	2011	2007 2008	2008 2009	2009 2010	2010 2011	2007 2008	2008 2009	2009 2010	2010 2011
Ağrı	532	538	542	555	-15	-10	-8	-10	-28.3	-19.3	-14.7	-17.3
Kars	312	307	302	306	-9	-7	-7	-6	-28.0	-21.4	-22.1	-18.5
Ardahan	112	108	105	107	-3	-3	-2	-2	-24.7	-29.7	-21.3	-16.3
Iğdır	184	183	184	189	-4	-3	-2	-2	-20.4	-15.2	-9.1	-8.8
Total	1,141	1,136	1,134	1,158	-31	-23	-19	-19	-26.6	-20.2	-16.4	-16.1

Source: TURKSTAT, BETAM

Table 2.17 Migration Rate of Provinces		
	City	Rate of Net Migration (per thousand) 2010-2011
1	Van	-46.67
2	Yozgat	-24.75
3	Çankırı	-20.88
4	Kırıkkale	-19.06
5	**Kars**	**-18.54**
6	Trabzon	-17.78
7	**Ağrı**	**-17.27**
8	Adıyaman	-16.81
9	**Ardahan**	**-16.29**
10	Niğde	-15.44

Source: TURKSTAT

Table 2.18 Suicide Rates by Region, Raw Data, 2007-2011

	2007	2008	2009	2010	2011
Turkey	3.98	3.96	4.02	4.02	3.62
Aydın, Denizli, Muğla	4.96	5.55	7.21	6.07	6.27
Ağrı, Kars, Iğdır, Ardahan	**4.92**	**6.14**	**4.48**	**5.65**	**5.15**
Antalya, Isparta, Burdur	5.82	4.50	5.33	5.16	5.08

Source: TURKSTAT, Suicide Statistics

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