

# POLICY BRIEF

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## Will Border Opening Flood Armenian Market with Turkish Food Products: Unnecessary Fear or Realistic Concern?

The normalization of Armenian-Turkish relations entered a significantly new phase following the 44-day war. In 2021, Armenia and Türkiye appointed special representatives, [Ruben Rubinyan](#) and [Serdar Kilic](#), to lead the dialogue process. On July 1, 2022, they reached an [agreement](#) in Vienna to allow third-country citizens visiting Armenia and Türkiye to cross the Armenia-Türkiye land border, which was anticipated to be the first step towards reopening the border. Although more than two years have passed, the agreement has not yet been implemented. Nevertheless, there is little doubt that the Armenian-Turkish border will eventually be opened, making bilateral trade—which takes place even today via indirect routs (mainly Armenia imports from Türkiye through Georgia)—will become easier. The prospect of reopening the Armenian-Turkish border and the potential for Turkish economic expansion cause concerns in Armenia, particularly regarding the intense competitiveness of Turkish food products in the Armenian market. **This policy brief aims to evaluate the competitiveness of Turkish food products in Armenia in the event of Armenian-Turkish border opening and to outline how Armenia can mitigate potential risks.**



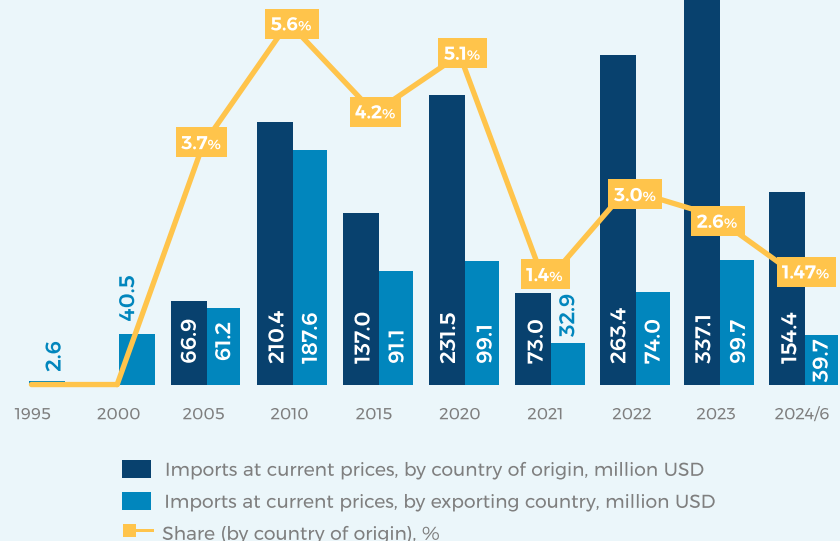
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## Armenian-Turkish Trade: Yesterday and Today

Although Türkiye was one of the first countries to recognize Armenia's independence in 1991, the Armenian-Turkish border has been officially closed since the collapse of the USSR, with rare exceptions for humanitarian purposes (e.g. [1993](#), [2023](#)). Despite the border closure, in the early years of independence, there was a significant [smuggling trade](#) with the permission of the Russian border guards, which was soon eliminated and the only option for overland trade became transit cargo transportation through Georgia. Over the past 30 years, there have been occasional flights

between Armenia and Türkiye, which have supported trade flows to some extent. Türkiye played a relatively significant role in the structure of Armenia's product imports in 2008-2011, when its share in the structure of Armenia's imports exceeded **6%** (2008). In 2023, the volume of commodities of Turkish origin imported reached approximately USD 337 million, the highest recorded, yet Türkiye's overall share of Armenia's imports continued to decline, averaging around **2%** in 2023-2024.

**Figure 1. The merchandise import of Armenia from Türkiye and Türkiye's share in Armenia's import structure, 1995-2024**

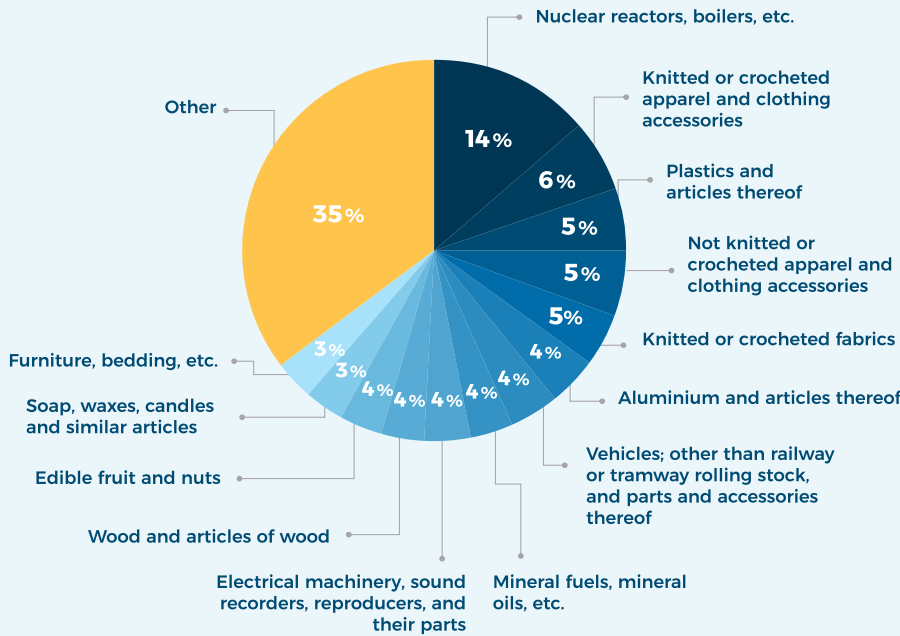


Source: Armstat, External trade database

Traditionally, household and industrial goods, including plastic, wooden items, clothing, fabrics, petrochemicals, and metals, have comprised the largest share of products imported from Türkiye to Armenia. This trend continues today. According to average data

from 2020 to 2023, boilers and similar equipment constituted **14%** of imports, while various different kinds of clothing and fabrics accounted for **16%**, while the plastics, aluminum, and wooden items made up **13%** of imports.

**Figure 2. The structure of Armenia’s merchandise import from Türkiye, 2020-2023 average**



Source: UNcomtrade  
 Note: Harmonized System (HS) 2-Digit Classification

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## The Potential of Armenian-Turkish Trade

To assess the potential for trade with Türkiye, we examined the extent to which Türkiye’s export profile aligns with Armenia’s import profile, and vice versa- the degree to which Armenia can meet

Türkiye’s import needs. For this purpose, the [widely used Trade Complementarity Index \(TCI\)](#) was calculated based on the 2023 trade data for both food and agricultural products (HS chapters 01-25) and for all trade between the two countries.

**Table 1. Trade Complementarity Index for Armenia and Türkiye based on 2023 trade data**

	The extent to which Armenia can meet Türkiye’s import needs	The extent to which Türkiye can meet Armenia’s import needs
Food and agricultural commodities (HS 01-25)	12.0	39.7
All commodities (HS 01-99)	23.5	39.5

There is some overlap between Türkiye's export profile and Armenia's import needs for agricultural products, but it is not strong

### Trade Complementarity Index (TCI)

The TCI assesses the degree to which two countries are "natural trading partners" by measuring the overlap between one country's exports and the other country's imports. It is a widely used tool, especially for assessing the prospects of regional trade. The formula is as follows:

$$TCI_{ij} = 100 * \left[ 1 - \sum_{k=1}^m |m_k^i - x_k^j| / 2 \right]$$

where,

$m_k^i$  is the commodity k's share in the total imports of the country i

$x_k^j$  is the commodity k's share in the total exports of the country j

The indices are calculated based on the UN Comtrade database for the year 2023 aggregated on HS 6-digit level. TCI index values range between 0 and 100. Values close to 0 indicate very low compatibility between the export profile of one country and the import needs of the other country and values close to 100 indicate a high or perfect level of complementarity.

Table 1 shows that while Armenia has very limited potential to meet Türkiye's demand for food and agricultural products (TCI=12), the index in the opposite direction is not very high either. The TCI value representing Türkiye's potential to meet Armenia's import needs for food and agricultural products is notably lower (TCI=39.7) than the threshold of 50, above which trade compatibility is considered relatively high. In other words, while there is some overlap between Türkiye's export profile and Armenia's import needs for agricultural products, it is not particularly strong. A similar pattern is observed in the case of overall merchandise trade.

Despite all this, the future of Armenian-Turkish trade is far from predictable.

Although both Armenia and Türkiye are members of the World Trade Organization (WTO), in 2002, Türkiye [refused](#) to adhere to the provisions of the Marrakesh Agreement and other WTO multilateral trade agreements in its economic relations with Armenia. Türkiye's notification remains in effect today, and there are no guarantees that the opening of the border will lead to its withdrawal. This means Türkiye does not commit to applying to Armenia the same tariffs, or no less favorable tariffs, that it offers to other WTO members. In other words, the **most-favored-nation (MFN)** provision in the case of Armenia is not guaranteed.

## EAEU-Türkiye Customs Regulations

Despite having a customs union [arrangement](#) with the EU since 1996, Türkiye has established active trade relations with nearly all EAEU member countries except Armenia. Until recently, Türkiye was classified as a developing country by EAEU decisions, allowing it to benefit from preferential tariffs, including reduced or zero import duties. In 2021, the EAEU adopted a decision

to reduce the preferential list of developing countries by [about threefold](#), resulting in Türkiye's removal from this list. As a consequence, Türkiye is now treated as a third country, subject to common tariffs for imports into the EAEU. These tariffs generally range **from 10% to 15%** for food and agricultural products, with relatively high rates applied to meat and dairy products, while lower tariffs are imposed on fish products, citrus fruits, salt, and flour.

## Price Comparisons of Selected Food Products in Armenia and Türkiye

The opening of the Armenian-Turkish border and the establishment of free trade will create a straightforward dilemma for consumers, where local producers may either retain or lose their customers. If we base our forecasts on current price conditions, EAEU-Türkiye customs regulations, tax rates, and trade margins, assuming that consumers will make decisions solely based on price, we can better understand how this dilemma will manifest in the cases to selected products.



For this research, 50 products were selected, and their average prices were obtained from the websites of supermarkets in Yerevan and Kars (as of May 2024). These selected products account for over 60% of the food included in the consumer basket in Armenia.

To estimate the potential price of Turkish goods in Yerevan, we considered the average lira/dram exchange rate for May, customs tariffs for imports from third countries into the EAEU, and VAT rates in Türkiye (1% for selected goods) and Armenia (20%). It is important to note that in the scenario of an open border, transport costs from central regions of Türkiye to Kars and Yerevan were assumed to be equal, as were the margins of distributors/retailers in Armenia and Türkiye.

With a decision adopted in 2021, the EAEU removed Türkiye from the preferential list of developing countries and Türkiye is now treated as a third country, subject to common tariffs for imports into the EAEU.

**Table 2. Projected Prices of Turkish Commodities in Armenia Based on Selected Items**

Commodity name	Price in Türkiye, Armenian dram	Price in Armenia, Armenian dram	The price of the Turkish product in case of direct import (release price + customs duty + markup + VAT)	Difference (D-C)/C*100
A	B	C	D	E
yellow onion (kg)	239	295	312	6%
tomatoes (kg)	358	795	490	-38%
cucumber (kg)	311	465	424	-9%
potatoes (kg)	275	215	359	67%
carrot (kg)	658	285	875	207%
parsley, bunch (unit)	114	180	149	-17%
cabbage (kg)	143	235	192	-18%
cauliflower (kg)	466	1,225	615	-50%
eggplant (kg)	299	945	390	-59%
garlic (kg)	1,914	1,890	2,501	32%
green pepper (kg)	418	2,150	547	-75%
lettuce (units)	299	200	408	104%
beetroot (kg)	274	445	365	-18%
apple (kg)	418	585	532	-9%
pears (kg)	717	1,450	895	-38%
pomegranate (kg)	1,076	2,690	1,343	-50%
strawberries (kg)	1,076	2,390	1,343	-44%
tangerines (kg)	125	795	156	-80%
orange (kg)	239	695	298	-57%
walnuts (kg)	1,627	4,950	2,029	-59%
beef (kg)	6,341	3,490	8,664	148%
lamb ribs (kg)	6,413	4,600	8,762	90%
chicken (kg)	1,017	1,590	2,174	37%
frozen fish (kg)	2,656	1,690	3,251	92%
milk 1.5% (liter)	478	470	653	39%
sour cream (liter)	845	1,560	1,154	-26%
cheese (kg)	2,679	2,400	3,661	53%
butter (kg)	4,521	4,650	6,177	33%
sausage (kg)	7,766	3,850	9,374	143%
sausages (kg)	2,755	3,690	3,764	2%



basturma (kg)	15,544	13,970	21,238	52%
marinated cucumber (kg)	396	1,130	527	-53%
canned pepper (kg)	616	1,150	820	-29%
grilled eggplant, peppers canned (kg)	1,110	1,750	1,451	-17%
eggplant caviar (kg)	575	1,630	765	-53%
adjika (kg)	1,336	1,450	1,682	16%
eggs (30 units)	987	2,100	1,349	-36%
tomato paste (kg)	992	1,090	1,308	20%
ketchup (kg)	477	1,080	624	-42%
sunflower seed in packet (kg)	1,809	3,700	2,257	-39%
salt (kg)	100	150	124	-17%
flour (kg)	165	218	211	-3%
cherry preserve (kg)	1,023	3,040	1,337	-56%
apple cider vinegar (liter)	311	860	410	-52%
apricot jam (kg)	1,445	1,245	1,889	52%
chocolate bar (kg)	5,654	5,900	6,835	16%
oil (liter)	580	960	793	-17%
pasta (kg)	358	475	480	1%
arishta in packet (kg)	785	1,090	1,053	-3%
lentils in packet (kg)	715	840	934	11%

Note: A calculated value in the Difference column greater than 0 implies that the local product is more affordable than imported from Turkey, and values less than 0 imply that the imported product from Turkey is cheaper than the local one.

Table 2 shows that for **21 out of the 50** products researched, Turkish products potentially imported to Armenia are expected to be more expensive and less competitive compared to Armenian or products from other countries available in the local market. This includes primarily meat and dairy products, which face relatively high import tariffs under EAEU regulations (generally 15%, and 80% for chicken), as well as locally produced items like onions, garlic, potatoes, and carrots.

The situation differs for the remaining **29 products**— most canned fruits and vegetables, fruits (particularly citrus, which benefit from an almost minimal 5% customs rate set by the EAEU), jams, flour, salt, vinegar, and oil and other key items in the consumer basket. For 20 of these products, local prices exceed Turkish prices by up to two times, while for 9 products, the price is more than double, with green pepper costing four times and tangerine five times more.

## International Experience: How to Protect the Domestic Market

Perhaps the shortest way to protect the domestic market is to impose strict trade restrictions or even an embargo. However, as illustrated by French economist Frédéric Bastiat's [essay](#) about the 'candlemakers' petition'— which argues against competing with sunlight— such measures do not represent a healthy path for economic development.



Bastiat's essay is about candlemakers (people involved in the lighting industry), who appeal to the government to take protective measures against competition from the sun by closing all windows, dormers, skylights, in short, all openings and holes through which the light of the sun enters houses. As a justification, they argue that sunlight creates unfair competition. If the state restricts access to sunlight in homes, people would be forced to buy more lighting products, thereby boosting local production in the lighting and related industries. For instance, increased demand for wax would lead to higher demand for fat, promoting the development of animal husbandry, which in turn would generate additional wool and meat production.

In his response to the candlemakers, Bastiat argues that when local producers demand government intervention to block a "foreign" competitor, they ultimately reduce the overall welfare of society. He raises a rhetorical question: "Do you prefer that people have access to affordable goods, or would you rather burden them with the supposed benefits of hard labor and costly production?"

Additionally, the WTO [Agreement](#) on Agriculture, which Armenia is a signatory to, requires the replacement of non-tariff barriers with tariff-based measures (tariffication) and imposes strict limitations on the use of tariffs to regulate imports. This aims to make international trade more predictable. The agreement also

regulates the levels and types of support provided to the agricultural sector (Section 4, Article 6). However, international experience provides examples of how countries can protect their domestic markets while adhering to global "rules of the game" without resorting to isolationist measures.



## The EU Common Agricultural Policy (CAP)

This initiative, launched by the European Commission in 1962, now accounts for around **35%** of the European Union's budget, though in its early years this figure exceeded 70%. Today, approximately EUR 55 billion annually are spent on measures classified under the WTO's "green

box," which includes "non-trade-distorting" interventions. Examples include investments in agricultural infrastructure and direct payments to farmers, which are provided irrespective of production levels. This characteristic allows direct payments, which might otherwise be seen as trade-distorting, to be classified as minimally trade-distorting and thus fall under the "green box," exempting them from obligations to reduce domestic support.

International experience provides examples of how countries can protect their domestic markets while adhering to global "rules of the game" without resorting to isolationist measures.



WTO legislation classifies domestic support into two main categories, known as "boxes," based on their impact on production and prices. The "yellow box" includes instruments that distort production and trade levels, while the "green box" encompasses support measures that either do not distort trade or have minimal distortion, having no impact on prices and not being tied to production volumes. Instruments classified under the "yellow box" must be gradually reduced, whereas those in the "green box" are exempt from reduction.

According to the Armenia's Trade Policy Review Report (2018) submitted to the WTO, the majority of state support for agriculture in Armenia falls within the "green box," accounting for 1% of gross output. In contrast, support classified under the "yellow box" amounts to only 0.5% of gross output. The threshold for support in the "yellow box" is typically set at 10% for developing countries; however, in specific cases, such as Armenia, a lower threshold of 5% may apply (a country's status as a developing nation within the WTO is determined not by UN methodology but by a proposal from the country itself, which is accepted unless other countries object).

## Japan's Experience with Rice Market Protection



In its negotiations with the WTO, Japan successfully demonstrated that rice production is a highly sensitive sector for its economy, necessitating protection. To safeguard its domestic rice market,

Japan employs a system of tariff quotas, imposing a **0%** import duty on rice imports up to 682,200 tons, after which a tariff of **341 yen** per kilogram (or approximately 358%) applies. This approach enables the country to regulate the volume of imported rice while protecting local producers. Additionally, the government provides financial support to farmers, which is limited to the allowances defined under the "yellow box."

In China, the local markets for rice, wheat, and corn are also protected through the use of tariff quotas.

## The Protection of Honey Market in the United States



In the early 2000s, honey imported from China and Argentina was sold

in the United States at prices below their true value, resulting in significant harm to American honey producers. An investigation confirmed these material damages and led to the imposition of anti-dumping duties ranging from **33% to 61%** on Argentine honey and from **26% to 184%** on Chinese honey. Consequently, domestic honey prices in the American market were subsequently stabilized.

## The Protection of Garlic Market in South Korea



In 1999, garlic imported from China led to significant losses for local farmers in South Korea. Despite the strong economic ties between China and Korea, a dispute arose, resulting in the implementation of safeguard measures against imported garlic. An import tariff of **285%** was imposed on frozen garlic for a period of 200 days.

## Conclusions and Recommendations

- ✓ The applied methodology shows that Türkiye's opportunities to capture Armenia's food and agricultural products market are limited.
- ✓ However, in the event of the opening of the Armenian-Turkish border, 29 of the 50 food and agricultural products considered will be more price competitive with products produced in Armenia and, other things being equal, may create significant problems for local producers in the medium term, but final consumers will benefit from lower prices.
- ✓ Armenia possesses significant leverage through both its existing international legal relations and domestic legislation to effectively protect its market against abuses. In particular:
  - The [EAEU agreement](#) permits the introduction of seasonal customs duties for a maximum duration of six months per year (Article 42, Clause 5) and allows for unilateral measures against third countries (Annex 7, Section 10), which enable the immediate implementation of internal market defense mechanisms without the need to await approval from a third party.
  - The Law "On the Protection of Economic Competition" enables the authorized body to initiate proceedings based on unjustified low pricing practices by businesses in a dominant position. Furthermore, an economic entity is considered to hold a dominant position in a specific product market if it does not encounter any significant competition as a seller or acquirer, and/or based on its financial standing or other qualities has the ability to have a decisive influence on the general conditions of circulation of goods in that goods market and/or oust other economic entities from the goods market and/or obstruct their entry into the goods market

In summary, if the Armenian-Turkish border is opened, **Turkish producers will have price competitiveness in the market for 29 of the food and agricultural products considered. However, Armenia has sufficient legal tools to maintain control over the situation.** To effectively implement these measures, it is essential to strengthen the capacity of the Competition Protection Commission to monitor internal product markets.

The opinions expressed in this policy brief do not necessarily reflect the position of the Friedrich Naumann Foundation for Freedom.