

THE BLACK SEA ECONOMIC CO-OPERATION AND THE EU

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I. EU-BSEC PARTNERSHIP

One of the inherent objectives of the European Union (EU) is to formulate perspectives for the next millennium, making use of the positive developments in the regional schemes. Without a long-term comprehensive approach, European policy may remain a patchwork. It should develop visions for the future and it should spell out a clear policy vis-a-vis the Black Sea Economic Co-operation (BSEC) project.

The BSEC project is a regional economic co-operation arrangement established on 25 June 1992 by 11 states -Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Turkey and Ukraine- covering a vast economic area from the Adriatic to the Pacific with a total population bordering 325 million. Its main objective is to develop and diversify existing economic relations among its members by making efficient use of the advantages arising from their geographical proximity, their traditional ties, the complementary nature of their economies and large economic space and market. This development is to be in line with the principles of pluralist democracy and the dynamics of competitive market economics. It has a sound political base and the backing of a strong political will transcending military conflicts. Being the functional, comprehensive and project-oriented initiative that it is, the BSEC is an exemplary contemporary model of neo-regionalism.

I am aware that the EU is the main focus of most of the Western BSEC countries' aspirations. Greece notwithstanding, Bulgaria, Romania, the Russian Federation and Ukraine covet EU membership. This is understandable as Turkey is in the process of integration with the EU.

The basic fact is that the BSEC does not preclude or prevent EU membership or the establishment of any other relationship with it for that matter. On the contrary, it facilitates it.

BSEC membership certainly does not preclude its members from relations with third countries or other regional organisations. The EU does not perceive regional co-operation initiatives in general and the BSEC in particular as competing or rival structures. On the contrary, regional co-operation schemes like the BSEC may serve pan-European integration by complementing the EU as some of the BSEC member states prepare themselves for the necessary and sufficient conditions required for integration with Europe.

For the regional countries, the BSEC is a preparation ground for integration with a larger Europe. It aims at establishing among its members co-operation patterns in various fields which would facilitate European integration. Consequently, it may be asserted that the BSEC is an important pillar of overall European architecture. The BSEC would promote suitable means for the dissemination to and adoption by its members of certain norms, standards and practices as well as principles and policies of the EU which have taken shape over years of accumulated experience and which have stood the test of time.

Moreover, the BSEC can serve as a useful means for the regional transformation to pluralistic democracy and market economics.

The BSEC also offers important mechanisms to its member states to develop and diversify their foreign economic relations.

The BSEC should be an instrument for smoothing the Black Sea countries' integration not only with Europe but also into the world political, economic and social system.

It is the EU's mission to identify problem areas, to define common interests, and to develop strategies capable of focusing policy decisions on appropriate targets. The BSEC is one of those targets. Such policy decisions must be pursued as a complement to the EU's Estpolitik partnership.

Developing a comprehensive policy is necessary but not sufficient. The EU must also develop economic policy tools to institutionalise economic dialogue and cooperation.

The EU has three primary functions vis-à-vis the BSEC:

1. The EU has an economic and social function. It can be argued that complementary regional co-operation schemes may serve pan-European integration as the members of these groupings prepare the necessary and sufficient conditions for EU membership. Therefore, it is the EU's function to have a wider and a more active involvement in the socio-economic development of the Black Sea region in terms of the structural adjustment and modernisation of social and economic systems.

In the long run, free movement of capital, goods and services as well as people must be assured. The EU may help create prerequisites for a free trade area in the Black Sea as a future framework for co-operation. The perspective of a free trade area will give stronger impetus to the process of economic and legal reforms. A free trade area necessitates the establishment of fiscal and financial institutions and the enactment of pertinent legislation. The preparations of a free trade area create an association desirous of economic transformation, growth of trade and the division of labour, and hence bring political and economic stability.

2. It has a political function. The EU reinforces Europe's democratic impulse. It becomes stronger if it is surrounded by other democracies. This, in turn, produces a more stable European space. Consequently, the EU has a function with respect to the taking root of democratic values. In the quest for a more homogeneous European structure, the EU needs an accelerated process of democratisation in Central and Eastern Europe, the Mediterranean countries and the Middle East, as well as in the Black Sea states.

3. A security function. The EU needs security and stability not only in the EU area proper, but also in the peripheral trans-European economic and political space. The ultimate objective of the BSEC is making the Black Sea region a zone of stability and security through economic prosperity. Therefore, EU policy should be directed to supporting this objective and helping to create the conditions for lasting and sustainable economic development and democracy, progressively shaping the EU-BSEC economic area.

The EU may also be instrumental in the fight against common transnational threats such as terrorism, illicit drugs and arms trafficking. In fact, a meeting of interior ministers will be convened in October 1996 in Yerevan, Armenia.

The interlocking feature of the European institutions and organisations is to help create a fundamentally stronger infrastructure for Europe. The BSEC is a complementary sub-system to the EU. Therefore, it should be, and I believe that it is, the responsibility of the European institutions like the European Commission, the Economic Commission of Europe, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB) to make positive contributions to render the BSEC more efficient, more successful and mutually more beneficial. The success of the BSEC is in the interest of the EU.

The European Commission is already contributing to the BSEC's affiliated institutions, such as to the business plan of the Bank for Trade and the Development Bank, the International Centre for Black Sea Studies, and the Black Sea Regional Energy Centre in Sofia. The EU is also the single largest collateral contributor to the Black Sea environmental projects through its PHARE and TACIS programmes. These contributions should be increased in

value, volume and form. The EU may extend programmes for this region as a corollary to its Med programmes.

The PHARE, TACIS and SYNERGY programmes may be extended to cover the BSEC states or a special programme may be developed solely for the BSEC.

The European Commission may share the EU's accumulated knowledge and experience of customs standards, competitive behaviour, intellectual property protection, standardisation and certification with the BSEC countries in the form of technical assistance.

The Commission may add its voice, counsel and contribute to the activities of the BSEC Business Council. Thus, the BSEC Business Council may find opportunities to introduce its projects to prominent EU or other businessmen coming from different points of compass.

It would be mutually beneficial for a structural mechanism or relationship to be established between the Commission and the BSEC secretariat. The European Commission may consider having an observer status or even a special status at the BSEC. A form of relationship as sectoral partnership or as dialogue partners can be established in sectors the EU may display more interest in getting involved. Whatever form it may take, the relationship should be based on setting-up a mutually beneficial sustainable interaction to go beyond mere dialogue and to mature in due course.

An EU-BSEC partnership must be perceived as an evolving framework. To this end, at an opportune time, a ministerial conference between the EU and the BSEC might be convened which would bring together relevant ministers to discuss the prospects of EU-BSEC partnership for economic cooperation.

Given the foregoing, the BSEC should be developed in the shade but not in the shadow of the EU. It has a life of its own.

II. AVENUES OF PROSPECTIVE CO-OPERATION

What is in it for the EU? Why should Brussels be interested in the BSEC?

There are quite a number of venues, notably transportation, communications, energy, trade, investment and environment, where the EU may find outlets for profitable and mutually beneficial investments and joint undertakings in the Black Sea region.

A. Transportation

Transportation, telecommunications and energy issues have now gained a prominence in the trans-European economic and political sphere at large. The infrastructures of these networks are powerful tools for economic and social transformation at national and regional levels. If the EU wishes to reach out to the Black Sea region, there is a need for efficient, coherent, inter-modal systems and networks of transportation, telecommunications and energy fitting into the trans-European system.

The pan-European priority transport and communications Corridors Four, Five, Eight and Nine carry importance for both the EU and the BSEC and they could be linked to the BSEC Ring Corridor and extend beyond. The extension of Corridor Four, which ends at Istanbul, to the eastern and southeastern borders of Turkey, may increase the volume of trade between Europe and the countries of the Caucasus and Central Asia as well as the Middle East. The West-East corridor (Corridor Eight) will connect the Adriatic and the Black Sea with transport and communications links. Italy, a member of EU, has been involved in this project from the outset. It will link Italy, Albania, Macedonia, Bulgaria and Turkey. It is also to the benefit of the EU for it to become interested in this project.

One of the most economic transport waterways is the Rhine-Main-Danube connection. It is estimated that 10 million tons of cargo could be carried through this canal in the year 2000. Should one wish to go uninterrupted from the Caspian Sea to the North Sea, one can do it by river transportation. As a sideline, this would promote joint undertakings on this route and on river boat construction. A second bridge across the Danube on the Bulgarian-Romanian border may facilitate pan-European transportation networks. EU companies can find prospective partners from the interested BSEC parties in these endeavours.

The Central European Initiative (CEI) has indicated interest in working together with the BSEC on transportation projects. The transportation working groups of both regional groupings will hold a joint meeting in Istanbul towards the end of September and this will be followed by another joint meeting in Sofia in October and a ministerial meeting in November.

When undertaking transportation projects, policy makers in Brussels may think about economic factors such as the opportunity cost, cost-effectiveness, multiplier effect and their added value. Instead of spending millions on national projects improving inland roads to save one or two hours, one might resolve to invest in infrastructure schemes in the Black Sea region which would save eight to twenty-four hours for truck drivers of the EU countries at the border crossings.

It is in the interest of the EU that the countries of the Black Sea region should be assisted in raising the investment levels necessary for infrastructure projects involving the major lending institutions, such as the International Bank for Reconstruction and Development, EBRD, EIB, etc. The build-operate-transfer model can be an alternative way in overcoming the difficulty of limited financial resources.

B. Telecommunications

The Black Sea region is in need of an improved telecommunications network comprising telephone services, data transmission, TV broadcasting and satellite systems. Certain telecommunications projects have been launched in the first six months since the establishment of the BSEC. These projects, which go by the names of KAFOS, ITUR, DOKAP, TBL, TAE, BSFOCS and ADRIA-I, are mostly fibre optic communications networks covering certain user combinations among the BSEC countries. Countries outside the region are also involved in regional telecommunications projects. For instance, Italy is involved in the ITUR (Italy-Turkey-Ukraine-Russia) project which was completed on 14 March 1996.

Satellites, like the recently launched Türksat-1C which covers an area extending from Western Europe to Asia, may offer digital communications facilities to interested countries. The EU may co-operate or extend its assistance thereof.

C. Energy

Europe is dependent on a continuous energy supply. An increase in energy demand is a vital factor in economic development and is one of the problems which await us in the future. The share of electricity in energy use will rise faster than total energy consumption. Natural gas will make a significant contribution to commercial and domestic energy use as well as electricity generation and it is also environmentally friendly.

The Black Sea region has gained renewed significance as one of the largest oil and natural gas depositories of the twenty-first century. The Turkish Caspian-Mediterranean oil pipeline project is widely considered to be the most economical, secure and environmentally friendly scheme to route Caucasian oil to Western markets. There are also projects under consideration for electrical energy interconnections in the BSEC region. These projects will certainly contribute to the energy supply security of the EU and the BSEC countries. The EU hitherto has been rather passive in energy initiatives. Perhaps it is about time for it to be more active in this domain.

D. Trade

The Black Sea region covers a market of more than 300 million. This is a sizable market by anyone's criteria. There are broad and diversified trade opportunities for EU countries in this vast space.

E. Technical assistance

One of the vehicles of establishing dialogue on economic and industrial policy is technical assistance. The Black Sea region, which is undergoing a transformation process, is in need of technical assistance. The EU may get involved in technical assistance programmes designed to meet the requirements of the BSEC states.

F. Private sector dialogue

The BSEC is a multilateral economic structure driven by the dynamism and initiative of the private sector. Hence, it is the private sector that needs to be promoted and requires harmonised rules and regulations as well as legal and physical security. The EU countries may interest their private sectors in investing in the area. It may contribute to the development of the private sector in the region. Encouraging small and medium-sized enterprises, which play as important a role in the transformation process as in the capital accumulation initiatives, may be one approach to this end. The Balkan Centre for Small and Medium-sized Enterprises in Bucharest is now enlarged to encompass the Black Sea countries. The EU may contribute to the efforts of the Centre. The companies formed by Turkish guest workers in Europe may find profitable investment and joint venture opportunities in the BSEC region. Technically qualified migrant workers in the EU countries can be utilized in these joint ventures.

G. Contracting

Turkish contractors and consulting engineering firms have won a well deserved reputation in the world, asserting themselves by undertaking large infrastructure projects in the region. They may join hands with contractors from other BSEC countries to co-operate with their counterparts in the EU on joint ventures in the BSEC region. Such interaction may also accelerate technology transfer to the area. Thus, the accumulated capital, advanced technology and expertise from the EU may find their way into the Black Sea region.

There is ongoing work within the BSEC to have binding documents on the promotion and protection of investments as well as on the avoidance of double taxation and to harmonise legislation in this respect to attract direct foreign investment.

Investors from the Asian Tigers are interested in the Black Sea region. Japan has already expressed its willingness to invest in the region, particularly in transportation and energy projects. What is holding back the EU countries?

III. CONCLUSION

In conclusion, with all deference and due respect to the lawgiver Moses, by way of analogy, I submit to the EU countries ten commandments to ponder upon:

1. "Love Thy Neighbour"

From the European vantage point, the EU-BSEC dialogue must be conducted not only with governments and the private sector, but also with socially relevant groups, political parties, industrial associations, trade unions and academic institutions. The whole of Europe must be actively involved in this dialogue. Such a policy would be successful only to the extent that the peoples in the EU are made aware of the problems and needs as well as

comparative advantages of the BSEC. Knowing the BSEC is loving it; so know the BSEC and its member states as well as their peoples better. There are centres where you can obtain information to know your neighbours better, such as the Coordination Centre for the Exchange of Statistical Data and Economic Co-operation in Ankara, the Balkan Centre for Small and Medium-sized Enterprises in Bucharest and the Black Sea Regional Energy Centre in Sofia. Make use of them.

2. Integrate BSEC with Europe

The transformation to market economies and democratic regimes are steps needed in overcoming the division of Europe. It was decided in Bonn at the CSCE Conference in April 1990, that this type of process will prove more favourable for the development and diversification of economic relations with these countries. It can be inferred that broad co-operation between the EU and the BSEC in the political, economic, technical, scientific and cultural fields will contribute to the gradual integration of Europe. Initiatives such as the BSEC continue to add to the evolution of globalization.

3. Support political reform

The BSEC is a partnership for democracy and development. Democratic values such as pluralism, democracy, respect for human rights and fundamental freedoms need to take root in the Black Sea region. Help to build democratic institutions and nurture the political culture.

4. Promote economic reforms

Making peace is more than resolving conflicts. It has to be backed by structural reforms which promote political trust and concepts that turn former opponents into partners, just as the BSEC did. Transformation from command economies to market systems requires economic reforms in all sectors of society, be it public or private.

Add your share to building the infrastructure of transportation, communications and energy in the Black Sea region as an extension of trans-European networks. You can be sure that your inputs will bring greater returns to you in various shapes and forms.

5. Invest in BSEC projects

The BSEC is in the process of identifying, designing and developing concrete projects for the region. Some of them are under-way and the rest are on their way. Invest in them. Form joint ventures with regional enterprises.

6. Trade not aid

The BSEC offers not only investment opportunities, but also market access for goods. Therefore, financial assistance should come to the Black Sea region not in the form of aid, but trade.

7. Extend technical assistance

The restructuring in the Black Sea region requires modern technology, the application of the latest techniques, dissemination of Western technical know-how, expertise, experience, managerial skills and good governance. Transfer them to the regional countries which need them.

8. Cultivate cultural relations

The EU should pursue comprehensive cultural exchanges with the peoples of the Black Sea region at the grass roots level. The youth, universities and media are fertile fields to be cultivated. Open up Black Sea studies sections in your universities, undertake educational projects, offer scholarships and design exchange programmes for students and faculty members; get involved in regional media projects, teach your language to them and learn their languages by opening up language schools and centres.

9. Contribute to regional security

Peace and stability is a function of prosperity. The most effective confidence building measure is mutually beneficial economic co-operation. Economic co-operation is the magic word. Countries must put aside their differences and work together for the realisation of a common goal which can bring prosperity to their people. The BSEC has succeeded in getting two warring members to sit side by side and take common decisions for their mutual economic good. It is a striking example of the fact that common economic benefits transcend political conflicts and serve as a catalyst for political reconciliation. The BSEC enlarges the scope of European security. Therefore, if you wish to have security and stability in Europe and beyond, contribute to economic co-operation in the Black Sea region.

10. Stop polluting the Black Sea

The Black Sea is actually dying. This is not an aberration. Ecological degradation threatens the ecosystem of the Black Sea which, with an area of 420,300 square kilometres, is one of the largest bodies of brackish waters in the world. Eighty per cent of the pollution in the Black Sea comes from the Danube waterway and is industrial waste from some EU countries. Pollution does not stay at the Danube delta, but is carried to other parts of the Black Sea by diverse surface and under currents. The situation is aggravated by the mineral characteristics of the Black Sea which is filled with stagnant waters with a low oxygen content. The deep zone is saturated with hydrogen sulphide and is inhabited only by specially adapted bacteria. In layman's terms, there is no life below 150 metres. Therefore, the EU countries, which have been pouring their industrial waste to the Danube have to assume responsibility for taking the necessary measures to stop polluting the Black Sea, which supports a major fishing industry with a total catch of more than two million tonnes per annum. There is a drastic decline in total catches and the productivity of the sector due to pollution. One estimate puts the total job losses in the Black Sea at 150,000. The worst is yet to come.

Jason and the Argonauts in their search for the Golden Fleece were the first European heroes to undertake the difficult journey to the Black Sea. They sailed in their ship, the Argo, in the turbulent waters of the Black Sea. They encountered great perils in the 'unfriendly sea', as the Black Sea was then called, though it was later renamed the 'friendly sea'. They stopped at nothing and at the end, they succeeded. The tale of the quest for the Golden Fleece still continues with the process of the Black Sea Economic Cooperation project. It is a journey which started on 25 June 1992 and is sailing into the 21st century. It is a journey, not an adventure, but a joint venture.

Won't you join in?