Connecting Black Sea Blue Growth Value Chains with Caspian Sea and East Med

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Abstract

The increasing importance of Black Sea in the energy sector is undoubtedly.
The recently announced development of the New Silk Road, the increasing importance of the pipelines that connect Black Sea with the Balkan Peninsula and Western Europe, provide the framework of development priorities in the area, while the economies of the neighboring countries seem to follow an uptrend.

On the other hand, EU initiatives in the field of blue growth, provide financial opportunities of the parties involved. The scope of the paper is the analysis of the value chains that can be created in the Black Sea Region as the connecting area of the Caspian Markets on one hand and the East Med countries on the other.

The neighboring countries can benefit directly or indirectly of the expansion of business in blue growth fields only if synergies will be developed among the most competitive ones, or among those that will be prepared to face the increasing opportunities for growth.

Economic stakeholders of the area should realize that they must be involved in the blue growth sectors under a well-defined strategy emphasizes in their participation in the relevant value chains. Collective bodies like Chambers of Commerce, export organizations and business clusters must contribute to enable individual companies and stakeholders in the growing process.

Furthermore, the paper examines and analyzes the terms of “value chain” as a factor in the analysis of developmental characteristics of Black Sea, as well as the role of value chains in the global investment context.
Connecting countries is not a simple import – export issue. It’s not only the Current Account surplus or deficit, or the general effect on the BoP. It’s the multiplier effect that the Added Value creates.

Multiplier effect affects many more economic factors, i.e. employment, consumption, integration, technology boosting, an overall effect on GDP.
Production: **12 euro** (raw material, wages, other cost, producer’s profit)

**Brand:** **33 euro** (conception, design, branding)

**Distribution Networks (Supply Chain):** **55 euro**
Transport, Retail Margin, VAT)
The importance of double treaties, bilateral / multilateral agreements, trading opportunities and synergies among developed economies.... Interdependencies in global markets based on the five largest economies of influence (influence on the production of domestic goodwill / added value)
The ultimate goal is to reshape the smiley curve as much as possible to **enhance the surplus value in non-productive processes** (increase in surplus value of intangibles) as a percentage of the final value of the products produced. Supporting this trend in every industry requires an expansion of the know-how base (imported know-how) and orientation.
Developing / Connecting Value Chains

GVCs can help countries integrate in the global economy: joining instead of building a value chain

Participation in GVCs: border policies

Creating / Capturing value in GVCs: competitiveness, innovation, skills

Adjusting to GVCs: important effects on national economies due to reallocation of productive resources

Addressing Risks: interconnectedness between economies means also higher interdependency and vulnerability
It is in the Balkans and Black Sea region that the contemporary equivalents of the silk road on land (via Central Asia) and the maritime silk road (via the Indian Ocean and the eastern Mediterranean Sea) meet each other and connect to Europe.

A land route via the Black Sea region would provide China with a transport corridor to Europe that avoids areas that are part of, or militarily controlled by, Russia or the United States. It is to China’s strategic benefit if it succeeds in decreasing its dependence on trade routes that can easily be disrupted by other great powers.

The greatest relevance of the Balkans peninsula at this time relates to the port of Piraeus in Greece, which is the main Mediterranean base of China’s largest shipping company, COSCO Shipping. China’s involvement in Piraeus may develop into a greater Chinese role in trade, finance and manufacturing throughout the Balkans and Central Europe. This would then further strengthen China’s interest in developing the Black Sea region as a part of the China-Central Asia-Europe trade corridor.

Notable focus points for Chinese companies and the Chinese government in the Balkans and Black Sea region are port management in Greece, infrastructure construction in the Western Balkans and Turkey, agricultural production in Ukraine and the energy sector in Romania and Greece.
In addition, Chinese companies are also active in the region in telecommunication, manufacturing and banking. Two key countries in the region are Greece and Serbia. They provide China with footholds within the region from where it can build up its OBOR activities by way of a step-by-step approach.

China of course seems to be cautious not to antagonize Russia and to be taking into account Russian geopolitical sensitivities in the Black Sea region. Given their location, both Georgia and Ukraine could potentially be close diplomatic partners and hosts to major China-funded infrastructure projects.

The new silk road is being shaped not only by China but also by non-Chinese actors. By investing in infrastructure and facilitating east-west (across the Black Sea) and north-south (across the Balkans) corridors, regional actors can enhance their role in OBOR and stimulate engagement by China. Geopolitical implications

The formula used to stabilize Sino-Russian relations in Central Asia, by way of the Shanghai Cooperation Organization, could provide a starting point for a joint mechanism for the Black Sea region that involves regional countries as well as Russia, NATO and China. The European Union needs to signal clearly that it favours regional development and that it is open to cooperating with China to this end.
If OBOR can contribute to the economic development of the Balkans and Black Sea Region then the EU should take an active approach that seeks to maximize this contribution within its strategic interests.
The Agenda of “Blue Growth” in Black Sea

**Why?**

Blue Growth is the European Commission’s initiative to further harness the potential of Europe’s oceans, seas and coasts for:

- **Jobs**
- **Value**
- **Sustainability**

**Focus Area**

Five sectors with high potential for sustainable Blue Growth are to be further developed:

- Renewable energy
- Mineral resources
- Biotechnology
- Aquaculture
- Coastal & Maritime Tourism

**Blue Growth:**

An EU Initiative with great potential also for Black Sea
Crucial Blue Growth sectors that Balkan & Black Sea countries maintain competitive advantage
The Agenda of “Blue Growth” in Black Sea

A typical example of GVC integration in a Blue Growth sector –

The case of the Cruise Industry and the potential for further growth

Source: Authors (based on Zhang et al, 2009)
Opportunities for Further Collaboration in Black Sea region

Proposed Actions in the Short Run:

• Bilateral Agreements
• Common Projects Development
• Enhancement of Clustering / GVCs integration in Black Sea
• Common Education Syllabi. Transfer of know-how
• Professional Training
• Development of Common Infrastructure
• New modes of synergies (clustering, JVs)
Thank You for Your Attention