



Türkiye Ekonomi Politikaları Araştırma Vakfı

Exploring Economic Opportunities: Strengthening Armenia-Türkiye Relations Amidst Normalization Talks

A tourism based regional development strategy

December 2024

2010 – Ani Bridge restoration project proposal



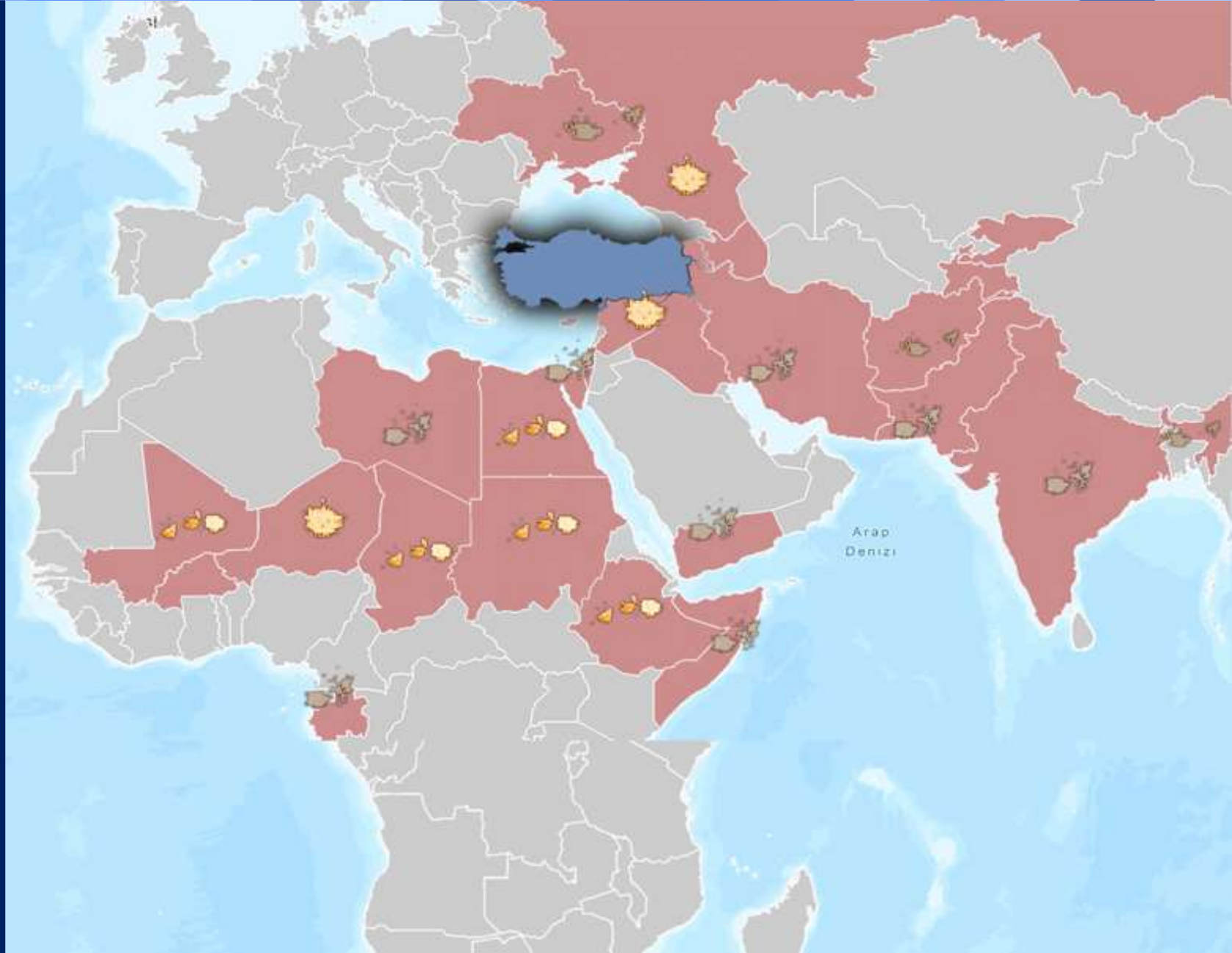
Framework

- A more conducive geopolitical environment for border opening
 - Russia-Ukraine
 - New security architecture in the region
 - Climate Change
- Let's see what happens now
 - Opening of the Armenia-Türkiye border?
 - TEPAV's media content analysis supports this trend
 - Visit of AIPAC to Baku?
 - Why now?
- Armenia-Türkiye rapprochement good for both countries
 - Cultural and eco-tourism is a good regional development strategy for Eastern Anatolia
 - Businesses in Eastern Anatolia view opening of the border and tourism as an opportunity
 - Economic diversification opportunity for Armenia
 - Time to improve the country's competitiveness

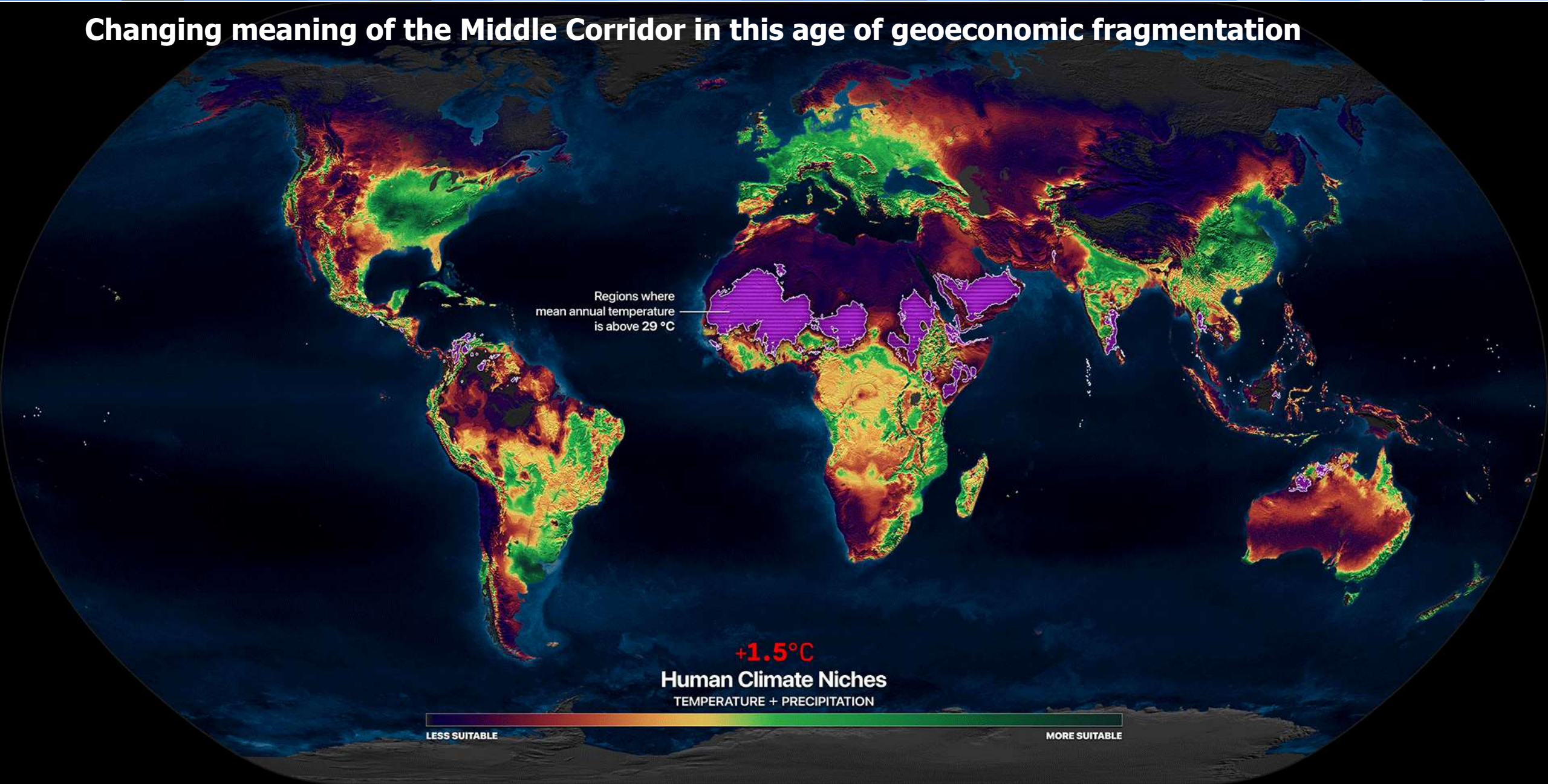
A more conducive environment for border opening

- The Ukraine-Russia War has consequences already
 - ➔ The Russians lost power
 - Leading to conflicts from Karabakh to Syria, Cyprus
 - ➔ Iran and North Korea has become part of the military supply chain of Russia
 - Iran turned into a target
 - ➔ Regional security dynamics have changed completely
 - Israel's security was turned into a regional priority
 - No room for maneuver for US diplomacy
- Where do Eastern Anatolia and Armenia stand in the world?
 - ➔ The EU Customs Union enhanced Türkiye's capabilities, transforming it into an industrial country.
 - ➔ Armenia's trade with the EU has been declining while its dependence on Russia and China continues to grow

Instability is increasingly rising in the geography to the southeast of our region



Changing meaning of the Middle Corridor in this age of geoeconomic fragmentation



The opening of the Armenian-Turkish border is on the agenda

In the past, there was not just one Silk Road but multiple Silk Roads: Now it is the era of corridors

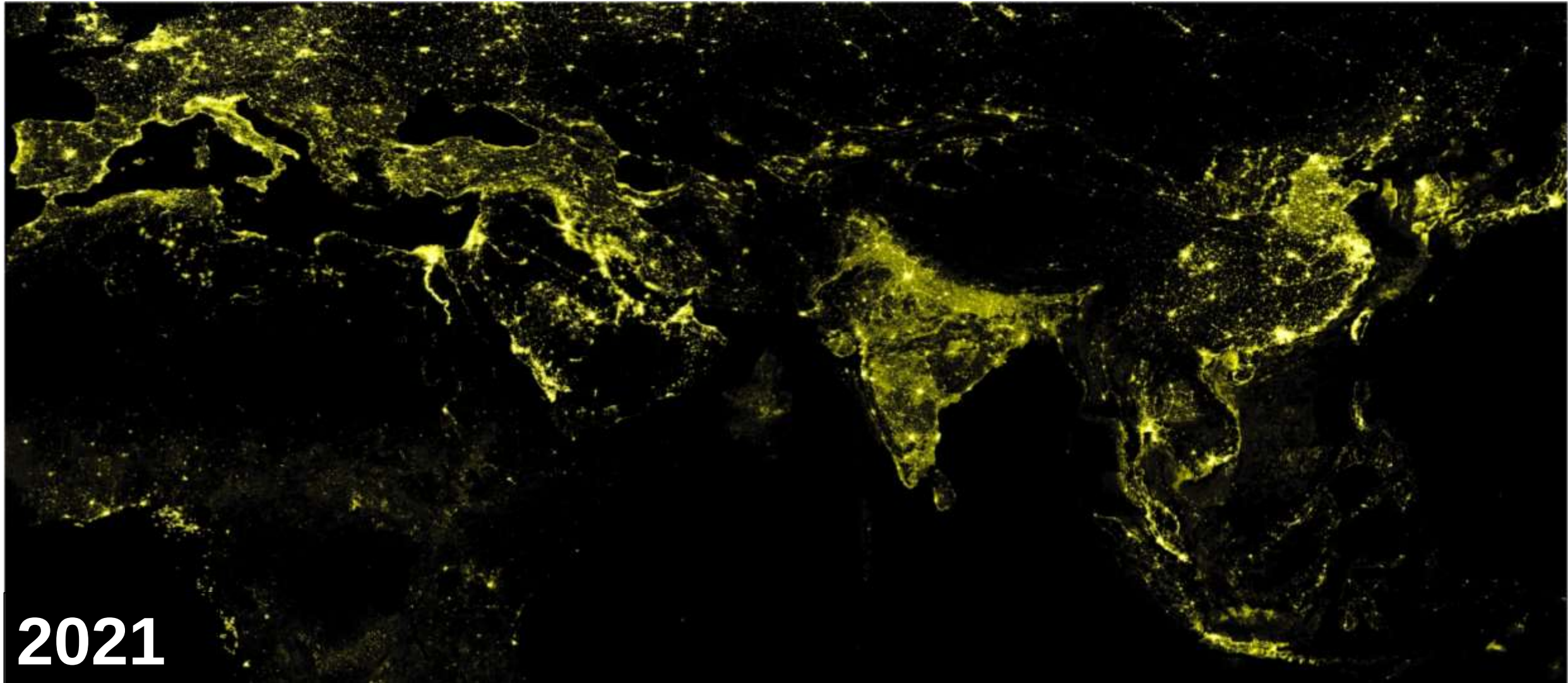


In 1992, wealth was concentrated in Europe



1992

Wealth is no longer only in Europe

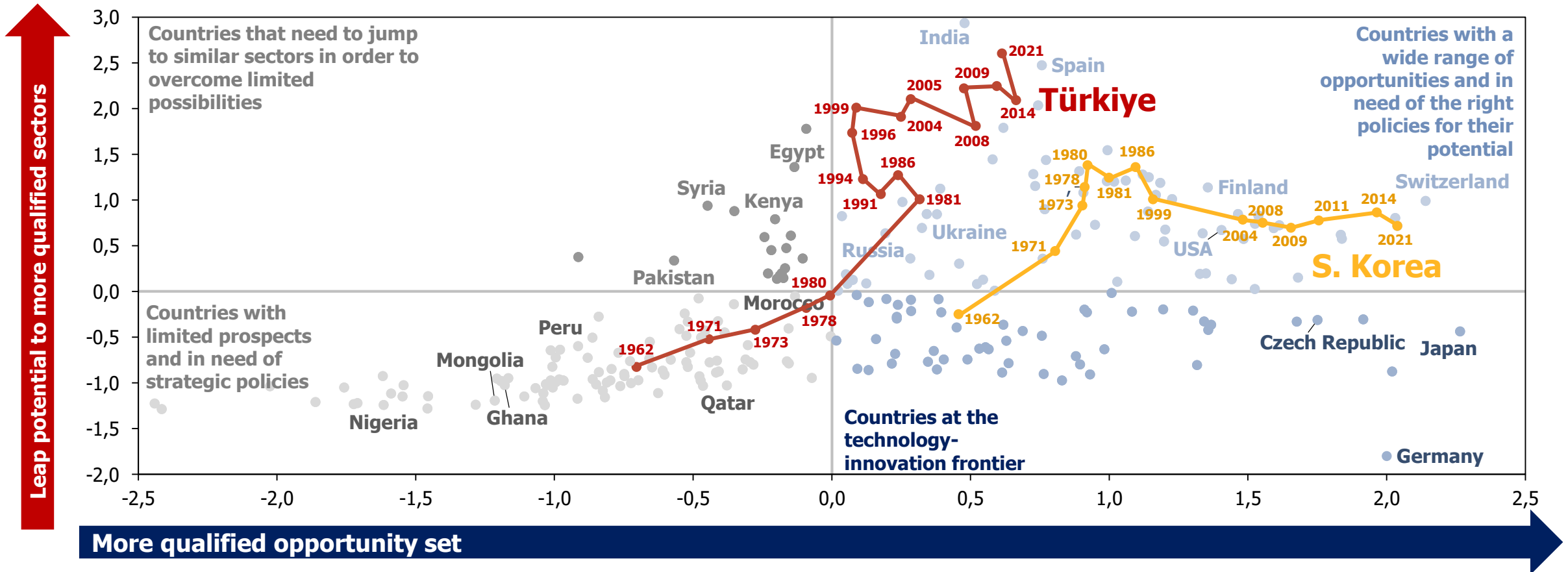


2021

Türkiye accumulated significant potential over the past 60 years

It ranked 40th in the Global Economic Complexity Index as of 2021

Competitiveness levels and potentials of countries, 2021*



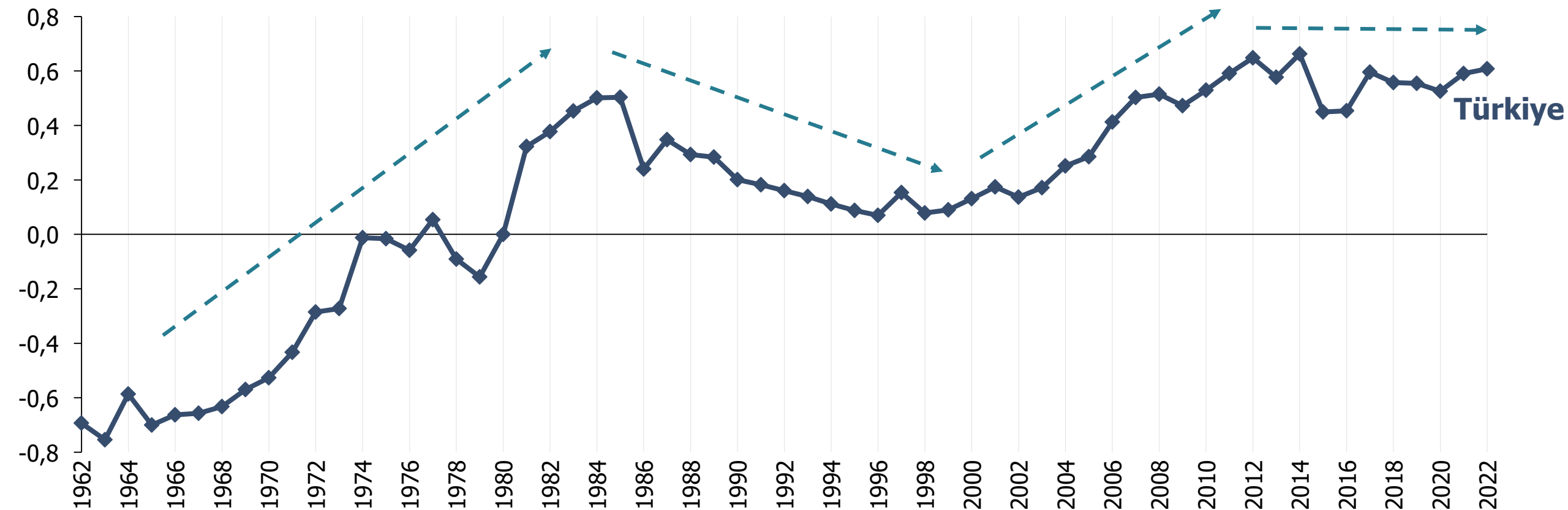
Note: Red and yellow dots indicate the progress of Turkey and South Korea in the indices, respectively. 2021 data of other countries are visualised.

Source: The Growth Lab at Harvard University. (2019). "Growth Projections and Complexity Rankings, V2" [Data set]. <https://doi.org/10.7910/dvn/xtaqmc>, TEPAV calculations

Look what is happening when

Türkiye's international competitiveness has remained stable in recent years

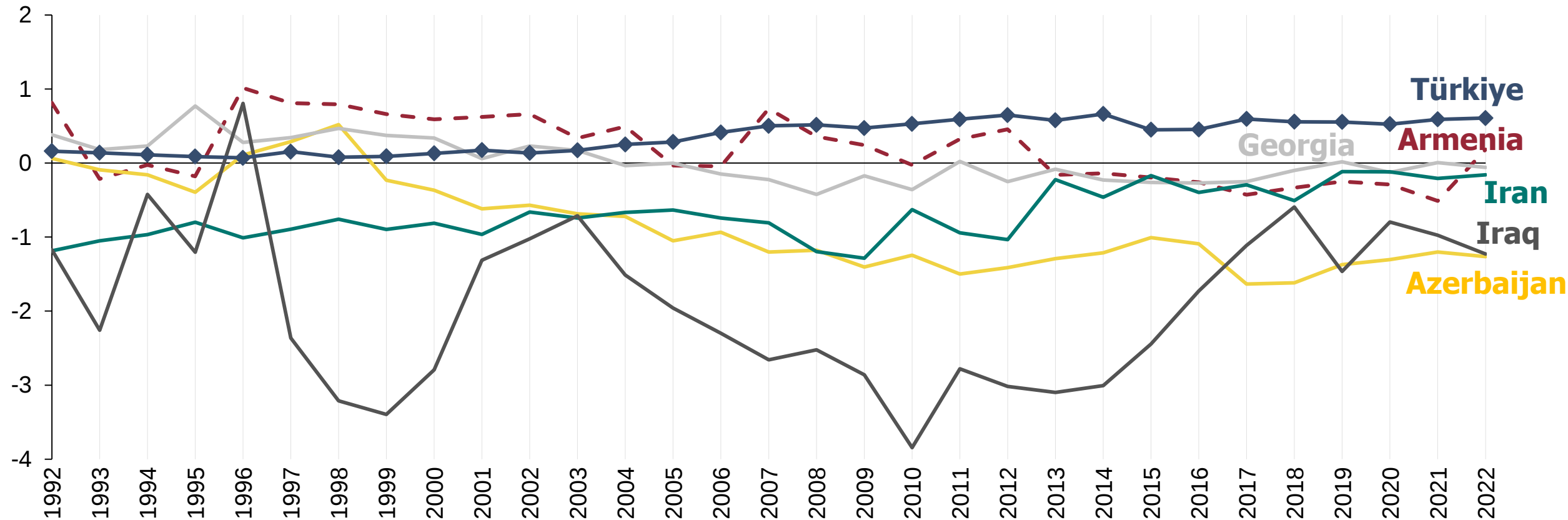
International competitiveness of Türkiye, 1962-2022



Türkiye

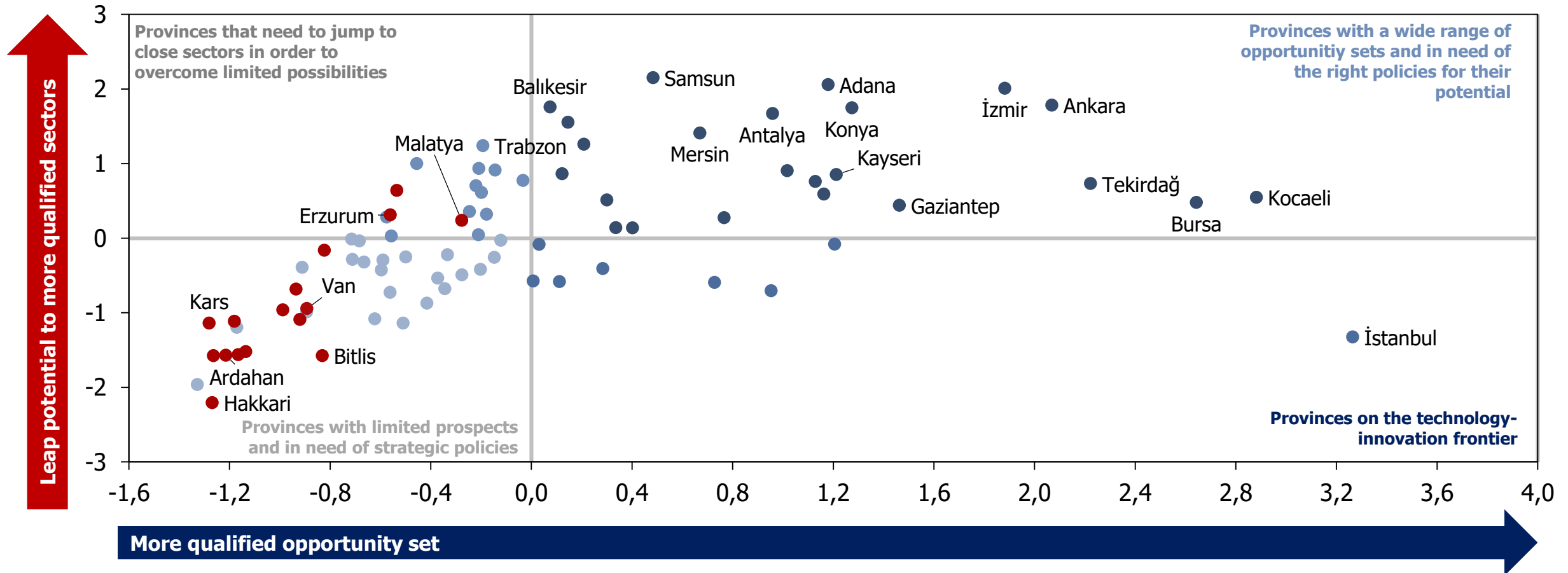
Türkiye is the most competitive country in the region

International competitiveness of countries, 1992-2022



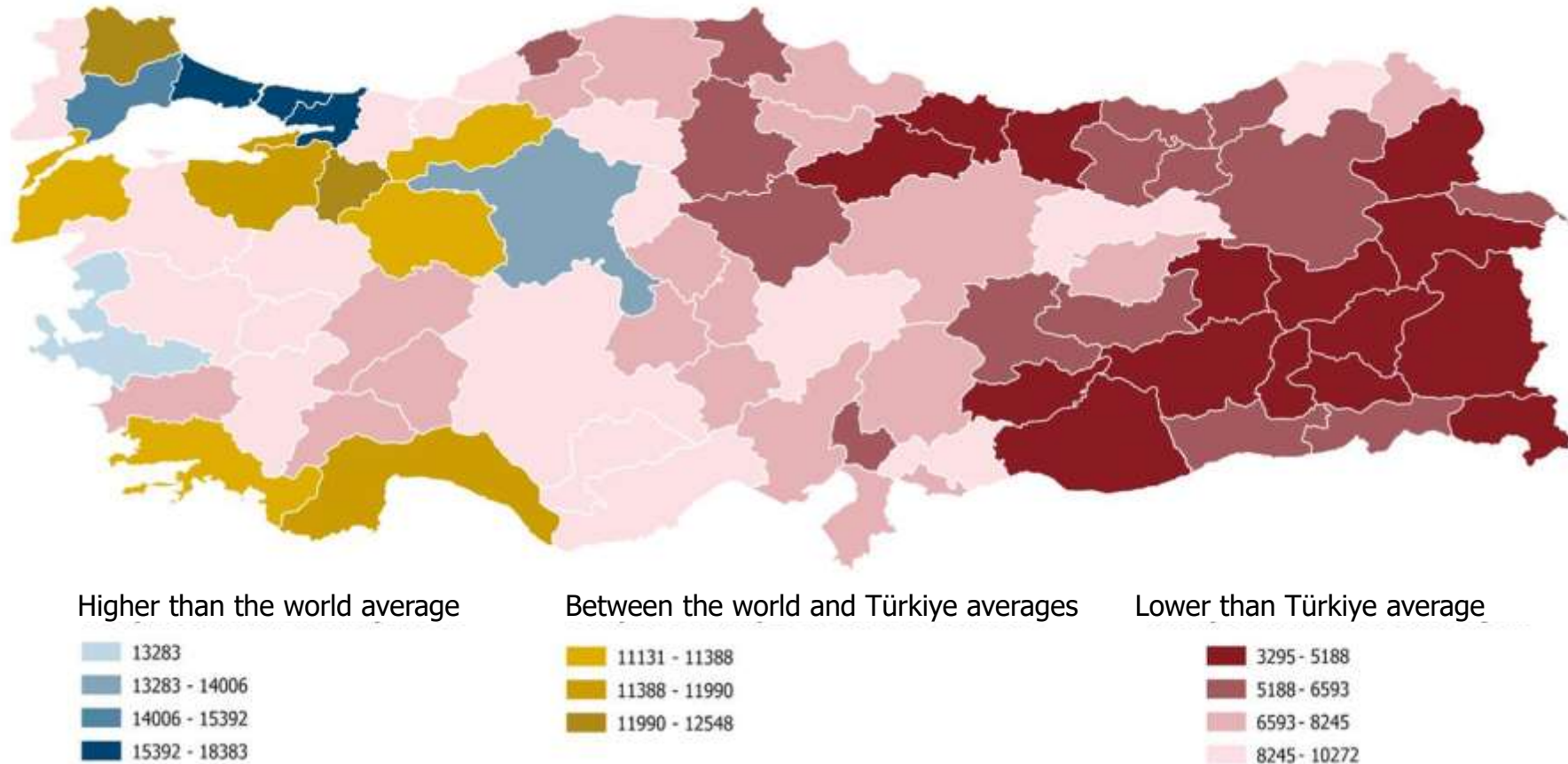
But provinces in Eastern Anatolia are behind

Competitiveness levels and potentials of provinces



The per capita GDP of the eastern region's provinces is below both the global and Türkiye's averages

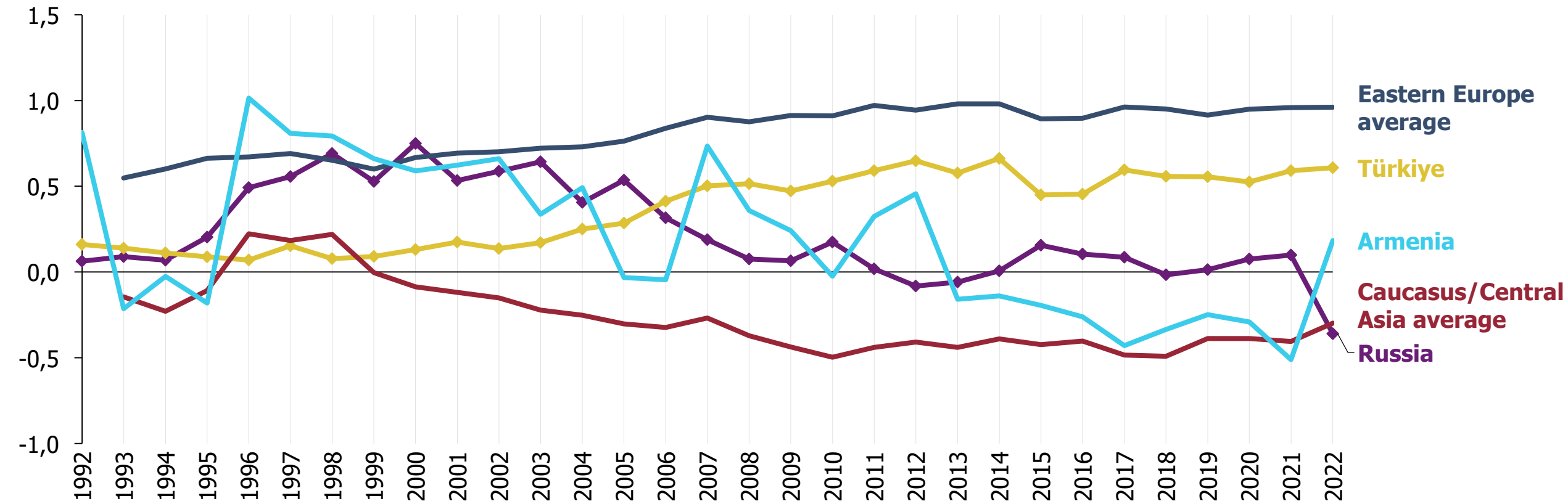
GDP per capita, Atlas method, USD, 2022



The difference between the two blocs after the Soviet era stems from Eastern European countries integration into more advanced value chains of Europe

The others, including Armenia, have remained tied to Russia's trade and investment networks

International competitiveness performance of former Soviet countries, 1992-2022



Armenia's export and import, trade partner

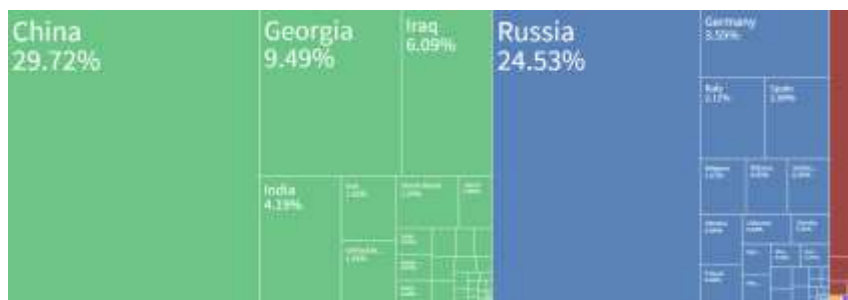
Export

2010



776 M USD

2021



2.9 B USD

2022



5.6 B USD

Import



2.4 B USD



4.5 B USD



8.9 B USD

Armenia's trade with the EU has been declining while its dependence on Russia and China continues to grow
Sanctions also had an impact

Armenia's export and import, product composition, excluding services

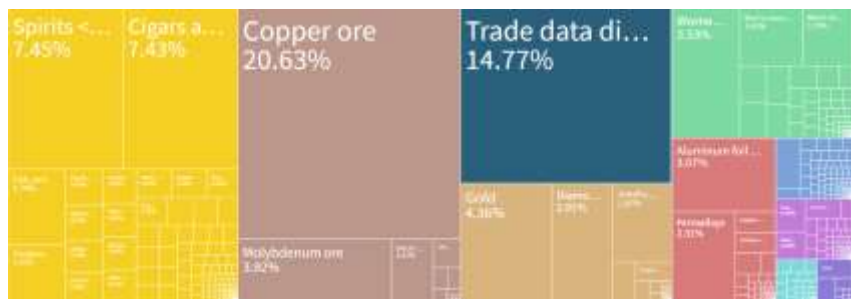
Export

2010



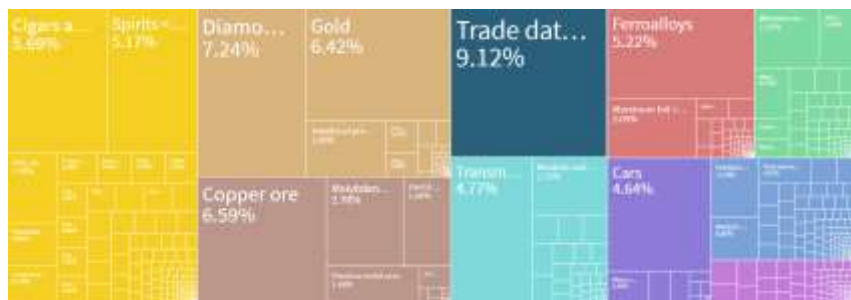
776 M USD

2021



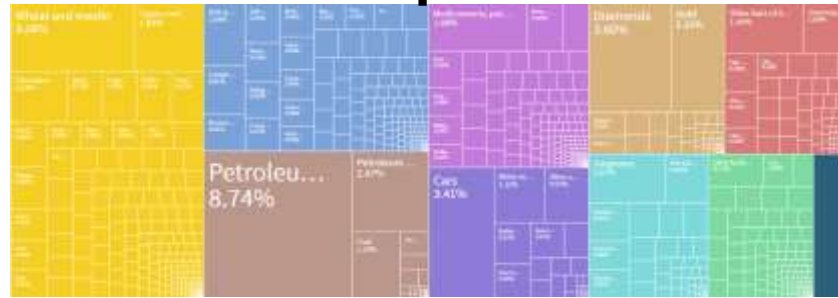
2.9 B USD

2022

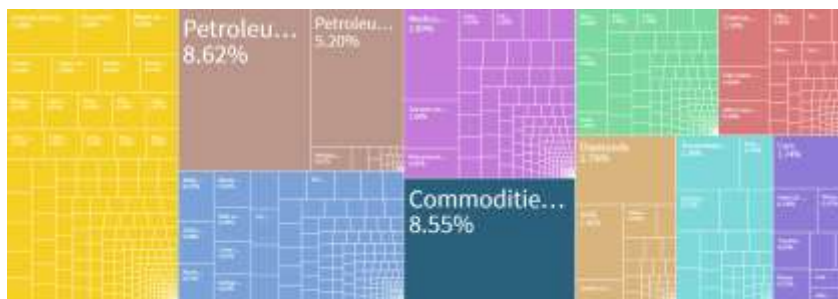


5.6 B USD

Import



2.4 B USD



4.5 B USD



8.9 B USD

Excluding services, Armenia exports mostly resources and agricultural products

Armenia's export and import, product composition, including services

Export

2010



776 M USD

2021



4.6 B USD

2022



9.9 B USD

Import



3.6 B USD



5.8 B USD



12 B USD

Tourism has played a vital role in Armenia's economy

Armenia-Türkiye Normalization

Background of Armenia-Türkiye relations

- Türkiye closed its border with Armenia in 1993
 - ➔ There have been several attempts at normalization between Armenia-Türkiye
 - 2008: "Football Diplomacy" initiated.
 - 2009: Zurich Protocols signed to establish diplomatic ties and foster cooperation (not ratified due to domestic opposition and Azerbaijan's pressure).
 - Included the creation of an intergovernmental body comprised of sub-commissions to develop trade, tourism, and economic cooperation between the two countries.

Key Events Impacting Armenian-Turkish Relations since 2020

- Azerbaijan-Armenia escalation of tensions and the 2020 War
- Resumption of normalization talks between Armenia-Türkiye after ceasefire
 - ➔ In December 2021, special envoys appointed by Türkiye and Armenia.
 - Launch of the "3+3" regional collaboration platform (Azerbaijan, Armenia, Georgia, Türkiye, Russia, and Iran).
 - ➔ Progress despite border clashes between Armenia and Azerbaijan
- Normalization talks gain momentum in 2024
 - ➔ Erdoğan and Pashinyan reiterated vows to normalize Armenia-Türkiye ties
 - ➔ In July, fifth meeting of special envoys took place at the Armenia-Türkiye border.
 - Discussed making the Akhurik/Akyaka railway border crossing operational and visa streamlining for diplomatic passports.
 - Earlier in 2024, Armenia completed the construction of a new border checkpoint in Margara

Research framework

- Media content analysis to shed light on how significant events as reflected in the mass media
 - The 2020 war in Nagorno-Karabakh
 - The subsequent normalization talks
- Fieldwork in Eastern Anatolia to assess local business perceptions regarding Armenia-Türkiye normalization and opening of borders
 - Discussions were held after a TEPAV presentation on a tourism based regional development strategy

Methodology of the media content analysis

- Between January 2020 and July 2023, 2,406,892 news articles published on the Turkish news websites *haberler.com* and *ensonhaber.com* were examined.
 - ➔ 1,080 articles containing the keyword "Armenia" identified for in-depth analysis.
- 2,277 press releases issued by the Turkish Ministry of Foreign Affairs and the Turkish Presidency between January 2020 and June 2024 were analyzed to understand the government's messaging and its alignment with or divergence from media narratives.
 - ➔ 35 press releases which included the word "Armenia" were identified.
- A dictionary of words that frequently appeared in the articles and statements containing "Armenia" was created

Methodology of the media content analysis

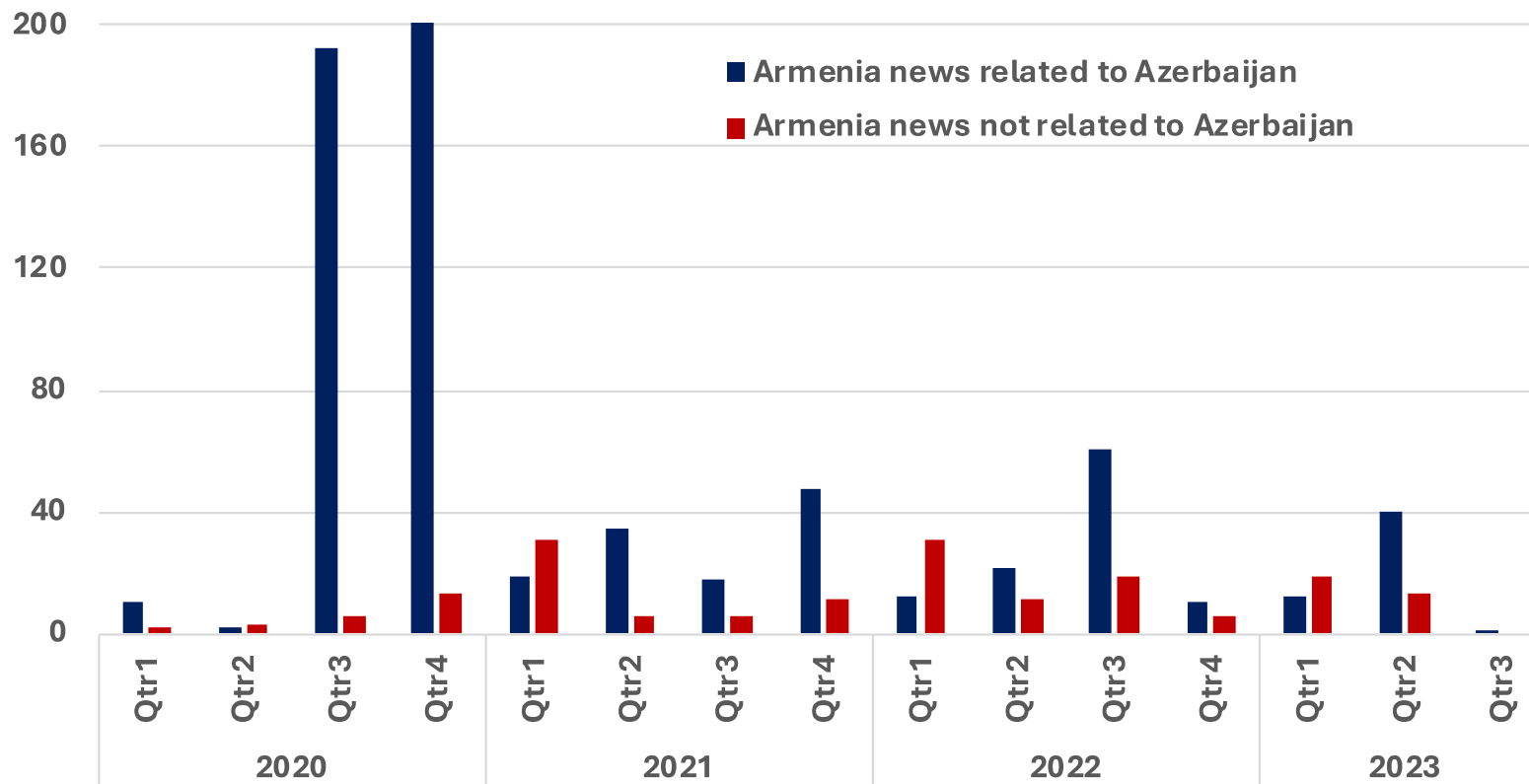
Dictionary of words

Positive	Negative	Neutral
Trade	Nagorno-Karabakh	Türkiye
economy	soldier	Armenia
aid	genocide	Azerbaijan
earthquake	attack	border
ceasefire	occupation	President
normalization	lobby	international
tourism	diaspora	
cooperation	violation	
consensus	army	

Majority of news on Armenia includes references to Azerbaijan

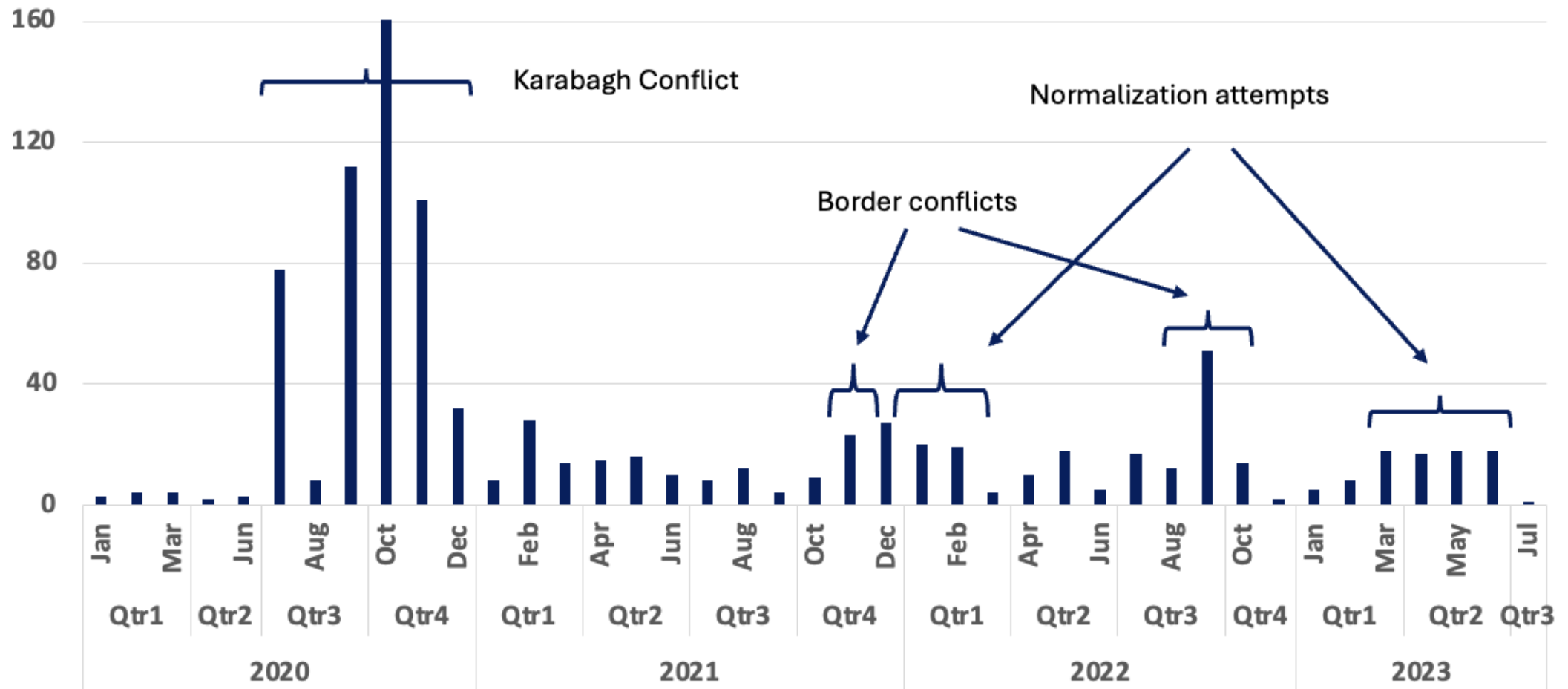
Overall, news coverage on Armenia is small, with only 4 out of every 10,000 news items in the media related to Armenia

Frequency of news items related to both Armenia and Azerbaijan and only related to Armenia



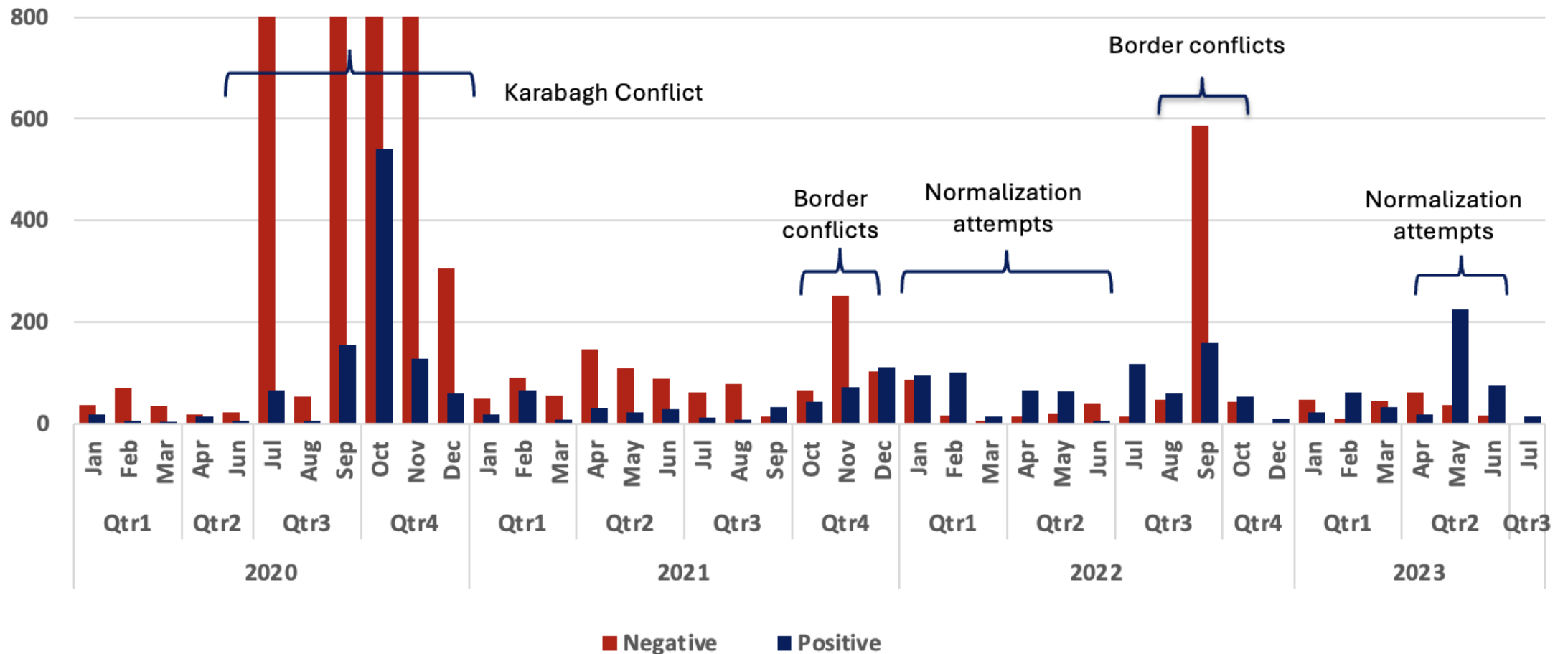
News items related to Armenia peaked during the war; after the war, it increased in periods of normalization initiatives and border conflicts between Armenia and Azerbaijan

Number of news items related to Armenia



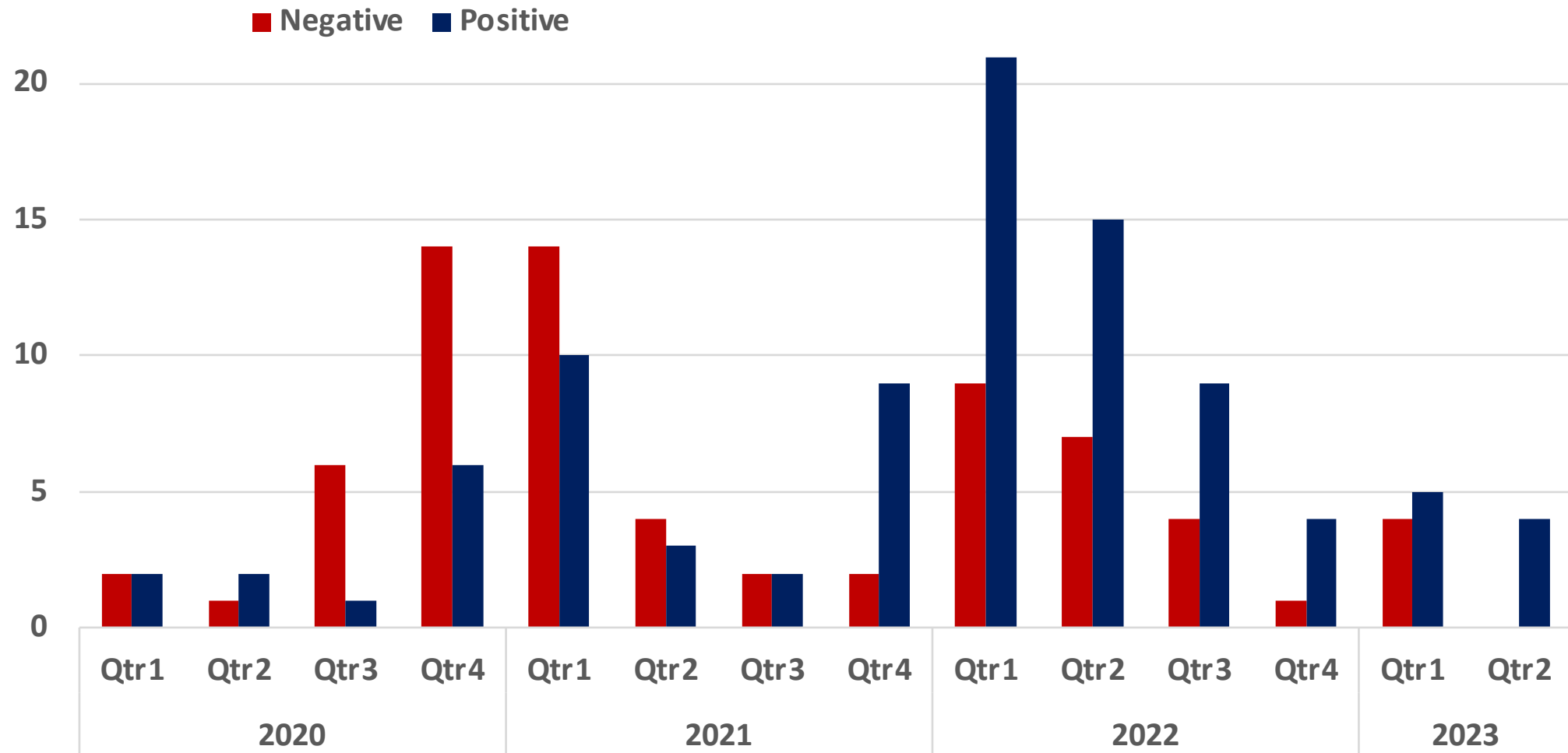
During normalization talks, the use of positive language in the media surpassed negative language

Distribution of positive and negative words



For news items related to Armenia that do not include references to Azerbaijan, the use of positive words is higher than negative ones since the latter part of 2021, as normalization gained momentum.

Distribution of positive and negative words excluding news items related to Azerbaijan



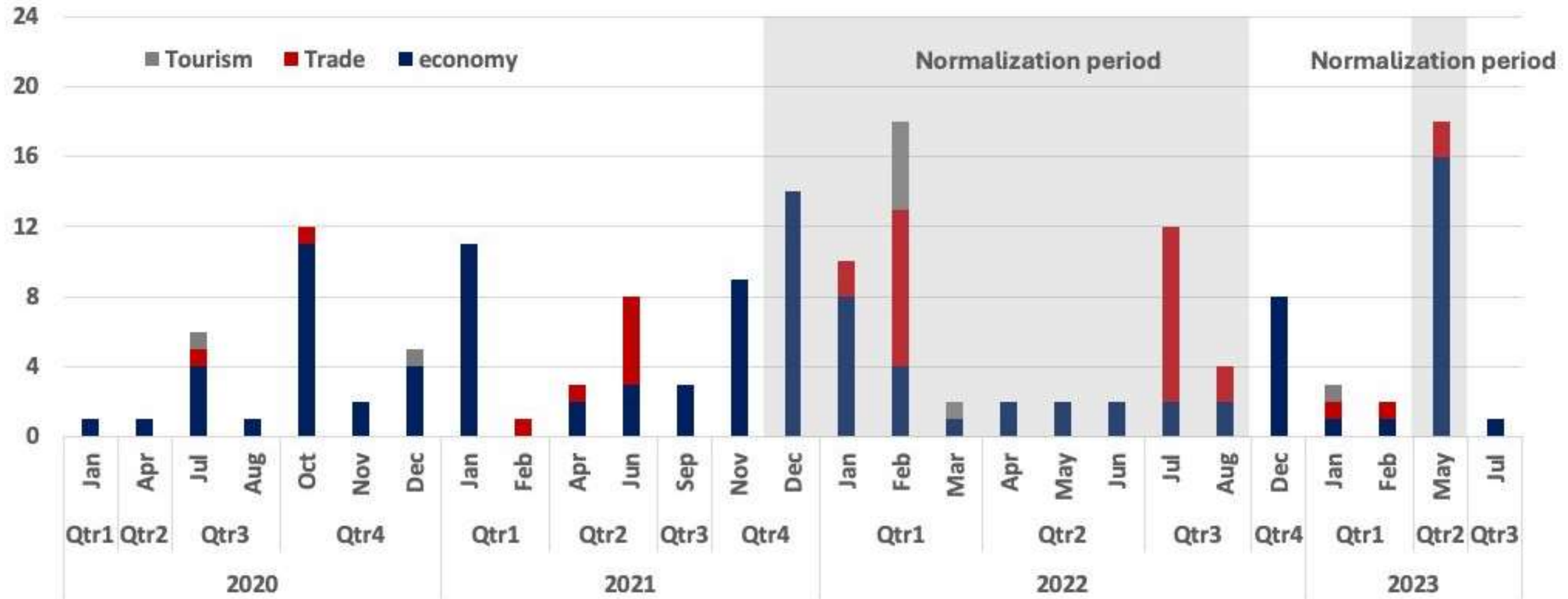
The official statements and news reports in the media show parallel trends in terms of positive and negative attitudes towards Armenia

Distribution of positive and negative words used in the media and the Turkish Foreign Ministry's press releases



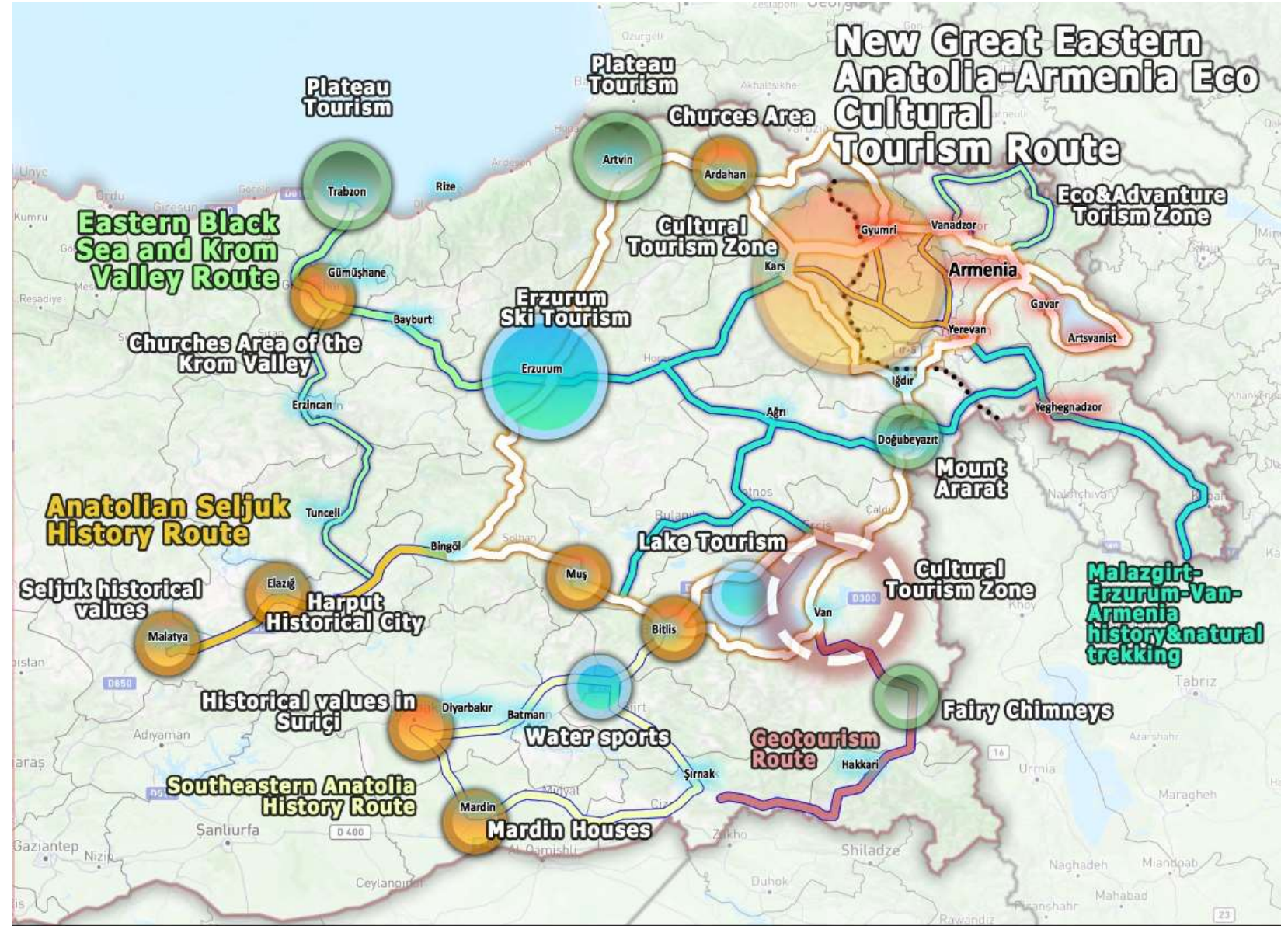
Periods of normalization is often accompanied by the words "economy," "trade," and "tourism."

Frequency of the word "economy," "trade," and "tourism."

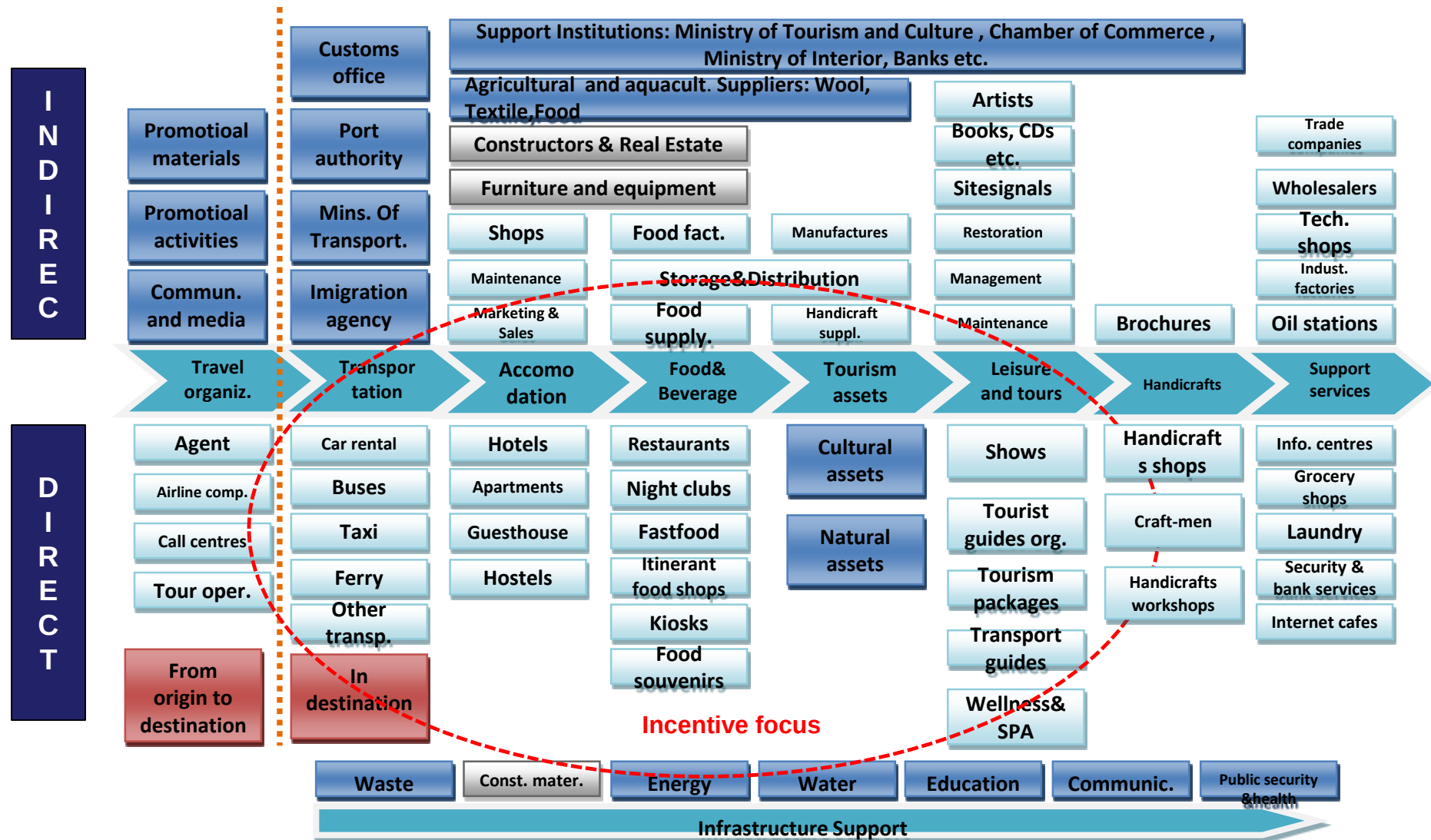


**Presentation on new
opportunities**

Armenia and Eastern Anatolia host many eco and cultural tourist destinations



Defining tourism as a local development strategy is important



Cultural Tourism Development Scheme of the Region

Accessibility and Infrastructure

- 1 Improving access to the region
- 2 Increasing accommodation standards
- 3 Increasing effective tour networks in the region

Visitor Service

- 1 Increasing multilingual signage and guided tours
- 2 Digital solutions centred on visitor experience
- 3 Feedback from visitors to the region

Marketing and Promotion

- 1 International marketing campaigns and brand identity development
- 2 Increasing visibility on social media

Governance and Policy

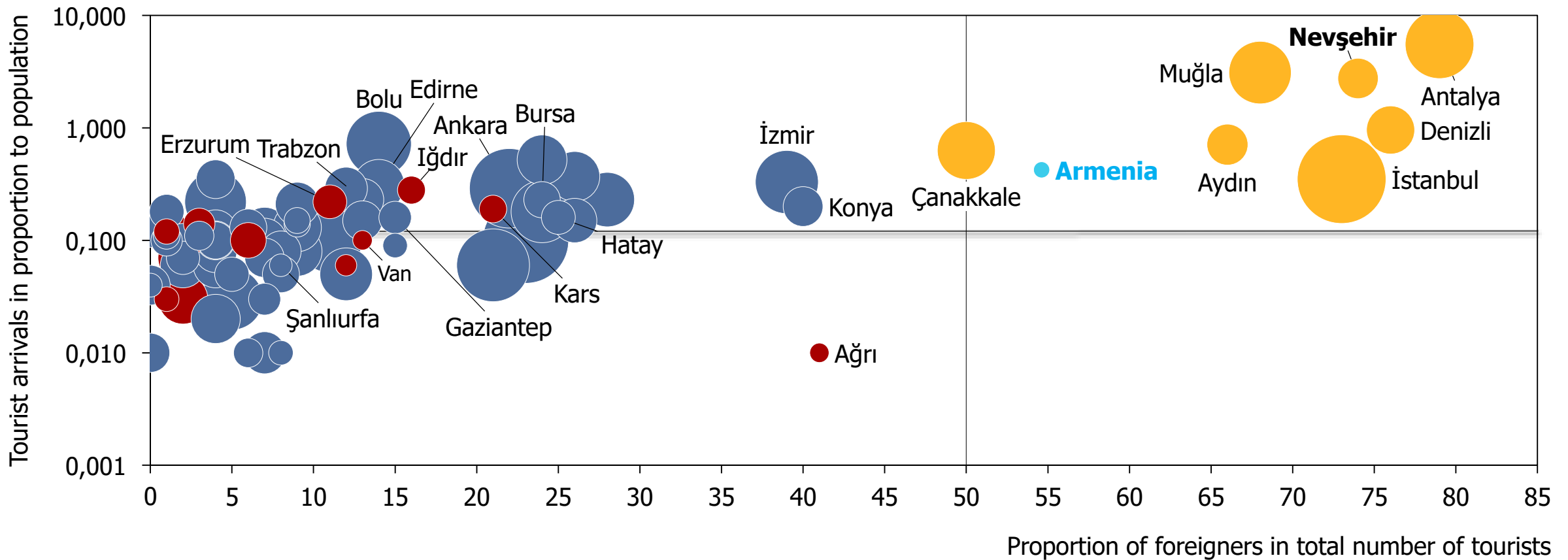
- 1 Sustainable agriculture
- 2 Improving cultural heritage management policies
- 3 Increasing protection and control activities in the region

Activities and Events

- 1 Increasing domestic participation in activities and events
- 2 Increasing the effectiveness of existing religious symbols
- 3 Planning new events and activities

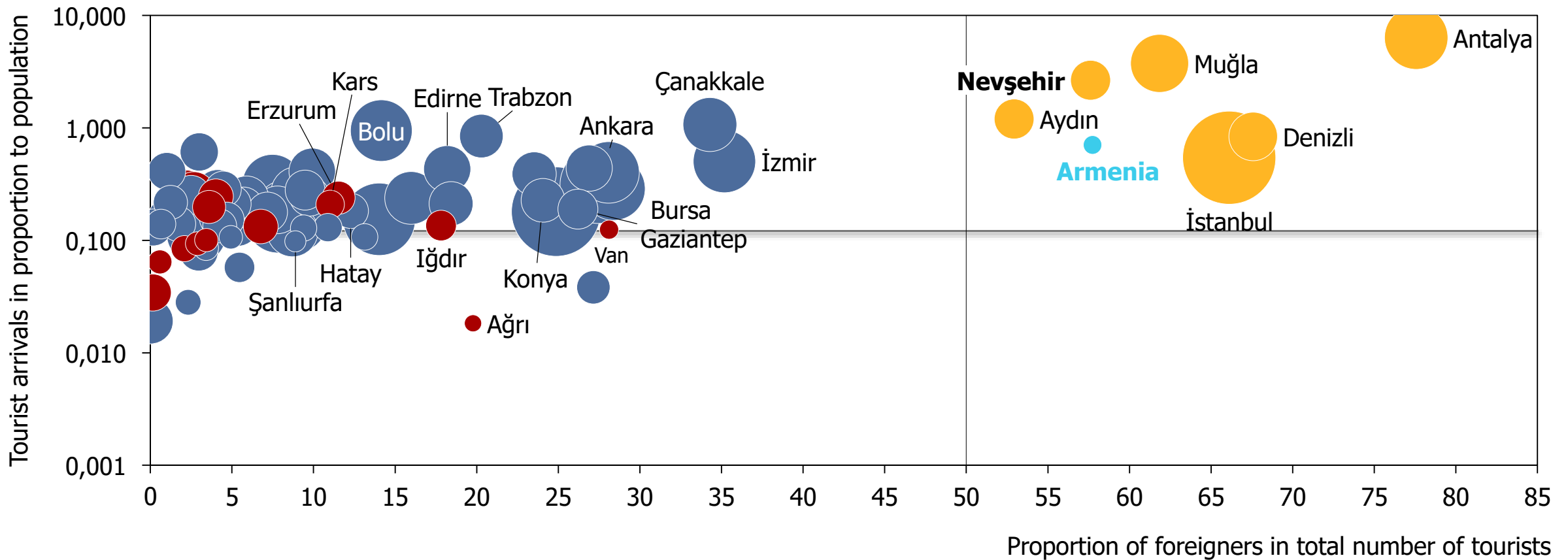
How was the region in tourism?, 2010

Ratios of tourist arrivals and foreign tourists according to provincial population (2010)



How was the region in tourism, 2015

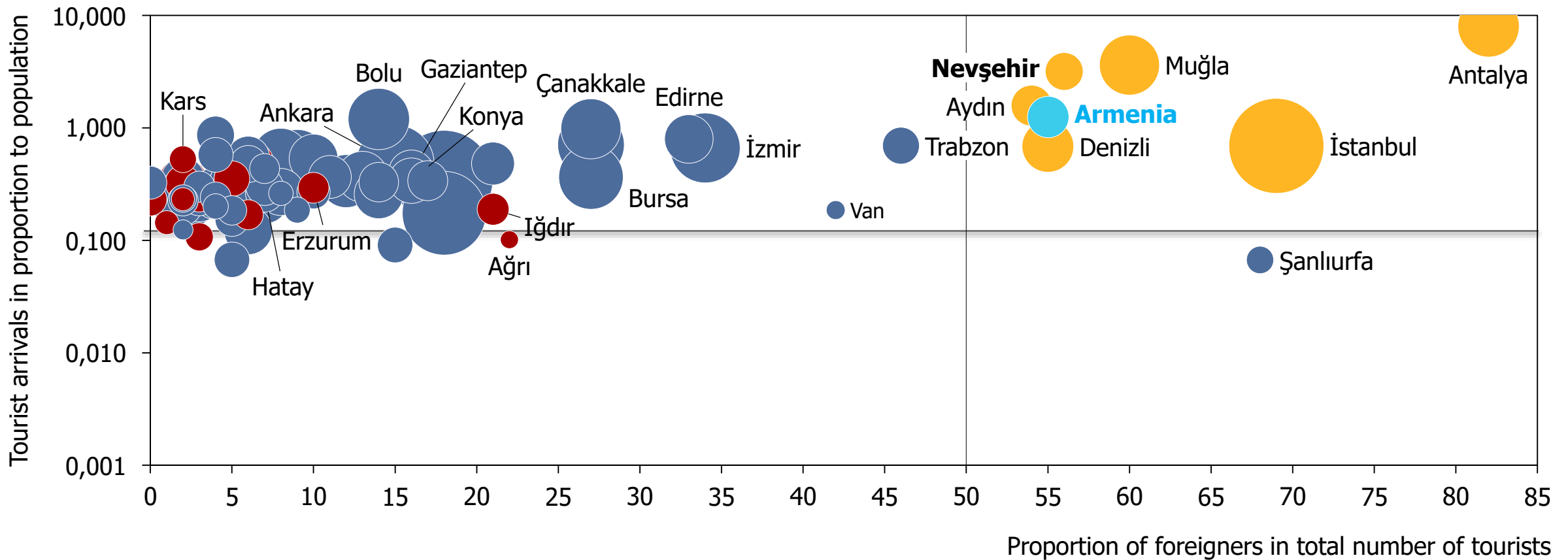
Ratios of tourist arrivals and foreign tourists according to provincial population (2015)



Source: Ministry of Culture and Tourism, TURKSTAT, TEPAV calculations
 Note: Provinces of Eastern Anatolia Region are shown in red. Circle sizes show the number of foreign tourists.

How is tourism in today?

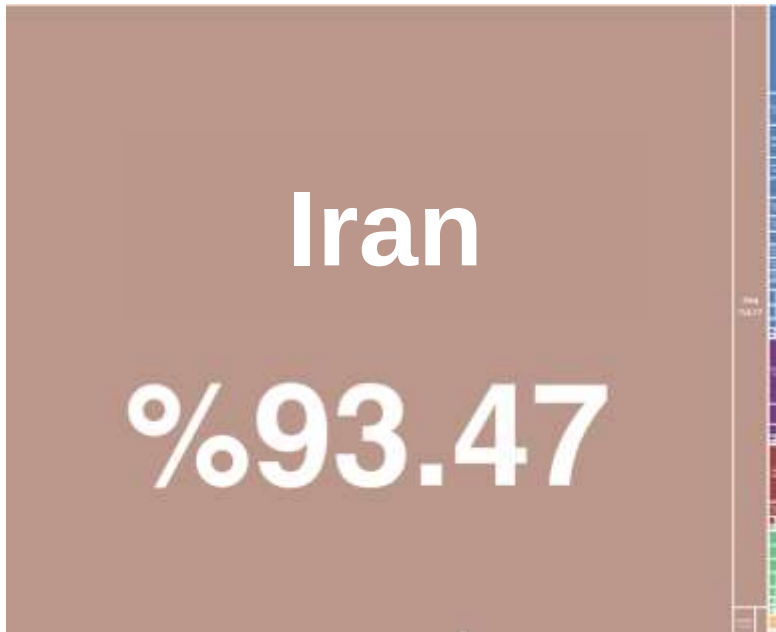
Incoming tourist and foreign tourist rates according to provincial population (2019-21-22-23 Average)



Eastern Anatolia attracts mostly tourist from Iran while Armenia from Russia

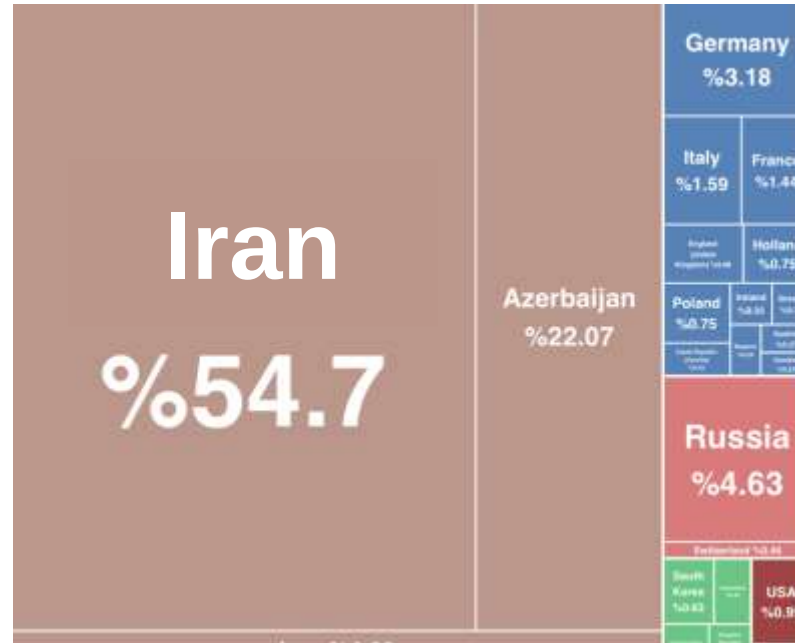
Tourist composition by country , 2022

Van



285 thousand tourists

Ağrı, Van, Hakkari, Bitlis, Muş, Iğdır, Erzurum, Kars, Ardahan



362 thousand tourists

Armenia

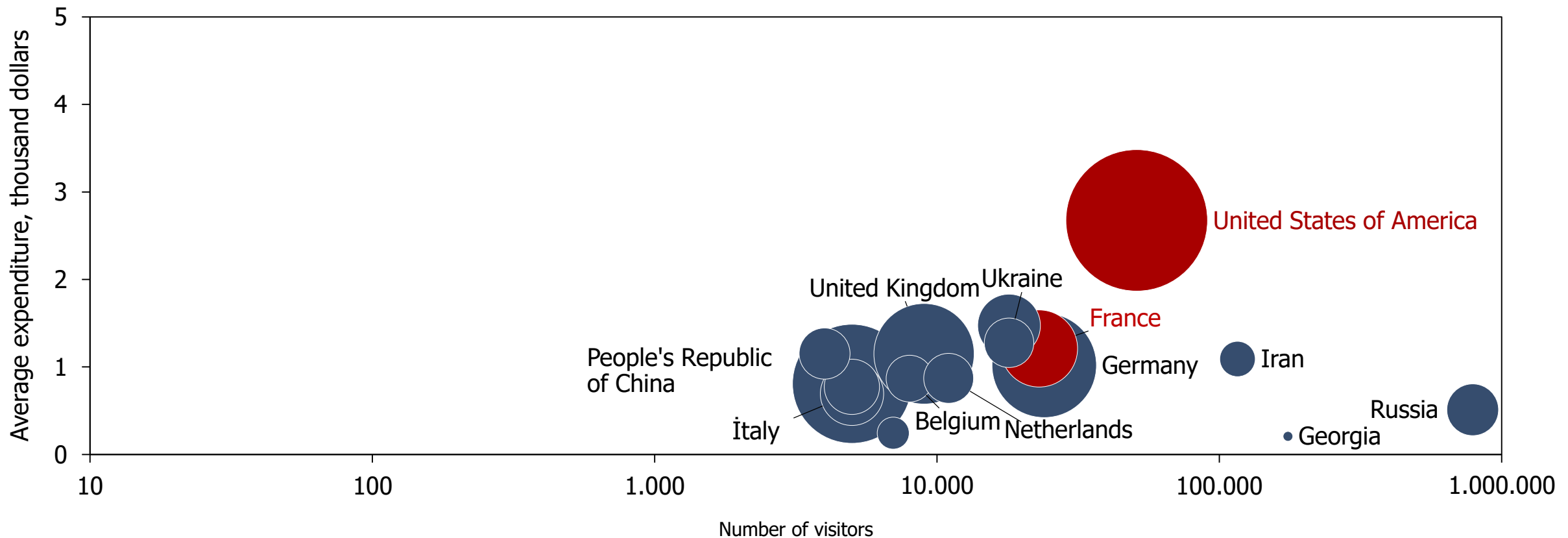


1.4 million tourists

EU-27 Africa America Asia Oceania Other Europe Middle East Other

Armenia attracts a much higher number of tourists from western countries

Number of visitors to Armenia by country and average expenditure of tourists worldwide

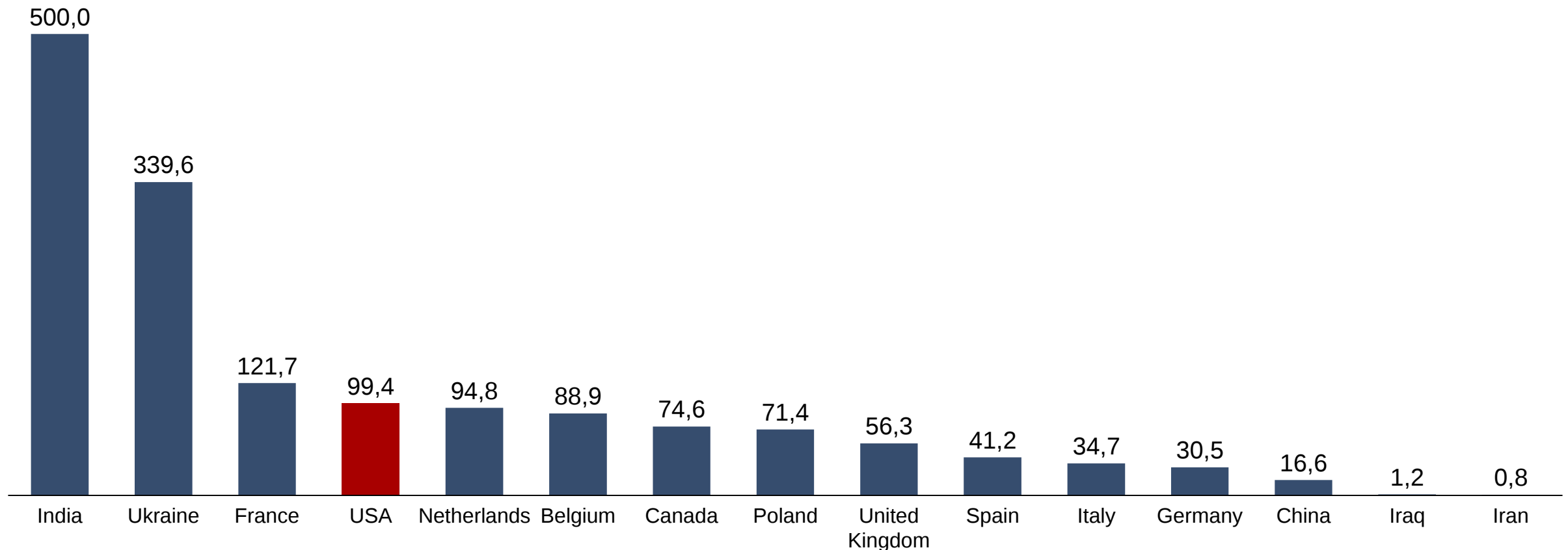


Source: UN WTO Tourism Database, Republic of Turkey Ministry of Culture and Tourism, TEPAV calculations

Note: Circle sizes indicate total tourism expenditure of countries

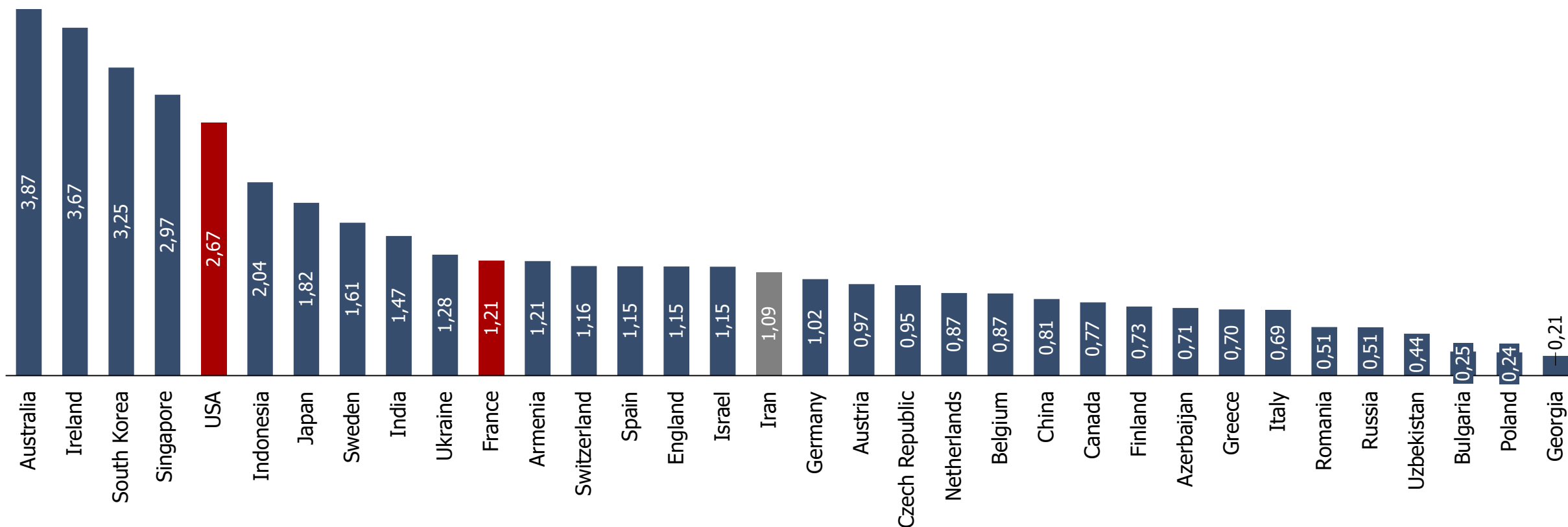
How many times greater is the number of tourists visiting Armenia compared to those visiting Van?

Ratio of tourists visiting Armenia to tourists visiting Van, 2022



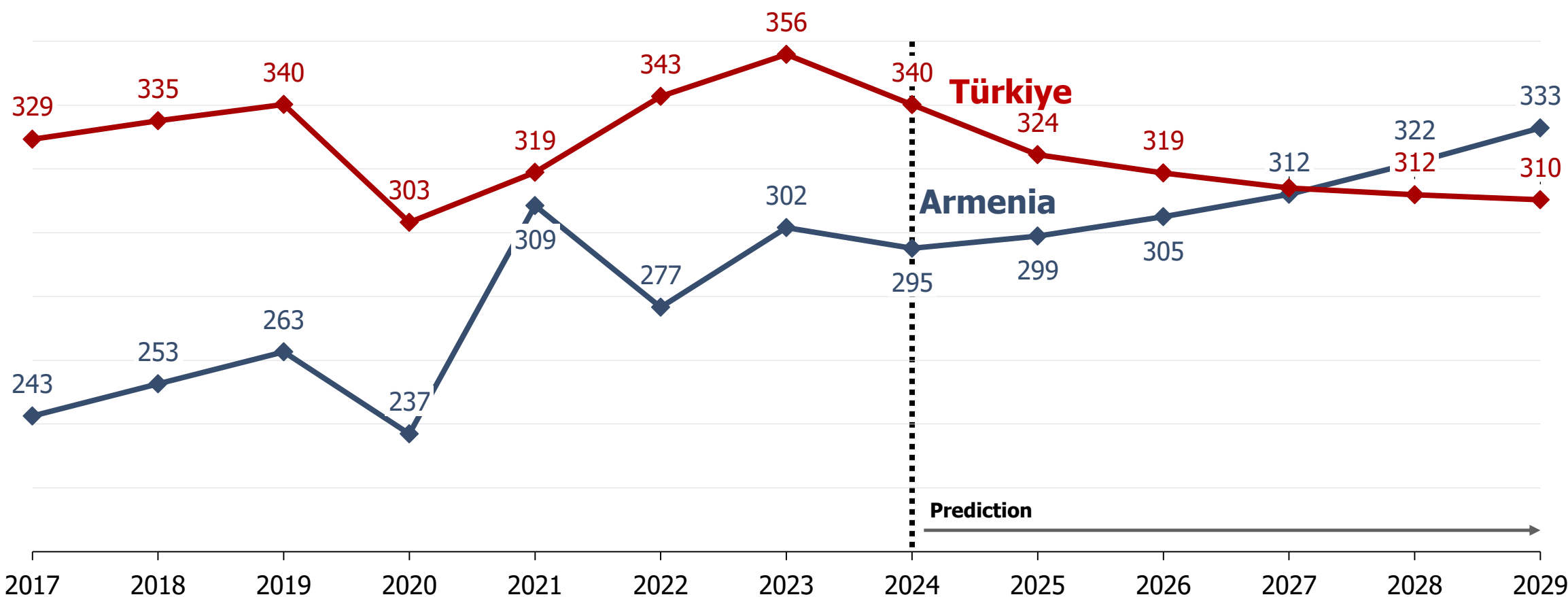
Average tourism expenditure by country

Average expenditure of tourists from different countries, thousand dollars, 2022



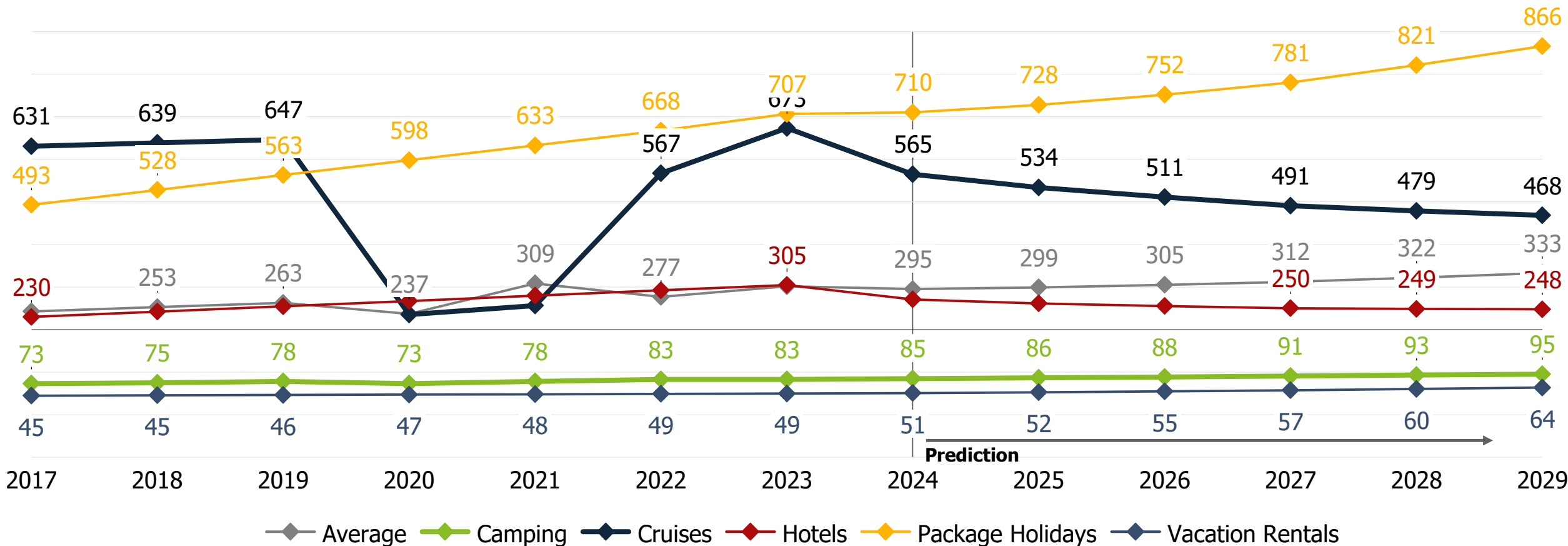
Armenia is on its way to surpass Türkiye in terms of average revenue per visitor (as measured by ARPU)

Average revenue per visitor, USD, 2017-2029*



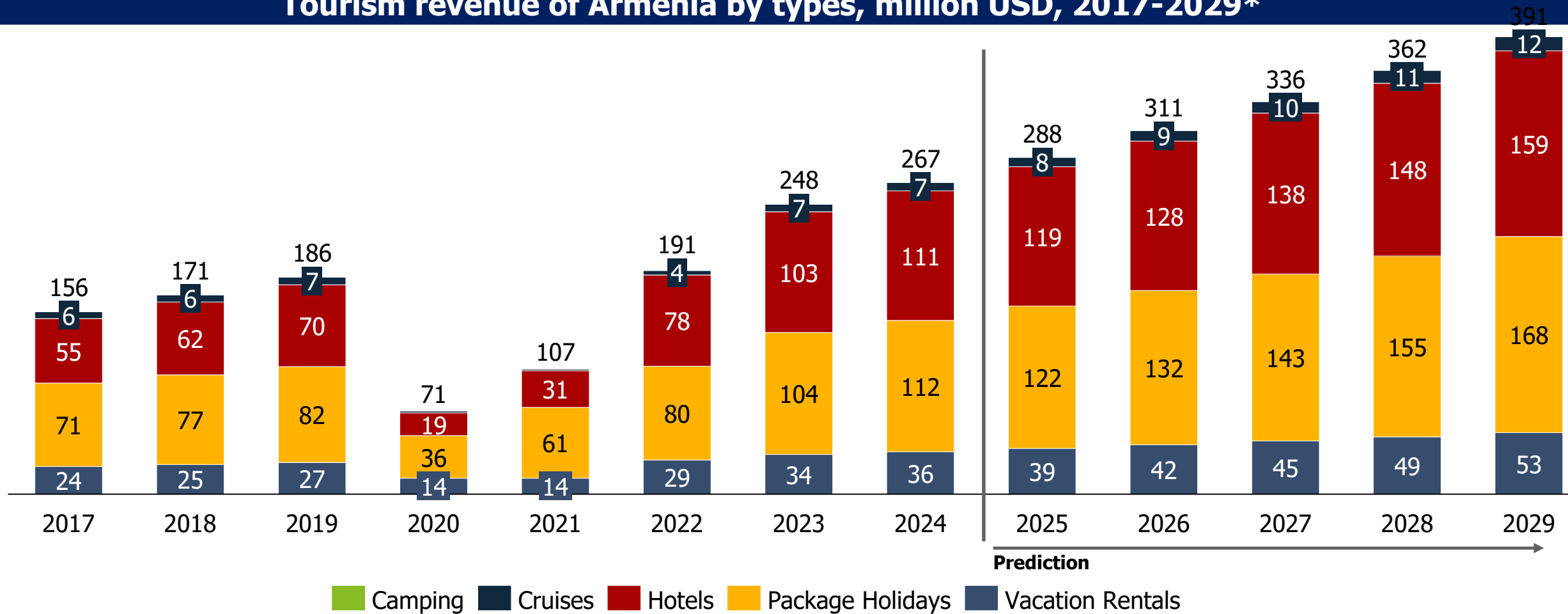
Most of the tourism revenue (per person) in Armenia is generated by package holidays

Average revenue per visitor in Armenia by types, USD, 2017-2029*



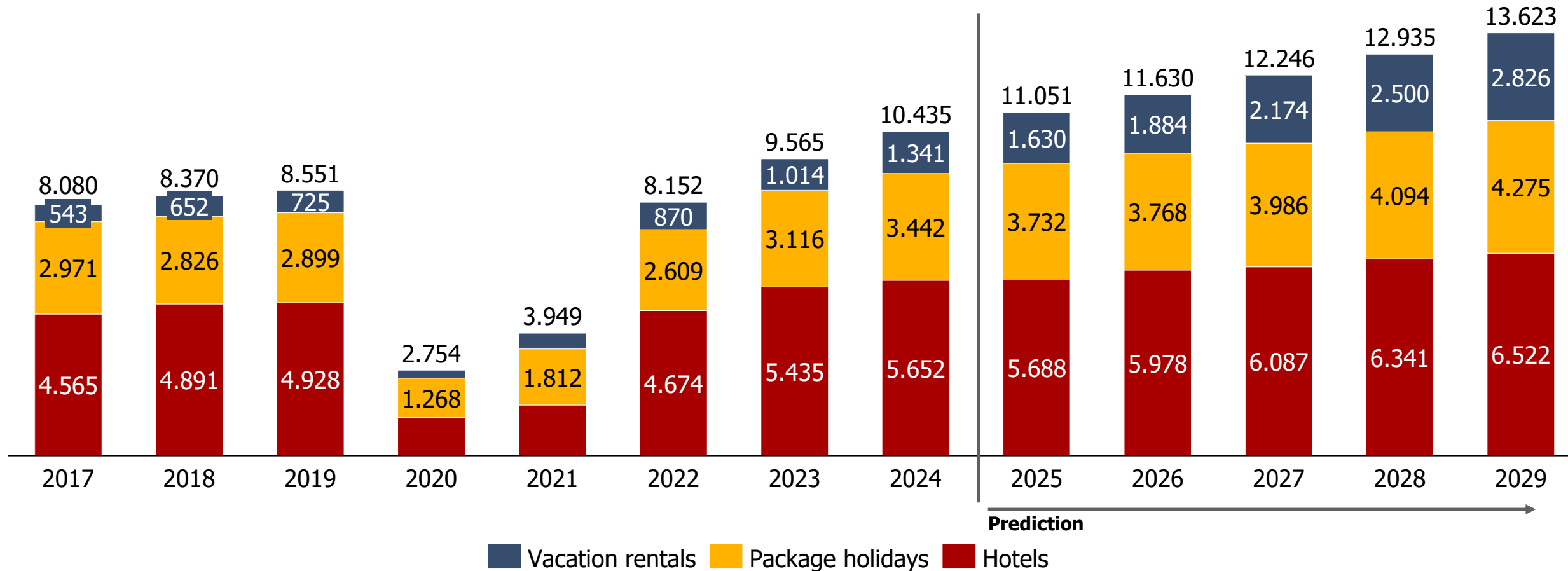
The overall tourism and travel revenue in Armenia is generated by package holidays and hotels

Tourism revenue of Armenia by types, million USD, 2017-2029*



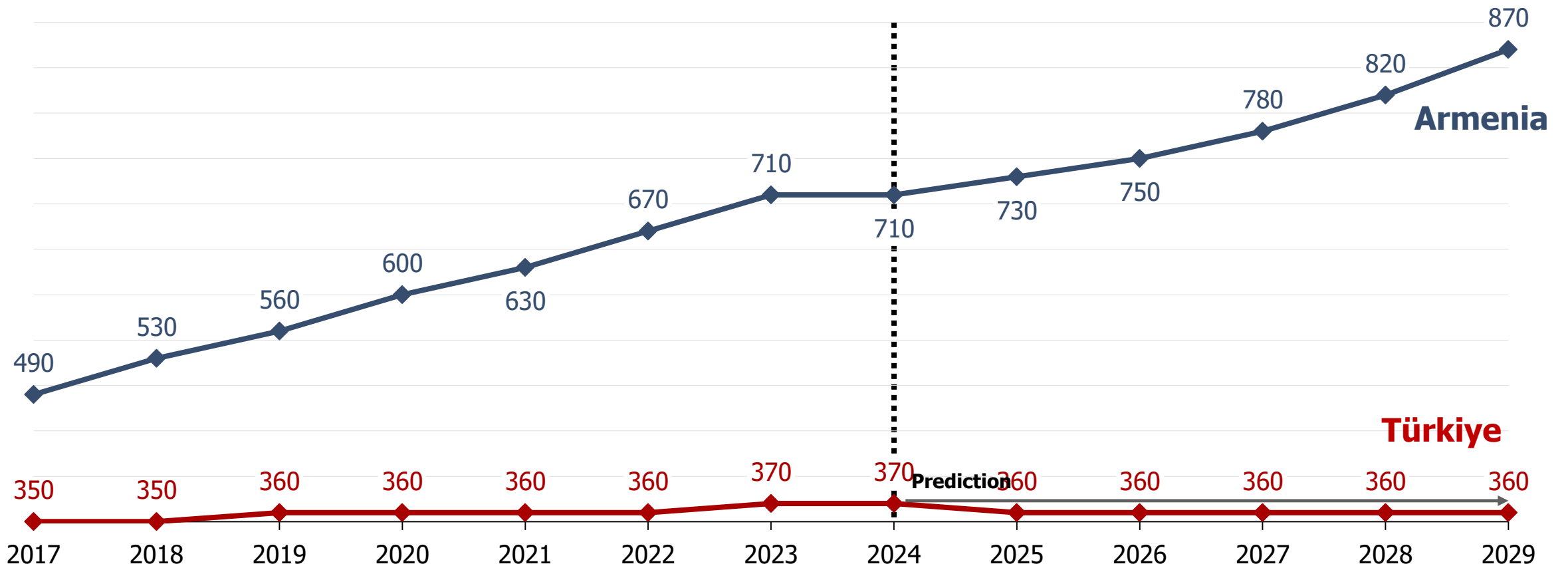
The overall tourism and travel revenue in Türkiye is largely generated by hotels but with also a significant share of package holidays

Tourism revenue of Türkiye by types, million USD, 2017-2029*



Armenia earns much more per person than Türkiye when it comes to package tours

Average revenue per visitor, package holidays, USD, 2017-2029*



Key findings that emerged from the discussion with businesses in Eastern Anatolia following the presentation

- The normalization process among Türkiye, Azerbaijan, and Armenia and opening of the Turkish-Armenia border is a significant opportunity for the region.
 - Cooperation for tourism
 - Unification of the markets
 - Armenian Prime Minister Nikol Pashinyan is key and supports the opening of the border.
 - Armenia's Foreign Minister has mentioned reopening railway connections, though infrastructure investment is necessary.

Key findings

- Iran remains an important economic partner for the region and the potential exclusion of Iran requires careful consideration.
- The Iraq Development Road is seen as another important opportunity.
- The tourism sector emerged as an important priority for regional development.

Key findings: Key challenges in tourism development

- Insufficiency in promoting the region by tour operators
- Insufficient infrastructure and facilities
- Transportation problems
 - ➔ Air travel and road accessibility should be improved
- Requirement for qualified personnel
 - ➔ A tourism vocational high school in Kars exists but faces low demand due to lack of tourism.
- Outward migration

Conclusion of the discussions

- Provinces need to come together to develop a regional tourism strategy and action plan.
 - ➔ Success depends on uniting local business leaders and stakeholders from different provinces.
 - ➔ The region is very well endowed for cultural and eco-tourism
- Infrastructure development is key
 - ➔ Planned accommodation and infrastructure development.
 - ➔ Launching of critical multi-modal transport projects

Roadmap of future work

- Identification of visibility projects
 - ➔ Establishment of a scientific working group comprising historians of arts and architects from Armenia and Türkiye to document the history and cultural value of the Ani Bridge.
- Defining new tour routes (cultural, natural heritage, eco-tourism)
 - ➔ Formation of AR-TR working group including private sector to determine infrastructure and human resource needs.
 - ➔ Formation of an AR-TR working group to identify gastronomy routes
 - ➔ Formation of an AR-TR working group to identify nature sports routes
- Development of a multi-modal transportation network connecting different provinces in Eastern Anatolia and the region with Armenia
 - ➔ Extension of the Turkish Eastern Express to cover the region

Concluding remarks

- The region covering Armenia and Eastern Anatolia was once a transit point for the Silk Road.
- Today, cultural and eco-tourism could offer an opportunity for a leap forward for Eastern Anatolia and Armenia
 - ➔ American and European tourists, particularly those visiting Armenia, are interested in exploring cultural and natural treasures.
 - ➔ The number of European and American tourists coming to the East is extremely limited.
 - ➔ Armenia's tour operators can benefit from a larger region with key heritage sites and add value with their knowledge to identify the best routes.
- The region as a whole needs an eco-cultural tourism strategy.
 - ➔ To initiate a needs analysis, a participatory meeting should be organized where projects can also be discussed.
 - ➔ Starting the needs analysis on both sides of the border