

## On the Necessity and Possibility of the Black Sea Common Market (BS-COM)<sup>†</sup>

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**Abstract.** This paper deals with the necessity and possibility of a Black Sea Common Market (BS-COM). It suggests that a ‘Black Sea Common Market’ be established by the current BSEC states, and envisages that such a market will eventually come into being, based on the current expansion of EU norms, the globalization effect in general, and other arguments dealt with herein. Though there have been many impediments, the position the BSEC has already attained can hardly be evaluated as failure. Considering these hopeful developments in the BSEC process, we contend that the BSEC could be developed into a BS-COM. The paper also investigates the opportunities and limitations of this expectation as well as the policies that might be adopted by the states concerned. With an optimistic approach, this paper takes historical rivalries and current conflicts in the Black Sea region as a beginning point of friendly cooperation, as was the case with the member states of the EU, whose past was similarly darkened with bloody wars.

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## 1. Introduction

As the subject of BSEC, the Black Sea region covers the territories of the eleven states participating in the BSEC.<sup>2</sup> Heads of these states or governments signed the Summit Declaration of the BSEC in Istanbul on 25 June 1992. At the same meeting the Bosphorus Statement, which sets forth the political objectives, was also adopted (BSEC Handbook, 1992: 9-10). Inspired by values of democracy, the rule of law, and respect for human rights, the Statement emphasized the need for the peaceful settlement of all disputes and suggested that partnership between the BSEC countries will contribute to the future architecture of Europe and facilitate the processes and structures of European integration (Ozuye, 1992:51). The BSEC intends 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 possible complementary synergies with other economies and large economic space and market. This development is to be modelled on the principles of pluralist democracies and the dynamics of competitive market economies. Given its geo-strategic position as a natural link between Europe and Asia, and between Central Asia and the Middle East, the Black Sea region constitutes a vital trade link as well as an important area of transit. Besides, it has rich fossil fuel deposits. Consequently, instability and potential for conflict in this region matter to the international community, in particular the EU.

The BSEC was originally a Turkish initiative but progressively developed into a common project as a result of changing international European and Eurasian security climate following the dissolution of the Soviet Union (Muftuler-Bac, 1997:44). It has contributed to the intensification of regional cooperation and a perception of emerging common interests of member states. Though varying widely in terms of area, population, wealth and motives for joining, BSEC countries share a desire to profit from the new opportunities by combining forces in common projects and avoiding relegation to the 'periphery of world politics' by transcending traditional rivalries (Valinakis, 1999). For almost half of the participating states, who have finally acquired national independence and new statehood,

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<sup>2</sup> Stands for *Black Sea Economic Cooperation*. Among the states that took part in BSEC are six littoral countries: Bulgaria, Georgia, Romania, Russia, Turkey and Ukraine, and five adjacent ones: Albania, Armenia, Azerbaijan, Greece and Moldova. With Serbia and Montenegro, as an adjacent country, becoming a fully-fledged Member of the BSEC Organization as of 16 April 2004, the number of members has now reached 12.

their appearance on the international scene was above all a historic event. Therefore, the creation of the BSEC could be evaluated as a consequence of the tendency in the early 1990s to forge greater interdependence among states in the Black Sea region and set up new regional cooperation schemes.

Designed first to operate as a forum, the BSEC was transformed into a regional organization in 1998 with a permanent secretariat, enabling it to intensify cooperation with other regional and international organizations. This transformation has been a landmark in the BSEC process. Stated in the Istanbul Declaration (paragraph 17) that the Meeting of Ministers of Foreign Affairs (MMFA), which is the main decision-making body of the BSEC, is to be convened 'regularly on rotation basis at least once a year in order to review progress and to define new targets. The BSEC Business Council was established in 1992, in order to improve the business environment and expand economic cooperation in the region. According to the Agreement Establishing the Black Sea Trade and Development Bank (Tbilisi, 30 June 1994) the Black Sea Trade and Development Bank (BSTDB) was planned to be the BSEC's principal mechanism for "working out, financing and implementing joint regional projects (BSEC Handbook of Documents, 1994:263).

As a promising development in the progress of the BSEC, the Declaration of Intent on the establishment of a *BSEC free-trade area* was signed at a special meeting of BSEC foreign ministers in February 1997. A free trade movement in the area will help secure a sound political base and transcend traditional conflicts and rivalries. In Yalta in June 1998, the group acquired definite form as the Black Sea Economic Cooperation Organization, after signing the new organization's *Charter*, providing the forum with a legal basis (Breffni, 1998). The BSEC Charter foresees the following as priority focus areas: trade and economic development, banking and finance, communications, energy, transport, agriculture and agro-industry, healthcare and pharmaceuticals, environmental protection, tourism, science and technology, exchange of statistical data and economic information, collaboration between customs and other border authorities, human contacts, combating organized crime, illicit trafficking of drugs, weapons and radioactive materials, all acts of terrorism and illegal migration.<sup>3</sup>

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<sup>3</sup> [http://www.bsec-organization.org/subsidiary\\_.htm](http://www.bsec-organization.org/subsidiary_.htm) (Accessed on 5 May, 2005)

The BSEC has so far accomplished some progress in the sphere of action that was determined by the Istanbul Declaration, and its success can be seen in the list of states aspiring to full membership or observer status. However, critics say that practical achievements have been minimal and that no concrete measures for enhancing economic cooperation among its participating states have been implemented (Valinakis, 1999). The BSEC's contribution to security building has also been seen as marginal. To us, the retarded growth of BSEC can be attributed to such reasons as,

(1) That, at least five states have had to deal with internal problems having newly acquired statehood,

(2) Considerable regional conflicts between and within the states,

(3) Some severe economic crises that broke out in BSEC countries such as Russia and Turkey and in the Far East that affected the region as well as the whole world,

(4) Serious problems of transition from command economy to market-oriented one,

(5) To some extent, we can say, the reluctance of Russia to sufficiently involve in the project, possibly for it is initiated by a country other than it,

(6) Finally, Western world, particularly the EU, seems rather to have focused on the construction and security of the gas and oil pipelines which help them reach energy resources than encouraging the BSEC countries to improve economic cooperation among them.

Given these impediments, the number of which could be easily added to, the level that the BSEC has reached can hardly be evaluated as failure. Considering the hope for further developments in the BSEC, and the effect of globalization, there are many arguments to support the idea that the BSEC could become a *Black Sea Common Market (BS-COM)*. This paper investigates the possibility of this expectation, the opportunities it offers and the limitations thereof.

## **2. Definition and Aim**

Since the demise of most of the world's empires, a number of international, generally regionally based, trade blocs have been developed to promote trade between member states. A trade bloc is a large free trade zone or near-free trade zone formed by one or more tax, tariff and trade agreements. Varieties of economic blocs include free trade areas, customs unions, single markets, and economic and monetary unions. One of the first economic blocs was the

German Customs Union (Zollverein) initiated in 1834, which formed the basis of the German Confederation and subsequently empire that came in 1871. Typically trade pacts that define such a bloc specify formal adjudication bodies, e.g. NAFTA trade panels. This may include even a more democratic and participative system, as the EU and its parliament.<sup>4</sup> An economic community is first of all a customs union.

A customs union, when fully implemented, is an arrangement whereby the members of the group agree to treat the goods produced in other member countries as if they had been produced within their own borders. Thus tariffs or other types of discrimination based on national origin cannot be placed upon imports of merchandise coming from other member countries. Within the confines of a customs union merchandise is as free to move as it is between states of the United States. In the case of European Union, the Rome Treaty provided gradually eased the barriers to trade among the member countries of the Common Market rather than immediately removing them. Hence, the customs union is not fully completed until the transition period is ended. The members of a customs union must agree to enforce a uniform barrier to the commerce of non-member countries (so-called third countries). Accordingly, the tariff levied on, for example, an American car will be the same regardless of which member country imported the car. For the common market the external barriers to third countries were determined in general by taking an average of the pre-existing national tariffs of the member states. The adjustment of the old national tariffs to the level of the new Common External Tariff will also be gradual and generally in line with the movement toward internal free trade (Lawrence, 1964:2).

The ultimate aim of a common market is to merge the economies of the member states into one, by breaking down the barriers between them and working out common policies (Shanks and Lambert, 1962:56). It must work for the free movement of labor and capital, the abolition of trusts and cartels, and the development of joint and reciprocal policies on labor, social welfare, agriculture, transport, and foreign trade ("European Economic Community", the Columbia Encyclopedia, 6th ed., s.v.). As for the European Economic Community, it was something beyond a simple customs union. The Rome Treaty provided for a still closer integration of the respective economies with a full economic union as the ultimate goal. Because an economic union is more demanding in terms of the sacrifices asked of the members and the

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<sup>4</sup> [http://en.wikipedia.org/wiki/Trade\\_bloc](http://en.wikipedia.org/wiki/Trade_bloc) (Accessed on 24 March, 2005)

degree of divestiture of national sovereignty involved, the member countries did not want to commit themselves to it until the customs union was tried and proven effective (Lawrence, 1964:2-3). It is freely asserted that American experience clearly demonstrates the advantages of a large integrated economy in exploiting to the full the benefits of mass production and specialization (Sidney, 1964:75).

In this paper, we mean by the BS-COM, “a common market established by member states of the BSEC organization as a final target on the basis of transitional periods each taking several years.” The span of each period could be determined by the policymakers of member countries. In the suggested BS-COM project, the obstacles to the free movement of persons, services and capital between member states are supposed to be abolished; common agricultural and transport policies are inaugurated; a system which ensures that competition shall not be distorted is established; procedures that enabling the coordination of the economic policies of member states and that improve disequilibria in the balances of payments of member countries are implemented; and the member states’ respective legislations are approximated to the extent necessary for the functioning of the common market.

The main purpose of establishing the BS-COM is to realize the advantages of increased specialization. It is hoped that a market embracing a population of 330 million people would permit the more rapid development of the most economical sectors of each industry, as well as the use of the most modern production techniques. A large market would make possible mass production. Attainment of these ends should make the unified area a more powerful unit, ensure continual expansion, increase economic stability, raise standards of living, and, finally and most importantly, develop harmonious relations between its component states eliminating disagreements and conflicts. To be realistic, the BS-COM does not state and foresee any political unity in the near future in contrast to the EU, which has recently been injured by the rejection of the EU constitution by France and the Netherlands, and by suspension of the voting by Great Britain on 6 June, 2005. The discussion of this far-off dream must be left to following generations. The general provisions of the BS-COM are to be worked out through bargaining around the conference table.

### 3. The possibility of, and opportunities for, the BS-COM

Before investigating the possibility of setting up a BS-COM, the most important obstacle to obviate is the very notion that a BS-COM is impossible. Historical perceptions are the most important impediment. The Caucasus and the Balkans have been both meeting places and battlegrounds throughout history. Historical enmities between and within existing countries, and border issues that impede cooperation, prevail even today. Despite these facts, the historical enmity between BSEC countries has not been so serious and deep as those between many EU countries, such as Germany and France.

The military history of all the European nations presents a total of 1,700 military actions. Of these, 1,044 were land battles, 122 naval combats, 490 sieges, and 44 capitulations in the open field. French forces have been engaged in 652 of the land battles, 63 naval actions, 322 sieges, and 32 of the capitulations included, a total of 1,079 engagements, or 63.5 per cent of the principal military actions of the whole three centuries, colonial wars not considered. As a country that has been so extensively engaged in war, France, currently a member of EU, enjoys the gloomy distinction of being the most warlike of the European nations, and of having laid upon the altar of patriotism the largest sacrifices of human lives. The following figures show the number and total duration of the wars of France against her various antagonists: (First figure shows number of wars, second figure shows total duration of wars) Austria 14, 76; Great Britain 10, 73; Spain 10, 62; German Empire 8, 61; Holland 8, 45; Russia 7, 17; Sardinia (Savoy) 6, 34; Prussia 6, 19; Portugal 5, 47; Sweden 4, 11; China 4, 12; Turkey 3, 14; Denmark 1, 5; Mexico 1, 7. (Gaston, 1916:79)

Having proved the Turkish saying “*Strong friendships begin with fights*” to be true, Germany and France, together with Italy and the Benelux (Belgium, Netherlands, Luxemburg), “resolved to substitute for *historical rivalries* a fusion of their essential interests; to establish, by creating an economic community, the foundation of a broad and independent community among peoples long divided by *bloody conflicts*; and to lay the bases of institutions capable of giving direction to their future common destiny; have decided to create a European coal and steel community” (Ellsworth, 1984:233) and managed to central in creating the EU of today. The idea of a united Europe was held up as the basis for European strength and security and the best way of preventing another European war

(“European Union”, the *Columbia Encyclopedia*, 6th ed., s.v.). Taking this vivid example and not forgetting the Turkish saying, no one should lend an ear to those who would claim that a BS-COM is a fantasy. Even if today’s policymakers can not realize this project, the next generations, being educated in a new system which favors free trade and cooperation, will hopefully do so in the fullness of time. With the Turkish saying in mind, we perceive past historical rivalries and conflicts as the beginning of cooperation in all fields, as did European nations, rather than an obstacle to the realization of the BS-COM. As hatred is only one step away from love, we chose to entitle the investigation of the impact of historical perceptions on the BS-COM “Obstacles to the BS-COM”.

With an area nearly 20 million km<sup>2</sup> and with huge natural resources, especially the energy resources of the Caspian Basin, the Black Sea region has an enormous economic potential. With all it possesses,<sup>5</sup> the Black Sea region has the potential to be an area of common market. Supply and demand conditions, on which a market economy stands, are fully available in the region. The region offers emerging markets which are not saturated with exports and imports. *On the demand side*, the region has a market of 330 million people with a supply shorter than demand in the three key economic sectors of agriculture, industry, and services, and has a foreign trade capacity of over USD \$300 billion annually, not to mention domestic capacity. The region is still poor in the production of consumer goods due to the fact that the Soviet system underrated it and left behind an insufficient consumer goods industry. *On the supply side*, the region has second largest source of oil and natural gas after the Gulf, which is significant given the importance of energy in industrial production and its considerable share in the costs. The Black Sea region is also rich in proven reserves in minerals and metals, with underground potential even greater, and thus can be a major supplier of these commodities in international trade. More importantly, it offers diverse and creative human resources, including qualified scientists and other professionals and specialists, as well as an abundant labor force, both skilled and unskilled, at costs competitive. Possessing these great facilities, two powerful market forces, supply and demand, are likely to produce high level of output. Other outcomes of the BS-COM are likely to be

(1) low-priced goods and services thanks to cheap energy and tariffs that have been nullified or decreased to a minimum, culminating in competitiveness in international markets

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<sup>5</sup> [http://www.bsec-organization.org/discover\\_.htm](http://www.bsec-organization.org/discover_.htm) (Accessed on 5 May, 2005)

- (2) economies of scale due to the region's vast area with a large population
- (3) a general rise in the standard of living, and
- (4) peaceful cooperation due to interdependence arising from specialization of some regions or countries in the production of some particular goods in which they have comparative advantage.

To move on to the movement of goods within the BS-COM area or to international markets, we can liken transportation to the vessels in the human body which enable the blood to feed organs and cells. Free trade is like the free circulation of blood in the body. Aside from the geographical proximity of the BSEC countries, the Black Sea region has favourable transportation facilities being blessed with Black Sea, which links all littoral countries, and also Ohots, Caspian, Azov, Marmara, Aegean, Mediterranean and Ionian seas. The region covers important sea lanes and occupies a strategic location in maritime transport. These lanes facilitate the movement of goods to international markets as well as within the region. While keeping existing trade routes open, efforts are increasingly made by BSEC in search of new business channels. A new fabric of intra-regional and international trade is presently in the making. Complementarity among the Member Countries offers wide scope for commercial exchange.

The rich cultures, and diverse and colorful lifestyles in the region can be expected to increase the variety of goods and services and deepen the specialization in a free market rather than to play a divisive role. The legacy of a long history combined with a wealth of natural landscape waiting to be discovered by the tourism world is complementary to economic activities. A significant opportunity seized by BSEC countries in terms of political will and commitment towards the establishment of the BS-COM is the fact that a Declaration of Intent on the establishment of a *BSEC free-trade area* was signed by foreign ministers in 1997 (Declaration of Intent, 1998:109).

Trade is considered by the member states as the locomotive of the BSEC process. Reductions in the trade restrictions among member countries must be put on the agenda as the first item to be discussed. Improvements in this field will hopefully give way to BS-COM. A genuine effort is observed on the part of the member states to develop foreign trade with emphasis on intra-regional trade. Prospects are appealing in both spheres. Development of intra-regional trade broadens the stage of activity stimulating new opportunities of economic cooperation. Intra-regional trade creates added earnings for the individual economies and provides precious hard currency,

enhances standardization, sharpens competition, stimulates diversification in production, increases employment, prepares member states for a fiercer international market abroad. In this frame new enterprises are established in the BSEC countries, paving the way for investments and transfer of technology which, in turn, push both trade and development further.<sup>6</sup>

*What the policymakers of all Black Sea States should know is that the gains that could be obtained through economic cooperation are always more for all sides than those that could be obtained through political scramble.* History is the best witness to this. This fact applies first and foremost to Russia, who does not look so willing to improve BSEC. As the world's largest country in territory, Russia has rich underground reserves, industrial infrastructure, abundant skilled labor force, and, more importantly, scientifically qualified and scholarly disciplined human resources. Therefore, the very country who could best benefit from economic cooperation in the Black Sea region is Russia. The economic gains she can obtain through economic cooperation could exceed in folds more in any case than those that can be obtained through any political rivalry.

One more supporting argument to be hopeful about the possibility of BS-COM is the fact that all the BSEC countries, without any exception, have historical and traditional ties with each other. First of all, excepting Turkey and Greece, all others countries had lived under the same socio-economic system for seven decades. Even today most of these states are the members of the Commonwealth of Independent States (CIS). Given the strong will of Turkey to establish a cordial economic cooperation between BSEC countries, the increasing involvement of Greece recently in the BSEC in spite of its being an EU member, and the common historical background of the post-Soviet BSEC countries that tend to favor market economy and democratic values, the birth of the BS-COM should not catch anybody by surprise providing that Russia, which could most benefit from the BS-COM, is willing to participate.

As a country that favors free trade and one that actually proves this with a customs unity with the EU, Turkey is the most enthusiastic one among the BSEC countries to develop trade and economic cooperation, being aware of the benefits of trade. And she has been experiencing a considerable rise in exports thanks to export promoting policies and customs union with the EU. That is why, Turkey points out to the importance of

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<sup>6</sup> [http://www.bsec-organization.org/subsidiary\\_.htm](http://www.bsec-organization.org/subsidiary_.htm) (Accessed on 4 May, 2005)

economic cooperation while many other countries in the BSEC bring forward political or other concerns. She has sought to cultivate more cultural and economic relations with the former Soviet countries than political ones. The contribution of Turkish NGS's to all countries in the field of education can, and should, be evaluated as a sincere and long term desire to establish a strong base for everlasting friendly relationships rather than short-term and barren political gains. These facts can be evaluated as a promising opportunity for the BS-COM.

The incentives that encourage the member states of the BSEC to cooperate also encourage them to establish a common market. After the Rose and Orange Revolutions respectively in Georgia and the Ukraine, the evolving balance of forces in the region which is already limiting Russia's latitude compels Russia to pursue a cooperative policy (Karaganov and others, 1996:18-19). The Newly Independent States who joined the BSEC in order to underline their autonomous presence in regional and international affairs have been also seeking the reinforcement of their security and multilateral connections, as well as increasing their involvement in the European integration processes. Fearful of isolation and an unstable regional framework, they opted for a regional system of cooperation, which allowed for more predictability and interaction and a reduction of tensions. Although many of these newcomers to the international scene are directly or indirectly involved in conflicts, these latter rivalries are not seen as impeding the development of the BS-COM or BSEC processes. Moreover, participation in regional schemes helps these countries to consolidate their state identity and increases the legitimacy of their governments on the international scene. Particularly for the small states, participation in regional groupings guarantees their equal status.

Azerbaijan, the biggest oil producer of the region, needs a stable environment to allow for the construction of new oil pipelines and to protect the unimpeded flow of oil from the shores of the Caspian. Armenia, deprived as it is of access to the Black Sea or any other sea, and with strained relations with Azerbaijan and Turkey, requires a regional system of cooperation with an emphasis on the opening of transport routes and the free circulation of goods. Belonging to the BS-COM may be expected to help Armenia break out of its geographic isolation within the region especially after the Baku-Tbilisi-Ceyhan (BTC) pipeline was launched in May 2005.

Armenia, the poorest country in the south Caucasus, must come to know that the economic gains it can get through cooperation will be far more

beneficial than the political and military gains it is seeking with its current intransigent attitude. Georgia stresses the importance of the Black Sea as a major trading route, and has put forward the idea of a Euro-Asian Corridor. She might bring about the formation of a chain of regional structures along the axis of the Mediterranean, Black, and Caspian Seas (Chikvaidze, 1994:115). The dependence of Moldova on outside sources of energy forces its participation in cooperation projects. Albania sees advantages in the creation of economic links eastwards, including projects such as the construction of the gas pipeline from the Caspian to the Adriatic port of Vlore, which could bring a number of economic benefits to the country.

Greece has increased its interest in and has sought to play a more active role as a bridge between the EU and the BSEC. The Black Sea region has come to be seen as constituting a natural economic outlet for the expansion of the Greek private sector. The exploitation of new markets to which businessmen and investors had not had access in the past provided new opportunities and gave new dynamism to the Greek economy. For Bulgaria and Romania, joining the BSEC was part of a ‘networking strategy’, in parallel with a strong EU orientation (Valinakis, 1999). Greece and other would-be EU members of the Black Sea region may have special status in the BS-COM so that EU membership will not interfere with BS-COM membership.

#### **4. Obstacles to the BS-COM**

Despite its opportunities, there are of course many obstacles to the BS-COM. Most important one is unawareness of the benefits of trade and cooperation. The others obstacles are historical perceptions, the issue of heterogeneity, lack of international visibility, clear vision of priorities, and economic difficulties (Valinakis, 1999).

The benefits of trade are those of specialization, of competition, and of choice. By specializing, the firms can produce with a higher level of allocative and productive efficiency resulting from increased global competition. The surpluses produced can then be traded with the surpluses of other countries. There will be an overall gain in welfare. Tastes and preferences are best served by a range of choices increased by international trade. Even though consumer surplus increases at the expense of domestic producers whose surplus falls in the production of some goods, the producers, in return, can increase their surplus in the production of goods where they have comparative advantage over the producers of other

countries. In other words, they can substitute the gains in the surpluses of those goods for the losses in surpluses of the goods that they can no longer produce because they are comparatively disadvantaged. Thus, overall society experiences an increase in welfare. Moreover, successful use of trade has in the past proved to boost development, which in turn has led to strong growth, as witness such regions as Hong Kong which has enjoyed outstanding growth (the per capita GDP of Hong Kong is now higher than that of its former colonizing power, Great Britain).

In view of development strategies, the economics as a science tends to favor 'export promotion' over 'import substitution' because the emphasis in the former is on comparative advantage and trade expansion as opposed to the restriction brought about by the latter. The policy of export promotion has been the more successful development strategy as reflected in, for example, the newly industrialized countries of East Asia. Export promoting economies such as South Korea, China, Malaysia, Singapore and Hong Kong have in recent decades grown much more quickly than import substituting countries such as Argentina, India and Peru, which are now most pursuing free trade agreements and dismantling trade barriers.

Another obstacle to the realization of the BS-COM may arise from external relations. The EU, which supports the development and transportation of energy resources through pipelines and TRACECA, and which attaches great importance to the security in the region for the sake of oil and gas supply, may be reluctant to support the BS-COM notion. This is because the increased economic cooperation of BS-COM countries will increase the need and the demand for energy within the region itself, which will result in an increase in the prices of energy and a decrease in supply to Western markets. To what extent the EU is sincere regarding the development of energy resources and in the security of the region can be gauged from its support of regional economic integration, namely, the BS-COM.

As a matter of fact, it will be more beneficial to the EU to actively support such an economic integration, on the basis of market economy and democratic values, rather than leaving the inclusion of this region in an expanded EU to destiny. Also, a less developed Black Sea region is likely to create many economic, social and cultural problems for the EU. Another problematic area regarding the energy question is the choice of a route for the main oil line. Though the oil pipeline from Azerbaijan across Georgia and Turkey to the Mediterranean (the Baku-Ceyhan route), through which

oil was pumped in late May, 2005, is essential in the short run, in the longer term more pipelines need to be built for a sincere and honest cooperation and interdependence. Multiple pipelines could strongly contribute to a more stable and cooperative environment in the area. They would allow the Caspian states to share prosperity more equally, create greater interdependence, and balance external interests as well as foreign influence (Valinakis, 1999).

## **5. Policies**

Successfully accomplishing a common market like the BS-COM is not an easy process. When dealing with such a dream project, the experiences of other common markets are of great value for the policymakers of BS-COM countries. So far the BSEC's activities have increasingly focused on practical regional projects such as the creation of a BSEC common energy market and an interconnected power system, the development of a regional transport infrastructure integrated into European networks, and the intensification of cooperation in attracting foreign investment and export credits. As with the European Coal and Steel Community which emerged in the EU, these activities may be expected to culminate in the BS-COM. However, mere elimination of frontier barriers to trade would be appropriate only for *laissez faire* economies. In each of the BSEC countries, government intervention, varying in degree and kind, strongly affects the operation of the economic system. National tax systems bear different weight on different industries. Both taxes and subsidies might be used to support certain industries in one country, but not in others. And national policies for dealing with inflationary and deflationary conditions could differ with respect to their character, intensity and timing.

Unless these national policies are harmonized, a labor-intensive industry subject to abnormally high social security charges would operate at a disadvantage; unsubsidized but efficient producers would be at the mercy of their subsidized rivals, and unsynchronized monetary and fiscal policies could provoke unwanted balance-of-payments disturbances. Moreover, monopolistic organizations in one country might, with the opening of the gates of trade, lead to the domination or possibly the extinction of competitive industry in another. Therefore, to promote a harmonious development of economic activities throughout the BS-COM and closer relations between the member states, the members of the BS-COM should undertake a progressive approximation of their economic policies. In addition, as tariffs are gradually abolished, industries hitherto dependent on

protection might be injured, even though they might be able to adjust over time by intensifying their specialization, improving efficiency, or converting to other lines of production. As a result, to help workers in these industries over their difficulties, a *social fund* should be established that meets half the costs of retraining employees and, if necessary, of moving them to new locations, as was done by the EU. Aid to industrial proprietors might be part of a larger project whose most important task is to furnish aid to improve conditions in the underdeveloped regions of the member states. In addition, financial help will need to be given to projects of importance that are too large to be handled by the individual states alone, and funds will need to be advanced to firms encountering difficulties in re-conversion.

Following the affirmation of intention to unify the economies of BS-COM countries and to jointly promote development in order to improve the living conditions of their peoples, the BSEC states must agree to establish the BS-COM by signing a treaty. To allow time for adjustment, it should be brought into full operation within a transition period agreed on by all parties. During this period, duties on the trade between members will need to be eliminated in stages. Member states will also need to agree on a customs union in respect of their territories. For these purposes, they should bring a Black Sea free-trade area into full operation within a certain period and should adopt a standard Black Sea tariff to equalize import duties and charges. The signatory states must grant each other free-trade treatment in respect of all products originating in their respective territories, save only for the limitations relating to specialized regimes.

The natural and manufactured products of the member states should be exempt from all kinds of import and export duties, fees, taxes and dues. Goods originating in the territory of any of the member states should be accorded national treatment in all states and be exempt from all quantitative or other restrictions or measures, except in cases where health, security or police concerns mitigate. The member countries will need to establish special interim regimes in respect to specific products exempting them from the immediate free-trade treatment. Special regimes are applicable to some monopolies as well as to some products, and trade in them should be carried on in conformity with the measures and conditions therein specified.

Convertibility of the currencies of the member countries should be maintained on a basis which, in normal conditions, shall guarantee the freedom, uniformity and stability of exchange. For that purpose, the central banks of the member states will need to co-operate closely in order to

prevent any currency speculation that might affect the exchange rates. Quantitative restrictions established by any member state on international monetary transfers should not discriminate against other states. Should any serious balance-of-payments difficulties arise which affect monetary relations in respect of payments between the member states, solutions must be compatible with the maintenance of the multilateral free-trade regime. Each member state should ensure full freedom of transit through its territory for goods proceeding to or from other member states as well as for vehicles transporting these goods. Goods in transit should be exempt from all duties, taxes and other charges. The member states will be required to grant national treatment to enterprises of other member states engaged in the construction of roads, bridges, dams, irrigation systems, electrification, and any other contributions to the Black Sea region economic infrastructure. The member states, with a view to establishing uniform tax incentives to industrial development, should agree to ensure a reasonable equalization of the relevant laws and regulations in force. They should also agree to not sign any new unilateral treaties that may affect the principles of the BS-COM with the third countries.

## **6. Conclusion**

In a globalized world where values of democracy and principles of market economy are in favor, the approximation of societies and economies seems to be an inevitable process. This process has already been seen in such regional cooperations as the EU, NAFTA, the BSEC and others, such as the Central American Common Market. Though criticized for its slow development, the BSEC, beginning first as a forum and then becoming an organization with a permanent secretariat, legal identity and charter, has been growing steadily in spite of many impediments. This paper concludes that BSEC, with its ready supply and demand conditions and transportation facilities, may be developed into a Black Sea Common Market, especially given the globalization effect, the rapid spread of the notion of market economy and the awareness of benefits of trade and cooperation. The Black Sea region, which is a round table for the nations of the Black Sea coast and their adjacent countries, offers a vast and widespread welfare for its inhabitants provided that they can perceive and appreciate it, and that they come face to face with one another and desist from holding grudges against each other. Instead of dwelling on matters of past history and the largely artificially-created conflicts between and within countries, the peoples of Black sea region would be better off creating a common bright future together by making efficient use of the huge resources spread out before

them. As the EU, which was realized by France and Germany, two countries whose pasts were darkened with bloody wars and conflicts, the BS-COM can create an economic community, so long as the countries concerned substitute the fusion of essential common interests for their past or current rivalries.

It is hoped that the BS-COM will be realized by the new generations who are being taught in an educational system favoring free trade and cooperation. Here, what is most important is that the gains that could be obtained through economic cooperation will always be greater for all parties than those potential gains that can be obtained through political conflict. The steps successfully taken towards the growth of the BSEC can be considered initial steps towards the birth of the BS-COM. Historical and traditional ties between BSEC countries and the incentives for all member states to come together under the umbrella of the BSEC also encourage them to become members of the BS-COM. Despite the opportunities it offers, the BS-COM has many obstacles to surmount before it can come into existence. The most important one seems to be unawareness of the benefits of trade and cooperation. This can only be overcome by education. There is hope in that nearly all the countries concerned favor market system and have adapted their education systems accordingly. Keeping the saying "Strong friendships begin with fights" in mind, it is better to view past rivalries and current conflicts as marking the beginning of cooperation in all fields. With a huge demand and supply potential backed by the world's second richest oil and gas resources, and given the importance of energy resources and their considerable share in production, the Black Sea region has the opportunity to have a higher per capita income and standard of life than any other region of the world. The Declaration of Intent for the establishment of a BSEC free-trade area signed by foreign ministers of BSEC states in 1997 is yet another reason to be hopeful about a future BS-COM. The EU's support for the development of energy transportation should encourage the development of economic cooperation between BSEC countries so that the projected BS-COM can become fact. The BS-COM is also luckily positioned since it can take preceding common markets as model and benefit from their experience by not repeating the mistakes they made. For BS-COM to become a reality, strong will, intention and commitment are all that is necessary. The rest is already available.

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