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# 20 YEARS BSEC

Evolution of Institutions,  
Evolution of Priorities: Interlinks within  
the Black Sea Region in a New Era



October 2012

The **International Centre for Black Sea Studies (ICBSS)** was founded in 1998 as a not-for-profit organisation under Greek law. It has since fulfilled a dual function: on the one hand, it is an independent research and training institution focusing on the Black Sea region. On the other hand, it is a related body of the Organisation of the Black Sea Economic Cooperation (BSEC) and in this capacity serves as its acknowledged think-tank. Thus the ICBSS is a uniquely positioned independent expert on the Black Sea area and its regional cooperation dynamics. **Moving towards a "Green Black Sea" is our new perspective**, one characterised by a focus on development, culture, as well as economic and social prosperity, one that goes beyond the traditional approach and makes the **concept of Sustainable Economic Development, Energy, Regional Governance and Stability our driving force**. Thus, the environmental dimension runs through all of our actions and aims.

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The ICBSS launched the **Xenophon Paper** series in July 2006 with the aim to contribute a space for policy analysis and debate on topical issues concerning the Black Sea region. As part of the ICBSS' independent activities, the Xenophon Papers are prepared either by members of its own research staff or by externally commissioned experts. While all contributions are peer-reviewed in order to assure consistent high quality, the views expressed therein exclusively represent the authors. The Xenophon Papers are available for download in electronic version from the ICBSS' webpage under [www.icbss.org](http://www.icbss.org).

In its effort to stimulate open and engaged debate, the ICBSS also welcomes enquiries and contributions from its readers under [icbss@icbss.org](mailto:icbss@icbss.org)

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# Preface

In the light of the 20th Anniversary of the Organization of the Black Sea Economic Cooperation Organization (BSEC), the International Centre for Black Sea Studies (ICBSS), as a BSEC related body and its acknowledged think tank, is taking the initiative, with this *Xenophon Paper Anniversary Edition*, to create a publication with the valuable contribution of experts and Heads of the Organization of the BSEC and its related bodies, based on the twofold concept of **the role and the progress of the BSEC Organization and its related bodies and the new priorities of the Black Sea region**.

The last twenty years, the **Organization of the BSEC**, as a multilateral economic initiative has managed to promote stability and prosperity among the Member States while encouraging and inspiring interaction and cooperation in the Black Sea region. Nevertheless, after these years of modest, yet incremental evolution of the Organization, several questions seem to remain unanswered. Entering a new era of complex and radical changes in the global and regional community, it is important to promote and to outline the development of a modern and ambitious, yet flexible, vision for the Black Sea area. In this context, highly respected contributors attempt to answer, from their own unique perspective and experience, on whether the Organization has increased its efficiency as it was expected; to what degree it has supported regional cooperation and whether it has enhanced its interaction with other international organisations; as well as, how far it has succeeded to respond to the needs of its Member States.

On the one hand, this publication will take the form of a substantial approach to the Organization's development as it is seen by experts of the Black Sea area. It will cast light on the role and the achieved outcomes of the Organization of the BSEC and its related bodies so far and it will proceed to concrete proposals, in order to improve their competences. Taken the above into consideration, the opportunity to point out the problems aroused during the twenty years of BSEC as well as the chance to suggest potential solutions and to promote new ideas is given through this publication. On the other hand, it is also worth reviewing the Black Sea countries' steps forward and assessing their new challenges and priorities, especially in view of the unprecedented financial crisis that has smitten the global community.

**Dr. Zefi Dimadama**  
Athens, October 2012





## Chapter 1

# BSEC and BSEC Business Council: Going Hand by Hand along 20 Years

*Dr. Eftychia Bacopoulou, f. Secretary General of the Black Sea Economic Cooperation Business Council*

This year marks the twenty years that have passed since the Black Sea Economic Cooperation was shaped, following an initiative supported by eleven countries around the Black Sea. As long as political reforms were spread in all Eastern Europe and new challenges were being emerged, economy and business were found at the center of the efforts for the establishment of BSEC. That political initiative was prompted and strongly supported by the business circles. In parallel, efforts began to set up a tool for improving the business climate and promoting the regional cooperation in business, among the countries of the wider Black Sea area. Hence, the establishment of the “BSEC Council”, later called “BSEC Business Council”, was decided in August 1992 in line with the governmental endeavors and following relevant decisions of representatives of national business organizations.

In December 1992 the BSEC Business Council was recognized as the first observer of the BSEC, while later in 1999, after the transformation of BSEC to a fully fledged international organization of regional character, became one of the BSEC Related Bodies. In this regard, the BSEC Business Council considered being the “business pillar” of the BSEC is closely connected to the regional economic cooperation process through BSEC.

BSEC is being institutionally developed along the long-term political and economic transformation process in its geographical area, characterized by heterogeneity and it is used as a platform for fruitful dialogue and cooperation among countries, despite any existing bilateral disputes. Moreover, the BSEC process is contributing to strengthen mutual understanding and to awake people, while it promotes the ties among peoples, who used to live together in this wider area, including the Balkans, the Black Sea coast and the Caucasus.

The expansion of trade and FDIs during the last twenty years encouraged, through institutional reforms, has become the locomotive of the economic growth and development in the wider Black Sea area. Thus, the BSEC region has experienced increasing financial openness, contributed to rapid economic growth by attracting both long-term and short term capital, which, together with gradual trade liberalization and FDIs, deepened market-driven economic interdependence.

The BSEC Business Council goes together with the business communities of the BSEC Member States and their willingness and readiness to interact. It goes also together with the state authorities in the process of the regional economic co-operation by promoting individual and collective business initiatives. The BSEC Business Council aims to focus not only to coordinate all these actions but to also keep the regional awareness of these initiatives towards an “economically integrated and developed BSEC region”. However, its mission and objectives are connected with

the efforts to promote the objective and the notion of the “regional co-operation”.

The 20th anniversary, since the establishment of BSEC and the BSEC Business Council, is being celebrated at a very challenging time period. Although, the establishment of the BSEC and BSEC Business Council served the regionalism's movements being in the epicenter of the political initiatives in the beginning of '90 encouraged by the international community and the European Union, the notion is still not understandable by the public opinion and in particular the business people.

The economic crisis still impacts seriously countries of the region and drives to less activity at national and regional level. In this regard, the countries now follow more restrictive policy in financially supporting such initiatives, while the business people are quite hesitant for actively participating. Under these circumstances BSEC is exploring new goals and perspectives through the “green” development” and the “sustainability” being already on the top of its agenda the last two years. In this context, the BSEC Business Council, by the initiative of its International Secretariat, focused on adjusting its role and objectives to the new conditions and challenges and thus meeting the wishes of the business people.

Despite the current situation, which affected not only the economy but the whole society as well, the crisis prompted the regional economies, which are increasingly interdependent, to realize the importance of closer cooperation among them. Moreover, the dominant attitude is that the current problems also create opportunities for changes and reworking the economy. Furthermore, it is to be noted that a new economic model is emerging, taking into consideration the economic crisis and the climate change's fundamental impact to business and society, as well as the demand for a more ethical market approach. In this regard, the context in which the private sector operates and its ability to prosper is gradually being transformed, whereas the new world strategy is bringing together, economic, environmental, technological, financial and development aspects into a comprehensive framework.

Besides, the concept of the “green development” is gaining momentum across not only the developed countries, but also the transitional ones, as a way to pursue economic development, while preventing environment degradation. Certainly, green development transition towards sustainability and the adoption of a new economic model is not easy and implies the active participation of many factors, including the economic ones.

Within the BSEC Business Council, upon initiative of its International Secretariat, a new working agenda was adopted in the last three years. Among the priorities set were: a) the improvement of the efficiency and effectiveness of the International Secretariat, so as to provide useful services tailored to the needs of the business communities b) the broadening and deepening of the business representativeness to the regional process c) the strengthening of the working relations and cooperation with the international community and the participation to regional and international initiatives d) the preparation and implementation of project proposals in particular promoting the green and women's entrepreneurship and “smart” business through the new technologies and innovation. In this context, several activities and actions were undertaken mainly towards the establishment and the promotion of networks. Moreover, it is to be underlined that the first BSEC Business Council project ever -co-financed by the BSEC HDF- entitled “EMPORION. The Green Business Network in the wider Black Sea area” is now under implementation.

Nevertheless, a lot of new perspectives exist. They could serve as a wakeup call so that the countries of the wider Black Sea area explore and multiply their efforts towards the achievement of a

substantial regional economic and social integration. New global and regional challenges require new responses. Regional cooperation, both at intergovernmental and business level, could play an important role in supplementing the national and global responses. This is because countries and entrepreneurs, on the ground, tend to possess better understanding and coordination and, therefore, policies and initiatives at regional level can be, to some extent, more effective and timely.

The 20<sup>th</sup> Anniversary provides us a good opportunity to reconsider the lessons learned, the progress and the existing difficulties, in particular due to the lack of financial resources, the concerns and the expectations of the business communities in the wider Black Sea area. In this regard, the constant and unfailing support expected to be provided by both the governments and business communities, is of paramount importance, in order to strengthen the BSEC Business Council's institutional capabilities and to develop more initiatives and projects, which could meet the wishes of all partners.

Concluding my three year term, as BSEC Business Council Secretary General, I hope the BSEC Business Council will secure high level services to the business communities and will continue to contribute positively to the overall BSEC process.



## Chapter 2

# BSEC Turns Twenty-Achievements and Perspectives

**Amb. Leonidas Chrysanthopoulos**, *f. Secretary General of the Organization of the Black Sea Economic Cooperation (BSEC)*

BSEC has embarked upon a reform process to increase the effectiveness and efficiency of the Organization, starting with the Meeting of the Council of Ministers of Foreign Affairs which took place on 1 November 2006, in Moscow. This ongoing process to strengthen the Organization has resulted in the adoption of very important documents which include the “Guidelines on Improvement of the BSEC Efficiency” in 2008 and the Annex to the said Guidelines titled “Enhancement of the Status, Capacities and Capabilities of the PERMIS in Planning and Implementation of BSEC Activities” in 2010.

Having become a stronger Organization with streamlined working methods, the true success of BSEC depends on the concreteness and effective implementation of common projects. Today, BSEC has become a project-oriented organization which serves as a forum for cooperation in a wide range of areas. Transport, environmental protection, trade and economic development, energy, migration management, combating organized crime, communications and information technology, science and technology, healthcare and pharmaceuticals, institutional renewal and good governance, education, culture, tourism and customs matters are among the most active fields of cooperation within the framework of the Organization. A lot has been done and is currently underway in these spheres. This fosters the spirit of cooperation in our region.

There are two BSEC transport projects of major significance. These are the Black Sea Ring Highway project and the project on the development the Motorways of the Sea in the BSEC region. They are related to the development of transport links in the region. They are expected to do much to foster intra-BSEC trade, as well as tourism, infrastructure and transport investments and economic prosperity among the countries of the Black Sea. They will be the contributions of BSEC to the Euro-Asian transport links. Most importantly, they will make a concrete difference in the lives of the people of the region and bring them closer together.

The Black Sea Ring Highway project envisages a four lane ring highway system, approximately 7700 km long, to connect the BSEC Member States with each other. The project on the development of the Motorways of the Sea in the BSEC region, on the other hand, is about strengthening the maritime links among the ports of the BSEC Member States.

Besides transport, one of the areas where the potential of Black Sea economic cooperation is most visible is in the area of trade. Currently, intra-BSEC trade and investments are not at the desired level. Therefore, various initiatives have been launched within BSEC to contribute to the improvement of the trade situation. For example, BSEC has been cooperating with the United Nations Development Programme (UNDP) on this matter. Within this framework, the Black Sea

Trade and Investment Promotion Programme (BSTIP) - the first joint project between the two organizations – launched in 2006, continues. The project, which is co-financed by Greece, Turkey, the UNDP and BSEC, aims to develop trade and investment linkages among the BSEC Member States, with the direct participation of the business communities. And it succeeded to increase trade and investment.

The Memorandum of Understanding on the Facilitation of Road Transport of Goods in the BSEC Region, which was signed in 2002 and which went into force in 2006, is another concrete step taken by the BSEC countries to facilitate regional trade.

An important additional step has been taken in the sphere of road transport facilitation. Within this framework, a pilot project on the establishment of a BSEC Permit system for the road transit of goods has been launched in 2010, with the participation of seven BSEC Member States. This pilot Permit system is expected to facilitate the work of the road transporters and to contribute to trade relations among the participating countries. With this project, BSEC has become the first regional organization to issue such transit documents. Encouraged by the positive results which have been achieved, the participating states have decided to make this project permanent. Furthermore this project has permitted Armenian trucks to transit through Turkey for the first time.

The BSEC Agreements on Simplification of Visa Procedures for the Businesspeople and for the Professional Lorry Drivers Nationals of the BSEC Member States, signed in 2008 in Tirana, will also surely contribute to the trade cooperation among the Member States.

In energy cooperation, green energy and supporting projects that promote sustainable energy development are priorities for BSEC. Another main priority is to ensure the stability and security of energy supplies by developing a BSEC regional energy strategy and a 2020 strategy. BSEC is also committed to efforts towards ensuring the integration of the energy markets of BSEC and the EU by developing a joint BSEC-EU Plan of Action in energy and encouraging cooperation with the Energy Community.

Another area of focus of BSEC is the human dimension of sustainable development. The Organization tries to serve as a catalyst to ongoing activities on migration management and combating human trafficking.

BSEC has agreements among its Member States on cooperation in combating organized crime. BSEC, IOM, UNODC and many other relevant bodies in the region are cooperating to fight human trafficking which is one of the most prevalent forms of organized crime in the Black Sea area.

BSEC, together with the UNODC, launched a regional project on strengthening the criminal justice response to human trafficking in the Black Sea region. Within this framework, a Regional Action Plan was jointly devised. Along with its policy development and capacity building aspects, the Action Plan gives special consideration to three basic elements in fighting human trafficking — namely, prevention, protection and prosecution.

Fighting corruption is another goal for BSEC. Corruption endangers economic and social development, justice, democracy and the rule of law. Transparent and accountable governance, unpromising to corruption, is what is needed everywhere.

In this context, the Ministers of Interior of the BSEC Member States adopted a Joint Declaration on Regional Efforts on Preventing and Combating Corruption in April 2011, in Bucharest. The Declaration envisages the elaboration of a BSEC Action Plan to prevent and combat corruption,

increase public awareness and promote ethical behavior. The Action Plan is expected to facilitate the development of a network among the national bodies mandated to enforce anti-corruption measures.

Another area where BSEC is active is environmental protection. The gradual degradation of the environment in the Black Sea region in the last decades is a source of grave concern. This degradation has brought about the need to undertake measures to rehabilitate, protect and preserve the environment for future generations. The reasons of degradation show that regional and international cooperation is indispensable for this.

Within this framework, exchange of scientific and technical information, increasing public awareness and incorporation of environmentally friendly approaches in economic development, with particular attention to the promotion of innovative and resource saving technologies, comprise priorities for BSEC.

Currently, BSEC Members are discussing the modalities of establishing an information exchange mechanism for environmental protection. There is also an ongoing study on the possibilities of strengthening cooperation with other organizations, institutions and partners on issues related to the protection and rehabilitation of the Black Sea marine environment.

Learning to live with climate change is an absolute priority for humanity. The BSEC Council of Ministers of Foreign Affairs, in its meeting in Thessaloniki in November 2010, adopted a Joint Declaration on Combating Climate Change in the wider Black Sea Area. This important policy document was submitted to the United Nations Climate Change Conference in Cancun, in December 2010, constituting a contribution of BSEC to the UN Framework Convention on Climate Change negotiations. Also, a project on introducing climate change in the environmental strategy for the protection of the Black Sea will be soon launched, jointly with the UNDP.

We need to ensure that not only future generations will survive on this planet, but the earth itself will survive to offer a place for living to these generations. The planet can survive without humanity but not vice versa. By imposing pollution taxes, pollution will not disappear. The planet does not function according to our economic strategies. Earth does not accept money to clean itself. It is us the passengers who must do it, without taking into account economic considerations.

Green energy is interrelated with planetary environmental protection. Supporting projects that promote sustainable energy development is a priority for BSEC. BSEC's capabilities to finance projects in renewable energy sources and energy efficiency through the BSEC Project Development Fund and the newly established BSEC-Hellenic Development Fund — the two financial instruments of the Organization — has been enhanced.

Human greed has exhausted in a split second of astronomical history, the energy savings of billions of years of energy conservation made by the planet. Consequently, we must immediately start reducing this exploitation in a significant way if we are to survive. Operating on our vast daily energy income from the sun, wind, tide and water is considered to be the best solution. Since we are currently not in the position to produce solar cells and high-tech turbines without oil, it is imperative to give emphasis on research for new technologies. After the catastrophe in Japan, it is necessary that we reassess our nuclear energy policy urgently, since we cannot provide effective safety measures to protect us when disaster strikes.

It is quite probable that BSEC economic cooperation will be affected by the inability of Europe

to find practical solutions to its worse economic crisis since WWII. This should be a matter of utmost concern to all of us. Summits have followed Summits and protests have followed protests. The world economy cannot get out of a vicious circle that it has been in since the outset of the crisis. In the mean time we are witnessing global demonstrations against austerity measures that enhance poverty instead of growth, and against greedy and uncontrollable financial systems that lead to extreme social inequality. This should tell us something and it should force us to review economic policies and actions. Until now nobody has been listening to the people. It is due time that decisions be taken on priorities beneficial to the interests of the people. Maybe we should not ask the question: What are the markets saying? - but: What are our people saying? In that context it is certainly worth looking, for example, at the variety of regional initiatives which are already successfully functioning in more than 12 member countries of the EU. These offer a parallel economic alternative to the established system that is becoming dysfunctional, putting an emphasis on true regional development. Maybe it is time to assist these regional private initiatives on a national basis in order to allow humanity the time to recover and rediscover its values while offering the people a way to pursue their living. And maybe it is time to start rethinking our values and why not examine the possibility of simultaneously eliminating the global debt so that humanity can restart again on a healthy basis. It was partially done in the past when the West eliminated the debt of the non-aligned countries, it was done at the beginning of this decade when the IMF and the World Bank eliminated the debt of the heavily indebted poor countries, so consequently it can be done on a global basis. All is needed is political will and vision.

In twenty years, BSEC, consisting of 12 Member States and having 17 Observers and 17 Sectoral Dialogue Partners, has evolved into a solid institution. It is viewed by the international community as an anchor of cooperation in the Black Sea area today. Germany, Austria, France, Italy, Poland, the Czech Republic, Slovakia, Belarus and Croatia, as well as non-European countries such as the United States, Egypt, Tunisia and Israel have Observer status in BSEC. The UK, Hungary, Montenegro, Iran, Jordan, Japan, Slovenia and the Republic of Korea, on the other hand, as well as various regional organizations, have Sectoral Dialogue Partnership status.

The European Union is also an Observer in BSEC and efforts are being made to revitalize relations between the two sides.

BSEC, which has Observer status in the UN General Assembly, has very close and fruitful working relations with the UN system and its specialized agencies. BSEC has Cooperation Agreements with the UN Economic Commission for Europe (UNECE), UN Environment Programme (UNEP), UN Industrial Development Organization (UNIDO) and UN Development Programme (UNDP). It also has close relations and active cooperation with the UN Food and Agriculture Organization (FAO), World Trade Organization (WTO), World Bank, UN Office on Drugs and Crime (UNODC) and the International Organization for Migration (IOM).

BSEC attaches importance to the improvement of respect, understanding and cooperation among nations and peoples of different cultures and religions and to counter the forces that fuel polarization. Any effort in this direction is valuable in promoting sustained peace, security and stability. It is within this framework that BSEC has become a member of the Group of Friends of the United Nations Alliance of Civilizations in 2009. BSEC wishes to more actively support this highly important initiative, co-chaired by Turkey and Spain, through promoting projects aimed at building bridges among diverse cultures and communities.



The BSEC Permanent International Secretariat maintains a close relationship also with the Office of Economic and Environmental Activities of the Organization for Security and Co-operation in Europe (OSCE) through exchange of information on activities, as well as participation in its events.

In line with the principles and objectives defined in its Charter and with the aim of utilizing more effectively their human, natural and other resources, BSEC has defined the common policy approaches of its Member States in summit and ministerial declarations, inter-governmental agreements, plans of action and strategy documents and has launched projects and initiatives which are of interest to them.

Frozen conflicts in the region, to a certain extent, do pose an obstacle to the BSEC cooperation process. BSEC has not tackled the frozen conflicts in the region, since it is not empowered to do so by its Charter. Nevertheless, BSEC does serve as a useful forum where even the representatives of Member States that do not have diplomatic relations or have serious bilateral political or other problems, meet together.

Also, BSEC cooperation in the fields of culture, tourism, transport infrastructure projects, institutional renewal and good governance, border controls, customs procedures and combating organized crime and terrorism all contribute, whether directly or indirectly, to the strengthening of security and stability in the region.

BSEC will be commemorating its 20th Anniversary on June 26. The BSEC Member States are determined to make use of the potential of the Organization as a platform of dialogue to play a more proactive, effective and constructive role in promoting the common goal of a peaceful, stable and prosperous BSEC Region to the interest of all stakeholders, in the spirit of partnership and entrepreneurship.

For this, a new vision and framework for joint action is needed to give further impetus to economic regeneration in the region. An ideal long term goal for BSEC would be to gradually start examining political and military issues. This could be done by creating a Political Committee, while the Committee of Senior Officials (CSO) will continue to deal with economic cooperation. At a further stage a Military Committee could be created thus incorporating BLACKSEAFOR within BSEC. Developments in Europe and the possible weakening of the EU, as well as other unforeseeable events might oblige BSEC politicians to go towards this direction in order to maintain stability in the region. In order to move towards that direction, the charter must be amended, a task not easy to perform. But we still have in front of us BSEC's 25th and 30th Anniversaries, until which the Members States can decide accordingly.



### Chapter 3

# 20 Years BSEC: The way forward and the multidimensional role of ICBSS

*Dr. Zefi Dimadama, Director General, International Centre for Black Sea Studies (ICBSS)*

In 2012 the Black Sea region celebrates the 20-year anniversary since the establishment of the Organization of the Black Sea Economic Cooperation (BSEC). BSEC constitutes a regional organisation established to promote, primarily, economic cooperation at a regional and international level. Over the years BSEC has succeeded in enhancing its role amongst the Member States; its related bodies, international and regional organisations. The International Centre for Black Sea Studies (ICBSS), as the Organization's related body and its official think-tank, grasps this opportunity to review the evolution of BSEC and its related bodies over the years in a fluid environment of changing dynamics and priorities. On this occasion, this Xenophon Paper titled "Evolution of Institutions, Evolution of Priorities: Interlinks within the Black Sea Region in a New Era" represents the collective work of experts from the Black Sea region expressing their personal views, assessing not only the *role of the Organization and its related bodies*, but also the new priorities that have inevitably been set in the Black Sea region as an outcome of the internationally changing scenery.

Since the inception of the ICBSS as a BSEC related body, 14 years ago, the Centre has reached a series of achievements, within its institutional role and beyond. The ICBSS has been striving to promote multilateral cooperation among the Black Sea countries and to foster relations with the EU and multiple international partners. As an institutional body, it responsibly informs policy makers and sets the foundation for policy shaping. As a research centre, it follows the path of applied research, in order to transfer knowledge in a variety of research fields, *inter alia*, environmental governance, energy, sustainable development, science, technology and innovation. This dual character of ICBSS has designated the Centre as a dynamic focal point in the wider Black Sea area, capable of bringing closer the scientific and academic community with policy makers, and of creating long-term synergies and networks.

## Envisioning a "Green" Black Sea

Since 2010, the ICBSS has oriented its focus towards the adoption of a new model for sustainable development. It was argued that in an era of global economic crisis and serious pressures on the environment, the traditional approaches for development are obsolete. The new emerging priorities and driving forces for the Black Sea area lie in Sustainable Development, Greening Innovation and Governance. Therefore, the new primary target of ICBSS ever since, was developed under the

motto “Turn the Black Sea Green” that adapts more efficiently to the challenges of the contemporary international context. This new model of action focuses on three main aspects:

1. The sustainable use of natural resources with specific emphasis on energy resources, which are considered crucial for the Black Sea countries;
2. the active involvement and enhancement of human capital in knowledge networks, by promoting good governance through the dynamic participation of civil society actors, NGOs, scientists, researchers and government representatives;
3. The establishment of a target-oriented framework aiming at the region’s sustainable development, mainly emphasizing on trans-regional cooperation and the incorporation of environmental dimension into all sectoral policies (e.g. transport, trade, energy).

The ICBSS’ shift towards a “Green Black Sea” is characterized by a multidisciplinary approach including economic prosperity, social cohesion, development and culture, while the environmental perspective runs horizontally through all these aspects.

In this spirit, the Centre took the initiative to establish an innovative “WEB-Geographical Information System Observatory Network for the environmental and sustainable development of the Black Sea area” (Annex I) with a view to creating a strategic tool that will provide information services, support policies and development programs for all interested actors of the Black Sea region. The Observatory gradually gathers and processes comparable primary data in five thematic fields (geographical position, environment and natural assets, economic strength, social integration and accessibility), aiming at obtaining focused knowledge rather than fragmented information regarding main figures of the Black Sea area.

Committed to this “Green Strategy”, the ICBSS organized the Fifth Annual Lecture on 24 November 2010, titled “Opportunities for a Transition to a Green Economy in the Wider Black Sea Region”, that was imparted by the United Nations Under-Secretary General and Executive Director of the United Nations Environment Programme (UNEP). The event emphasized on the environmental challenges of the Black Sea area and the importance of adopting and implementing a “green economy”, highlighting that the latter does not constitute a necessity only because of environmental pressures, but also due to new opportunities for development.

In the same path, the Hellenic Chairmanship-in-Office of the BSEC, during the second semester of 2010, confirmed the country’s intention to promote a green aspect within the framework of the BSEC. For the first time in the Organization’s history, the primary goal was a green development agenda that would add value to the comparative advantages of the Black Sea countries.

It is worth mentioning also, the organization of the Business Forum on the Promotion of Green Development and Entrepreneurship in the wider Black Sea region that was held back-to-back with the BSEC Council of Ministers of Foreign Affairs (CMFA) in Thessaloniki, on 25 November 2010. The Forum provided participants the chance to gain knowledge on challenges and existing opportunities concerning green growth in the Black Sea area, to stimulate the dialogue among experts and to promote networking through business meetings between participants.

Additionally, during the 23<sup>rd</sup> CMFA in 2010, the Ministers of Foreign Affairs agreed upon signing a *Joint Declaration on Combating Climate Change in the wider Black Sea area* for the adoption of a new eco-friendly model of development that will mitigate the adverse impacts of climate change and transform the Black Sea region into a model for green energy and an example of sustainable development.

Energy is of paramount importance in the Black Sea region and ICBSS activities are instrumental towards enhancing cooperation in this field. In line with the threat of climate change and the imperative need for incremental dependence on renewable energy sources, the Centre pursues concrete actions and constructive dialogue to respond to key challenges. Indicatively, the ICBSS developed a joint Hellenic-Azeri Green Energy Forum, in cooperation with the Center for Strategic Studies under the President of Azerbaijan – SAM, aiming at promoting the two countries as partners in dialogue for beneficial cooperation in the field of Green Energy Development and to build up sustainable structures and networks for furthering energy collaboration within the wider Black Sea area and in particular the issue of Azeri gas exports to and through the BSEC region. Within this forum, two roundtable discussions were held respectively in Baku, on “Climate Change and Renewable Energy Resources in the wider Black Sea area” (July 2011), and in Athens, on “Energy Cooperation and Environmental Protection in the Wider Black Sea area”, (November 2011).

Staying tuned in the energy field the ICBSS also pursues the practical appliance of its research. To this end, it promotes the establishment of a Green Cluster of research and academic institutions in the Black Sea, willing to implement soft measures for energy efficiency and the use of renewable energy sources <sup>1</sup>.

As an independent research and training institution, the ICBSS strongly believes that knowledge should be transferred and shared. In this context, it has developed a series of programmes and activities that promote dialogue, bring together professionals and scientists, and train young people in a wide range of thematic fields. Within this framework, the ICBSS organises the annual International Black Sea Symposium, now in its 5th year focusing on “The Black Sea region as an influential crossroad between East and West: a path towards extroversion”, and the Summer School that includes specialized courses for Ph.D. students whose research topics are related to the fields of climate change, environmental governance, public administration and local government reforms.

An important chapter in ICBSS activities is its publications, which are distributed free of charge, reflecting its character as a non-profit organization, to the research and policy-making communities. Xenophon Papers, Policy Briefs and Black Sea Monitors contribute to the better understanding of the region and its institutions and thus, to the debate regarding the major issues on the Black Sea area’s agenda.

In the light of the 20<sup>th</sup> anniversary of the Organization of BSEC, ICBSS contribution has been constructive and beneficial, aiming at *promoting synergies across regions*. Since its inception, the Centre has managed to adapt and to successfully respond to the altering challenges of the region, setting high standards in research and advocacy. Within this framework, ICBSS will continue to promote the protection of the Black Sea rich natural resources; its unique ecosystems; the water environment but above all, ICBSS will focus on the people that live, work and create in this developing and promising region. For 2012 and beyond, the ICBSS will continue to support the BSEC Organization and its member-states, striving to *build a sustainable future for the Black Sea area*.

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<sup>1</sup> The Green Cluster is part of the project “Green Cluster of Knowledge Institutions of the Black Sea: A Roadmap on Renewable Energy Sources and Energy Efficiency for Research and Academic Institutions”, which is co-funded by the BSEC-Hellenic Development Fund and coordinated by ICBSS. For more information, see: [www.icbss.org](http://www.icbss.org)



## Chapter 4

# BSEC- Lessons from the EU?

*Dr. Cameron Fraser, Director, EU-Russia Centre*

In June the Black Sea Economic Cooperation (BSEC) celebrates its 20<sup>th</sup> anniversary. How has BSEC performed during the past two decades and what could it learn from the EU experience? The aims of BSEC were similar to those of the EU's founding fathers. It aimed at fostering interaction and harmony among the Member States, as well as to ensure peace, stability and prosperity encouraging friendly and good-neighbourly relations in the Black Sea region.<sup>2</sup>

Measured against these broad goals, BSEC has been disappointing. It has not ensured peace and there has been limited interaction between members. The number of disputes between members remains high including Russia/Georgia, Armenia/Azerbaijan, Turkey/Armenia, and Greece/Turkey. Traditional security threats remain high on the agenda. Energy, a key issue in the region, is a more divisive than uniting factor. BSEC summits and ministerial have been high on rhetoric but low on results. In contrast to the EU, ministers have expressed concern, taken note, agreed to study, but they have rarely decided. Deadlines have been missed and although many areas for potential co-operation have been identified, from the environment and transport, to customs and trade, there has been little follow-up.<sup>3</sup>

It does not help that there are competing models in the Black Sea region. Russia continues to pursue a realist foreign policy with a sharp anti-NATO and anti-US stance. It regards itself as a global power via membership of the UNSC, the G20 and BRICS. Turkey, a NATO power seeking EU membership, has extended its influence through trade and cultural means to the wider Middle East, Central Asia and even China. The EU, which also has a number of member states in BSEC, has become closer involved in the region through its partnership with BSEC. But this has proved of limited value and its promotion of normative power has made little impact on the region. Meanwhile Greece, a traditional supporter of closer Black Sea integration, has been seriously weakened as a result of the debt crisis.

Why then has the EU been more successful than BSEC or indeed any other attempt to promote regional integration, whether in Asia, Africa or Latin America? Perhaps it is worth first examining some of the essential principles behind the relative success of the EU. Despite its current problems, affecting all BSEC as well as EU member states the EU is arguably the greatest confidence building measure in history. In the past sixty years the EU has developed into a genuine security community extending its reach from Western Europe to embrace nearly the whole continent. The reasons for the EU's success were numerous. Apart from US support and encouragement they included several concepts which have been largely absent in BSEC. These involved tolerance, vision, leadership, political will, economic compatibility, an agreed programme, common institutions

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<sup>2</sup> Panagiota Manoli, *The Dynamics of Black Sea Subregionism*, Ashgate, 2012

<sup>3</sup> <http://www.bsec-organization.org/Pages/homepage.aspx> provides full official information on BSEC

and a legal framework.<sup>4</sup>

The importance of tolerance as a concept in international relations should not be under-estimated. Until 1945 European history had shown little sign of tolerance. Indeed bloody warfare was the dominant characteristic of European history. Post 1945 France and Germany were ready to make a fresh start having suffered hugely from two world wars. Germany was divided and ruined (die Stunde Null) while France recognized that the previous Versailles settlement had been a mistake. The Franco-German reconciliation was of momentous importance for European integration. Later the Polish-German reconciliation was to play a similar crucial role in paving the way for EU enlargement. In contrast there has been little sign of lasting tolerance between BSEC members. Despite some attempts at reconciliation (Turkey/Greece, Turkey/Armenia) the level of mistrust between some BSEC members remains high.

The EU was fortunate in having the Founding Fathers, an exceptional group of statesmen with vision. Politicians such as Robert Schuman, Konrad Adenauer, Alfred de Gasperi and Jean Monnet provided enormous impetus to European integration with their vision of a new political system based on sharing sovereignty. In the Black Sea region there have not been any such politicians willing to promote a similar vision of cooperation or integration. Most leaders have been unashamedly nationalist in outlook. And in the face of worsening economic conditions nationalism looks set to rise further.

In the EU the Franco-German axis has always played an essential leadership role. It has held together through successive administrations in Paris and Berlin and seemingly impervious to political colour. Helmut Schmidt and Valéry Giscard d'Estaing who provided the impetus for the euro, Helmut Kohl and François Mitterrand who provided the impetus for Maastricht treaty, Gerhard Schröder and Jacques Chirac who provided the impetus for enlargement, all came from different sides of the political spectrum yet played a vital role in promoting European integration. It is a safe bet that Angela Merkel and François Hollande will soon find a *modus vivendi* to promote their mutual interests. In contrast, there has been no agreement in BSEC about who should play a leadership role. Russia, the only member with a permanent UNSC seat, regards itself on a different plane from other BSEC members. Turkey has sought a growing regional role. But no state or duo of states has developed a real leadership role.

The original six member states made a historic decision in signing the ECSC and EEC treaties that involved an agreement to share sovereignty. This was a unique experiment in history and came about through a shared political will to open a new chapter in European history. This political will has ebbed and flowed but in critical times, such as the introduction of the euro to deepen European integration after the end of the Cold War, European leaders have demonstrated an unshakeable commitment to the European project. But in the Black Sea region there has been a complete absence of political will to move in this direction. Throughout the region the principles of non-interference and national sovereignty remain sacrosanct. The idea of taking decisions by qualified majority voting has never been raised.

Following the establishment of the EEC in 1958 the member states agreed a series of steps to establish a free trade area, a customs union, an internal market and eventually, and for some only, a single currency. Although the EU is now characterized by some member states having opt outs in

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<sup>4</sup> Alex Warleigh-Lack, Nick Robinson, Ben Rosamond (eds), *The New Europe and regionalism*, Routledge, 2011



certain areas (euro zone and Schengen) all member states remain committed to the vast majority of EU policies and programmes. In BSEC there have been no such agreements and members have been unable to meet paper commitments and timetables.

The founding six member states had roughly similar GDP per head. Successive enlargements brought greater economic capacity – and after 2004 more diversity – but no great differences. In the Black Sea region there remain significant differences in size, types of economy and GDP per head which makes agreement on some issue difficult.

One of the distinguishing characteristics of the EU is that it is based on the rule of law. Member states have accepted that in areas of EU competence the European Court of Justice (ECJ) is supreme. Another key characteristic is the number of common institutions. The most important are the European Commission, the Council, the Court, and the European Parliament. These institutions have played a major role in promoting, protecting and advancing European integration. In comparison, BSEC institutions remain weak and under-funded.<sup>5</sup>

The EU model is still evolving and will certainly change further as a result of the current sovereign debt crisis. But some of the principles outlined above have universal applicability for regional integration. BSEC could cherry-pick some areas for further integration.

The above analysis should not suggest that the EU is the only example to follow. There are interesting models to follow in the Baltic Sea, the Northern Dimension (both involving Russia) and in the Danube region. BSEC could also find inspiration from regional efforts elsewhere in ASEAN, ECOWAS or Mercosur. The EU often provides too strong a point of comparison against which all other regional projects are judged. Rarely is the question posed counterfactually. If the EU and BSEC are compared, the emphasis is almost always on why BSEC is different, rather than vice versa. The EU model is thus not for universal export. But a discussion of some of the main principles underpinning the EU is useful in order to assess their continuing relevance. As the EU faces its sternest test to date these principles will come under considerable strain. BSEC has a vital interest in a stable, prosperous EU.

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<sup>5</sup> Tunc Aybak, *Political Economy of the Black Sea: Dynamics of Conflict and Co-operation*, Tauris, 2001



## Chapter 5

# Two Scenarios for the BSEC's Evolution

*Amb. Tedo Japaridze, Independent Expert and former Alternate Director General of ICBSS*

Addressing the question of the BSEC's role is a bold subject to address, especially if you have been engaged with the organization's development since its inception. The BSEC has never fostered functional interdependence amongst its members, despite the organization's rigidly economic agenda. Economic ties often create potent structural interdependence, which for better or worse, can force states to act as members of "a community" in the sense of sharing a common economic destiny. This has been the case with the EU, which in the midst of its gravest crisis since its inception remains an entity that is more than a sum of its parts. On the contrary, the BSEC operates on a strictly consensual basis, in a part of the world that is anything but conducive to consensual politics, unlike regions such as Scandinavia or indeed the Baltics. Indeed, many of the BSEC member states do not always enjoy amiable bilateral relations, whilst there are many different and often incompatible institutional structures, diplomatic practices and traditions, political cultures and legacies, and geopolitical objectives amongst its members. In this sense, the BSEC is a regional organization without an incontestable "role model" and, 20 years following its inception, it is fair to address the question "what is the BSEC about?"

Not being "a community" in the EU sense of the term, the BSEC is largely the sum of its parts. One may count amongst its members one Global Power (Russia), one Regional Power (Turkey), two Western Balkan states (Serbia, Albania), three EU member states (Greece, Romania, Bulgaria), four NATO member states (Turkey, Greece, Bulgaria and Romania) and five post-Soviet polities (Georgia, Ukraine, Azerbaijan, Armenia, Moldavia). Thus the organization expands from Europe to the Caspian Basin, that is, an area referred to in EU documents as the "the bridge of Eurasia".

It is clear that the diversity of the BSEC's membership is what makes this organization attractive. In many ways, this is a unique policy forum, in a critical, diverse and tumultuous global region. In economic terms, the Black Sea draws global attention as a source of commodities (Roubanis & Dimadama 2011) and a region of strategic significance for the future of the European energy sector (Vladimir Papava & Michael Tokmazishvili, Spring 2010). Moreover, there are those who see the prospect of the Black Sea emerging as a commercial and logistics hub, not least by the reinvigoration of the ancient Silk Road (Ziyadov 2011). In this sense, it is hardly a surprise that all major economic powers – EU, China, Japan and the USA – have expressed an interest in the BSEC as a policy forum. But, whilst there is a consensus over the significance of the region, the self-perception of the BSEC's member states as well as the general geopolitical context in which they operate is still in flux.

The very notion of a BSEC regional strategy is a direct offspring of EU terminology. The idea of a regional strategy is to "guide" the BSEC member states to respond to EU expectations as outlined

by its European Neighborhood Policy (ENP) with its different interpretations or deviations as the Black Sea Synergy (BSS) and the Eastern Partnership (EaP) that will be more thoroughly analyzed. However, the question at hand is the essence of this policy instruments or whether indeed the EU itself has a strategic vision of the region and; furthermore, given the fluctuating self-perception of the BSEC member states as well as the general geopolitical environment, the question may also arise as to whether this policy might be consensually accepted.

Initially, following the so-called "big bang" expansion of the EU in 2004 there was a concern about the new geopolitical architecture surrounding "Europe". Thus the EU created the ENP, that is, a strategy for the *en bloc* engagement of 16 states bordering "Europe". Dealing with states *en bloc* was justified on the basis of creating a "Eurasia of the Regions", modeled after "Europe of the Regions". In the East, this meant treating as a single region Ukraine, Moldavia, Georgia, Armenia, Azerbaijan, Belarus and, preferably, Russia; nevertheless, Russia was always recognized as a regional actor with its own self-referential gravity.

The EU's vision was accompanied with the establishment of European Neighborhood and Partnership Instrument (ENPI), which conveyed the promise of 11,5 billion Euros for the period between 2007 and 2013. In time, the EU approach in the region was 'enriched' by two more region-specific strategies, namely Black Sea Synergy (BSS) and Eastern Partnership (EaP). The former was a Greek initiative, which did not have its own financial instruments, but was designed to engage ENP states and Russia; the latter was a Swedish-Polish initiative, designed to engage ENP states only, but on a level that extends beyond ENP. In principle, this nexus of "strategies", initiatives and instruments were all designed to promote a twofold objective:

1. The promotion of an institutional or normative agenda of reforms: of taxation regimes, of budgeting and public tender procedures, of monetary policies, etc.
2. The promotion of EU's "energy security" given that by 2030 the EU is projected to cover 70% or more of its demand for fossil fuels from suppliers in the region (Azerbaijan and Russia).

In sum, the BSEC as a regional actor contains – by virtue of its membership – all the geopolitical contradictions of the Black Sea Region. These "geopolitical contradictions" refer mainly to the fact that the EU has strategic objectives but no strategic blueprint for their promotion. The relations of the EU to the member states of the BSEC are a divisive as much as a cohesive factor. On the one hand, it is obvious that Azerbaijan and Armenia or Georgia and Russia would not find themselves on the same multilateral framework, if it were not for their common objective to benefit from their *en bloc* engagement with the EU. On the other hand, given that the member states of the BSEC have a hierarchically stratified relation to the EU and different or even contradictory with each other developmental models of economic modernization, it is impossible for them to act *en bloc*. Thus the very objective of creating a "regional economic cooperation" platform, largely as a response to EU strategic objectives, remains ever implicit and ever elusive.

As a strategic partner with its own historical, economic and financial gravity in the region, Russia refuses to assimilate its own geopolitical gravity to "a bloc". For over a decade, the Russian strategic culture is characterized by a preference for bilateral diplomacy not only vis a vis the Black Sea Region but also vis a vis the EU. An exception might be taken in multilateral arrangements where Russia has a position either of central gravity or when and where multilateral arrangements are build around a bilateral axis, not unlike the Franco-German axis that has politically dominated the EU for decades. Thus Russia abandoned its plans for CIS reintegration and promoted its own

version of multilateral cooperation projects in the former Soviet space via the Common Economic Space project, the Collective Security Treaty Organization and, further east, the Shanghai Cooperation Organization. Since PM Putin's proclamation of a vision to create a "Eurasian Union," it is now clear that EU's region-building vision is matched by a potentially antagonistic vision (BBC news 04/10/2011).

In this scheme, the BSEC finds itself lost in pursuit of trivial objectives. For instance, Russia, Armenia and Greece would agree that the objective of the organization is to create a favorable "business environment" with or without reference to the EU; meanwhile, Georgia emphasizes the need for multilateral cooperation on the basis of international law, including respect for "territorial integrity". In sum, the BSEC cannot foster a consensus on matters of principle, let alone agree on a *modus operandi*.

Consequently, given the trajectory of developments in the Black Sea Region, it is clear the BSEC needs to address the question of its own relevance. The added value of the BSEC is its "regional perspective" which, despite strategic disputes, continues to attract diplomatic commitment from each and every member state. However, because each member state has a different vision of "regionalization," this formal diplomatic foundation remains devoid of substance. To transcend the strategic triviality of the BSEC there are at least two choices:

1. To invest the BSEC with the power to negotiate a regional economic architecture by explicitly acknowledging that there are in fact three – or at least two – powers of gravity in the region.
2. To invest the BSEC related bodies with a policy initiation and development competence, thus making the intergovernmental dimension of the BSEC more substantial.

## Scenario 1: From Formal to Substantial Multilateralism

If the strategic irrelevance of the BSEC is mainly due to the fact that there is a strategic differentiation between member states and the EU, it should also be acknowledged that Russia and Turkey cannot simply "respond" to the requirements of a new European architecture for 21<sup>st</sup> century. Somehow, they must become partners in the design of this architecture; if not, they have no interest to remain positively engaged. For the moment, the only multilateral framework we have on offer that extends an equal strategic footing to these distinct centers of geopolitical gravity is the BSEC. The pivotal question in this regard is how the BSEC can be transformed in order to respond to this challenge.

One option would be to transform the representation of EU member states in the Council of Minister's into a single delegation. Perhaps, this can be done in cooperation with the Office of the High Representative and/or the European Commission. Moreover, each Ministerial Meeting can be preceded by a "Troika" meeting – Turkey, Russia, EU-Black Sea delegation. These schemes maybe pursued in Working Groups as well.

- *Advantages:* The political weight of Ministerial Meetings would increase. Working groups would in turn begin working, partly because their political foundation would become more solid. Instead of loosing time with trivialities, real experts would commit themselves to a process of substantiaotiation.
- *Disadvantages:* The operations of both Ministerial Meetings would require a more burdensome

bureaucratic support. However, the BSEC “Big Three” would have more of an incentive to commit substantial resources, investing more heavily on the turnout of the process.

If this tactic were to be pursued, the funding of the organization itself will become the object of negotiation. In effect, an inter-regional framework of cooperation, which will require “matching funds” from strategic stakeholders, will transcend ENP.

## Scenario 2: Turn the ICBSS, the Black Sea Trade and Development Bank and the Business Council into Commission type entities.

If the strategic triviality of the BSEC is mainly due to the fact that there is a strategic differentiation of member states to the EU, it is perhaps not realistic to expect a strategic convergence in the near future to come. However, given that the ENP and subsequent initiatives are one-dimensional and have so far failed to produce substantive results, the BSEC may become a forum for the initiation, development and implementation of intra-regional projects where consensus is achieved. Rather than focusing on Ministerial Meetings, which so far have had a largely ceremonial function, the BSEC might invest on the groundwork of its related bodies. The key question in this regard is how the BSEC Related Bodies can be transformed in order to respond to this challenge and not to remain just formally related with the BSEC.

One option is to boost the significance of the “common bank” by turning the Russian, the Turkish and the European Central Bank into formal owners. In parallel, the ICBSS may acquire the role of a formal coordinator of policy initiation and development, using a flexible protocol. Thus regional conferences, debates and informal diplomatic summits can become the means of generating consensus on the viability and sustainability of specific initiatives. Last but not least, the political process pursued by the ICBSS maybe ‘shadowed’ by networking and stakeholder conferences organized by the Business Council. In sum, the idea is to sustain the relevance of the BSEC by focusing on sectors and policy areas where political consensus is a realistic and viable objective.

- **Advantages:** This approach requires less diplomatic capital and bureaucratic efforts. It focuses more on substantial processes rather than great strategic debates. Moreover, it does not require strategic consensus in the region; rather, there is room for flexibility since the political consensus will be focused on specific sectors and projects. In effect, this brings together Russian and EU preferences: on the one hand it creates an environment of clearly delineated negotiated arenas (Russian preference), whilst creating room for cross-agenda spill over and negotiation (EU-preference). In any event, Turkey can enjoy the enhanced status of a broker. Moreover, other member states of the BSEC can form alliances and choose objectives from project to project, thus actually fostering regionalization, build relations and take confidence building measures, create solid partnerships and, in sum, treat the BSEC as a core forum for the evolution of their diplomatic objectives. Countries like Ukraine or Azerbaijan, which have for decades pursued ‘open vector’ diplomacy, would not doubt welcome such an institutional development. The same can be said of countries such as Moldavia and Armenia, who need to engage regionally, but can only do so in a multilateral framework due to the complexities of bilateral diplomacy.

Another crucial advantage of such an approach is flexibility of funding. Each policy can acquire

its “stakeholders” in the literal sense of the term, since the participation of states, private entities, and corporations will be engaged in different policy-development stages.

- **Disadvantages:** The staffing and institutional design of the BSEC Related Bodies will become more of a heatedly debated political issue. States that do not belong in the “Big Three” core will want guarantees of their inclusion in the policy-making process in the BSEC Related Bodies. Recruiting personnel that can both “represent” (member states) and positively contribute in the policy making process will be a great challenge.





## Chapter 6

# Promoting Regional Cooperation and Economic Development: The History of the Black Sea Trade and Development Bank

*Mr. Andrey Kondakov, Former President of BSTDB*

The idea for establishing the ‘Black Sea Foreign Trade and Investment Bank’ dates back to 25 June 1992, when it was raised in the inaugural Summit Declaration of the Black Sea Economic Cooperation (BSEC) in Istanbul. Two years and one name modification later, the Black Sea Trade and Development Bank (BSTDB) was born. In the *Agreement Establishing the Black Sea Trade & Development Bank*, penned in Tbilisi in June 1994, the founding BSEC Member States noted the Bank’s central mission as follows:

“...to effectively contribute to the transition process of the Member States towards the economic prosperity of the people of the region and to finance and promote regional projects and provide other banking services to projects of the public and private sectors in the Member States and trade activities among the Member States.”.

This Agreement was subsequently ratified and the Bank became operational in June 1999. Today, the Bank operates as a sound, independent financial institution which mobilizes resources from within and outside the region for the provision of products and services tailored to regional business needs. Throughout its existence, BSTDB has pursued a dual mandate to (i) promote regional cooperation among, and (ii) support economic development in Member States principally via the financing of operations in the private and public sectors. This dual mandate has guided the operational vision of the Bank to become a pre-eminent partner financial institution for the Black Sea region.

The initial authorized capital of the Bank was SDR 1 billion<sup>6</sup>, divided into SDR 300 million paid-in capital and SDR 700 million callable capital. As BSTDB developed its operational capacity, it established a track record of quality and reliability with clients, generating value added for its shareholders. This was underscored by the decision of the shareholders to double the capital of the Bank in 2008 to SDR 2 billion, with an additional SDR 1 billion authorized, either for future subscription by the founding Member States, or for the admission of new shareholders- who may be BSEC Member States or eligible multilateral banks and financial institutions.

The capital increase highlights the strong commitment of the Bank’s shareholders to its mission, and emphatically stresses their confidence in its future prospects. Member subscriptions are apportioned as follows:

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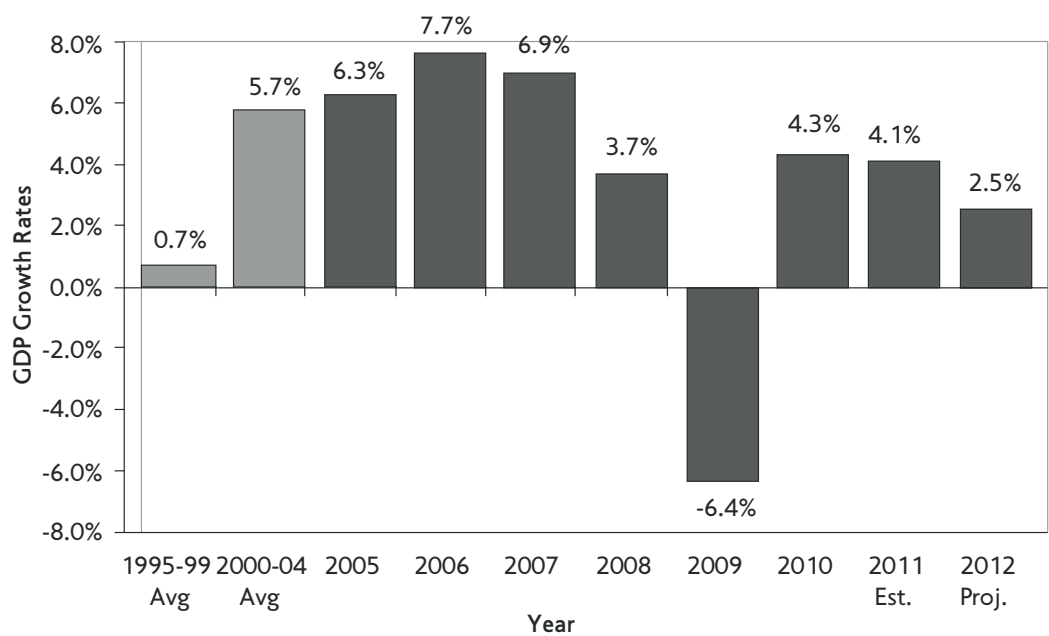
<sup>6</sup> SDR= Special Drawing Rights- 1 SDR approximately equals 1.15 Euros

Albania	2.0%	Bulgaria	13.5%	Moldova	0.5%	Turkey	16.5%
Armenia	1.0%	Georgia	0.5%	Romania	14.0%	Ukraine	13.5%
Azerbaijan	5.0%	Greece	16.5%	Russia	16.5%	Unallocated	0.5%

Since the idea for a regional development bank for the Black Sea was first proposed, the region has experienced significant transformations. In the early 1990s, newly established sovereign states struggled with the dual challenge of establishing a state apparatus and institutions while also undergoing a shift from centrally planned to market-based economic systems. Gradually, security and political situations improved, economic decline reversed, and market oriented structural reforms began to have a positive impact. Black Sea economies demonstrated resilience under trying circumstances, undertaking ambitious structural reforms and entrenching fiscal responsibility.

As Figure 1 shows, from 2000 to 2008, the region enjoyed a period of high and sustained economic growth averaging 5.9% real GDP growth per annum. Between 2002-2008 each Black Sea member state posted positive growth every year. This boom period came to a halt in late September 2008 with the outbreak of the global financial crisis. The entire region suffered an economic downturn, with those deemed most vulnerable to continued inflows of foreign capital suffering the worst. Thus, for 2009 the region experienced one of the most severe contractions globally, with real GDP declining by -6.4%. However, the region demonstrated its enduring resilience and recovered rapidly with positive growth of 4.3% and 4.1% in 2010 and 2011, respectively. While the recovery has proven uneven, and the Eurozone crisis has taken a toll on individual countries as well as creating an overhang of uncertainty, most Black Sea countries successfully stabilized their financial systems, mitigated the worst effects of the contraction, and returned to a lower but more balanced, and hopefully sustainable, pattern of growth, less dependent on external financing.

Figure 1: Black Sea Region Average Annual Real GDP Growth

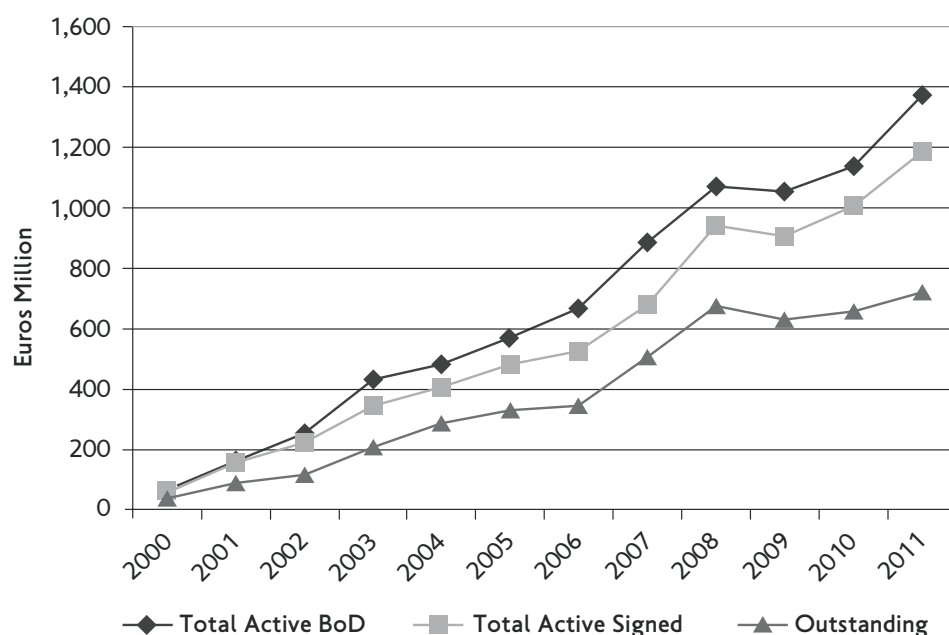


Foreign direct investment, which grew strongly during the boom period, has slowed in the aftermath of the global crisis, but it has shown encouraging signs of recovery in 2010-11. This has also spurred countries to undertake reforms to improve further their business environment. As a result, Black Sea countries consistently have scored highly in the various business environment indices and no fewer than five regional economies were listed among the top 30 reforming economies in the 2012 edition of the World Bank's annual Doing Business Report.

External trade has also increased, and since 2000 the rate of growth of both exports and imports has exceeded overall GDP increases, playing an important role in spurring regional growth and in integrating the region further into the global economy. Intra-regional trade grew even more rapidly during this period, albeit from a low base rate. While internal Black Sea trade levels still lag behind those of more integrated European regions, they have grown steadily, and underwent a pronounced recovery from the 2009 downturn. With the region's longtime principal trade and investment partner, the European Union, experiencing a protracted slowdown, intra-regional trade is set to rise further as Black Sea based firms re-orient their business affairs to take greater advantage of the many opportunities in proximate areas.

During its 13 years of operation, BSTDB has witnessed first-hand the evolution and diversification of the region's economies into attractive markets and increasingly competitive destinations for globally oriented businesses. It has also experienced the growing sophistication of regional banks and firms through the evolution of their demands for products and services, as well as proposals for ventures for which they seek the Bank's support.

*Figure 2: Evolution of BSTDB Portfolio 2000-2006 (US\$ Million)*



This has resulted in the steady expansion of BSTDB, as shown in Figure 2. As of 31 December 2011, the Bank's portfolio had grown to 108 operations for € 1,372 million approved by the

Bank's Board of Directors, of which 100 for € 1,180 had been signed (i.e. committed), while the amount disbursed and outstanding reached € 720 million. In 2011, the first year of implementation of the Bank's Medium Term Strategy and Business Plan (MTSBP) for the 2011-14 period, 29 new operations for a total of € 359 million were approved and 26 operations worth € 298 million were signed. Both these figures represent single year record achievements, and highlight the Bank's attractiveness as a development partner for banks, firms and investors active in the Black Sea region.

The majority of the financial products offered by BSTDB are mainly loans, but the Bank also offers equity investments, guarantees, or combinations of the above depending on the requirements of the potential recipient and the nature of the operation. Bank pricing is determined by the cost of capital, a margin to cover costs, and a risk margin, while security requirements depend on the nature of the operation and the client. A distinguishing feature of BSTDB relative to other international financial institutions is its objective to promote trade via the provision of financing. This is due to the concern of the Bank's shareholders about (i) the low levels of commerce among the countries of the Black Sea region, and (ii) the lack of institutional infrastructure available to promote commerce. To this end, the Bank's trade finance program is offered mainly through revolving credit lines to local financial intermediaries and provides financing to regional exporters and firms importing from other Member States.

The Bank's participation in a financing venture is determined primarily by the contribution of a proposed operation to economic development and regional cooperation, and the economic sustainability or financial viability of the operation. Furthermore, in opting to provide financing to an operation, the Bank seeks to:

- promote regional trade and investment,
- mobilize additional resources and attract external investors,
- nurture the development of regional businesses and financial institutions and foster networks

While covering costs is essential, profit maximization is not the Bank's top priority. Shareholders' main considerations are the contribution to development and regional cooperation. Nevertheless, in 2011 the Bank registered positive net income for the seventh consecutive year and, significantly, maintained the quality of its operational portfolio.

The Bank's portfolio has grown at a rate which seeks to balance the need for expansion with the need to lend carefully in order to establish the reputation of the Bank as a sound financial institution. While the Bank is still small, it has reached a level where it has become established in the wider Black Sea region as a key option for firms seeking to obtain greater access to funds and to mitigate certain country risks.

The success of the Bank's emphasis on quality, its conservative risk management, and its commitment to prudent operation, combined with the implementation of its objective of managed expansion, are reflected in its credit ratings. In June 2011, BSTDB obtained a long term issuer credit rating of A from Standard & Poor's. This was preceded by the Bank's upgrading to A3 by Moody's in September 2010. These ratings are higher than the individual sovereign rating of any of the Bank's shareholders and approximately six notches higher than the average credit rating for the Black Sea region. They make the Bank the best rated institution in the Black Sea area. The ratings are particularly beneficial, having occurred at a time of heightened risk aversion and lingering perceptions of uncertainty in international capital markets. Most importantly, they improve the

Bank's ability to borrow at more competitive rates on international capital markets, and allow it to pass on the lower costs to its regional clients, thus benefiting shareholders and enhancing the Bank's capacity to meet its mandate.

The core activity of the Bank is undoubtedly the provision of financing for regional operations. Nevertheless, BSTDB also aims to promote BSEC, the Black Sea region, and the countries which comprise it. To this end, the Bank rotates its Annual Meetings and associated Business Conferences among Member States and also organizes or sponsors events which highlight business opportunities and issues of particular relevance to the Black Sea region. Whenever possible, it cooperates with BSEC PERMIS and the other Related Bodies, taking advantage of the fact that BSEC and its organizational infrastructure represent the sole institutions focused upon the greater Black Sea region that are wholly owned and operated by the countries in the region.

In addition, the Bank has reached out to external entities with an interest in the Black Sea region, in order to seek ways to cooperate more closely, coordinate strategies, mobilize resources and find new operational opportunities and other activities that promote or otherwise deliver value to the Black Sea region. With this in mind, as at end 2011 BSTDB had extended observer status to ten partner development institutions and it has been an active participant in development fora and working groups which carry out activities such as research, knowledge sharing, collaboration on agenda setting, and identification of joint business opportunities. Whatever the activity, the key common denominator is that it either confers benefits upon the Black Sea region or improves the Bank's ability to fulfil its mandate.

BSTDB operates in a diverse setting and a rapidly changing global and regional context. Consequently, while maintaining commonality of principles and consistency of approach in its plans and activities, the Bank needs to be adaptable and flexible to tailor its strategies to the requirements of individual countries and sectors, and its services to the needs of regional banks, firms, and agencies.

The values that constitute the foundation of the Bank's corporate culture are: integrity, professional competence, loyalty to the institution, commitment to the region and to shareholders, understanding of the Bank's mission, transparency, and sound corporate governance. Well into its second decade of operations, BSTDB seeks to build upon its track record of growth, quality and sustained profitability in order to fulfill its dual mandate of promoting economic development and regional cooperation. Now more than ever, responsiveness, thoroughness, effectiveness and high standards of quality remain key objectives for the Bank in order to meet successfully the expectations of its Member States and the requirements of its clients.



## Chapter 7

# 20 Years on, the Entryway to a New Future

*Spyros Kouvelis, Former Deputy Minister of Foreign Affairs, Greece*

The BSEC world was a new world to me, as I was becoming acquainted with it immediately after assuming the responsibilities of the position of the Deputy Foreign Minister of Greece, in the fall of 2009.

More so that I had to get to know it fast, and know it well, and do something about it: Greece was undertaking the Chairmanship of BSEC in just a few months, and that meant good knowledge, and a sensible and feasible plan for the Chairmanship.

One of the first observations I made about the BSEC, was that it is a complicated world: PERMIS, Council of Ministers, Troika, Related Bodies, CSO, each with its own rules and its own specificities, and the personalities of people involved in them, that made them even more interesting.

On the other hand I realized that a great part of the potential of the BSEC was exactly this: if viewed from the right perspective, one could see this structure as a huge potential for synergies and constructive contribution from each body, especially as each of them brings, or can at least bring, the input, support and cooperation of a different sector of society.

As I learned during the preparation and the implementation of the Greek Chairmanship, admittedly a very successful one –as said officially by all BSEC members and international partners –, is not an easy thing, and it does not happen automatically. It takes serious coordination, that needs to emanate from the head, i.e. the Council and the Secretariat, but at the same time encompass all those involved, related bodies, national authorities, and observers, and giving them room to be creative, forthcoming, and build their sense of ownership and belonging to the BSEC idea.

Just as the diversity of the countries around the Black Sea is a major strength of the BSEC, with some countries being self-standing global players, others being older or newer members of the EU, others being important or upcoming players in the energy sector, and others demonstrating an impressive output in their economies, and other countries with a great potential in transport, tourism, culture, products and so many other sectors, all of them united by a common sea, in the same way the diversity of the organization is just like that of the countries – it is the strongest heritage the BSEC region has.

Diversity can sometimes –sadly - be a dividing factor, if seen in the wrong way, and may easily become the field to nourish rivalry. We have all witnessed examples of opportunities presented by important landmarks in the operation of the BSEC that were entirely squandered in cross fighting on a bilateral issue, or a misunderstanding among components of the system. One cannot ignore that such issues are important, and that they should certainly be resolved, but it is of key importance to retain, at all times, that the role of BSEC is precisely to be in a position to *put such issues*

*aside*, and work on the synergies and the building of a common understanding, to set the path for a better future of all members involved. Other fora may certainly be much more efficient and appropriate places to deal with such matters.

This was exactly the point I tried to make the basis of work and planning for the BSEC, and the issue that we wanted to transpire through the entire spirit of the Greek Chairmanship: diversity and synergy are the two central building blocks for the future of the BSEC, and even more importantly, for a better future for the Black Sea region.

All of the countries have a special relation to culture and its history. Each in its own way, with its own specificities. This has to be respected and even more so, be used as the uniting factor that brings Black Sea peoples together: the sum is much bigger than the addition of the parts, as it constitutes the character and history of an entire region of the world. At this level one has to focus on the key aspects, and leave outside the issues that could constitute friction points, in order to build the bigger picture.

The case was the same with the environment and natural resources. We named the Greek Chairmanship: ***“Black Sea turns green”*** with an aim to set a platform for countries to work together in protecting their natural resources, and achieving their optimal use for the benefit of present and future generations. We also aimed at establishing the BSEC as spearhead for driving the Black Sea countries to encompass environmental technologies and innovation, clean up and protect their environment and landscapes, and use this approach as a comparative advantage to demonstrate the Black Sea region to the world as an emerging region for investment, good business, tourism, technology, quality products and sustainable development.

The participation and buy-in from the BSEC structure was impressive in my experience. What I realized was that if the different bodies are proposed to become partners in a joint effort, if one (in this case the Council and the Secretariat) ask the important questions and offer them an opportunity to be part of the whole in building something visionary, they are all eager to come forth with ideas on how to contribute, and to play their respective roles.

Allow me to add a few words for each of them:

**The ICBSS**, was one of the first to grasp the message of a turn towards a new development agenda for the region, and has, thanks to the commitment of all its human potential, provided crucial support in involving the research and scientific community in the effort, assisted in transmitting the message to society through events and publications, and has contributed with ideas and proposals.

**The PABSEC** showed immediate interest for the new green development agenda, and provided a key component – legitimization of the effort from national parliaments, and even more importantly, building a support base for this approach by the parliament members of each BSEC country. The multiplier effect that can be achieved is simply amazing.

**The BSTDB bank** was from the beginning a key partner in this effort: by supporting a green development agenda, and the investments that come with it, which are necessary to turn theory into practice, it has been instrumental, and is more and more so as the process matures, in turning a political guidance into everyday life and economic activity.

**The BSEC Business Council** was also a strong partner, bringing the message to the business world, and mobilizing their participation in the implementation of the strategy, starting from the



Greek Chairmanship business forum in Thessaloniki, at the end of 2010.

One could go on to describe in detail the contribution of all organs and initiatives, such as the PDF and the HDF, the Subsidiary Organs and all the Observers;

*But what it all boils down to, is that if the message is clear and all parts of the system are given the chance to participate in its implementation, the BSEC will bear fruit.*

The agenda of sustainable development, the vision for the Black Sea turning green, and at the same time becoming a hotspot for investment, peace and progress, as set out in the joint declaration of the BSEC Council of Ministers <http://www.bsec-organization.org/documents/declaration/ministerial/Reports/Annex%20VI%20-%20Thessaloniki%20Joint%20Declaration.pdf> is there and its implementation must be pursued rigorously. Along with the priorities set by subsequent Chairmanships, it needs to lay a working path and a plan of action for all the components of the BSEC to work on.

I personally expect, not just wish, that the positive experience I have had while working closely with all of BSEC, will be the tone in the Organization, and that in the near future we will all be able to look back and pride ourselves that at some point we have been part of the BSEC while it was drawing the new era of synergy and prosperity for the Black Sea region.



## Chapter 8

# BSEC-URTA A Partner for the Project Oriented BSEC Organization

*Mr. Haydar Ozkan, Secretary General of the Union of Road Transport Associations in the Black Sea Economic Cooperation Region (BSEC- URTA)*

The recent financial crisis, the effects of which are still observed in most of the developed countries, changing the world's economic and commercial panorama to a wide extent, has highlighted the tendency towards neo-protectionist policies for national economies. Such sterile and short-term trade and transport policies that almost solely aim "saving the day" lacking the necessary vision, today, tends to orient even the European Union, which has committed itself to build the most successful integration models worldwide since 1950s, to surprisingly "draw new boundaries among its members". Nevertheless, the BSEC-URTA and its members remain committed to walk along the path they have determined in stability and resolutely for the last 10 years. They've done this through setting realistic but ambitious targets, which has brought the organisation to an exemplary and leading position for other regional integrations that have been gradually recognising the strategic importance of transport and logistics.

BSEC-URTA and its 13 members from countries that are both European and Asian, together with 3 EU members as well as 1 BRIC state, have gained a lot through the general growth of the region, as well as contributing to it.

Looking at the past 10 years we could say that due to cooperation, friendship and entrepreneurial spirit of our Member Associations and Observers, the BSEC-URTA is a successful story, a credible and reliable partner of the BSEC Organization and IRU, which is able to address professionally in partnership with governments all issues related to the facilitation of road transport of goods in the region.

The first five years of existence passed mainly with efforts for getting organised and getting to know each other with the BSEC structures and transport officials of the Member States. The BSEC-URTA International Secretariat was opened in February 2002 and the formal legal structure of the BSEC-URTA was established by a special decree of the Council of Ministers of Turkey in July 2003.

In 2004, upon initiatives of the BSEC-URTA, the newly developed BSEC Project Development Fund approved its first ever project in favour of three Member Associations (AITA, ARTRI, UND), which cooperated to develop together a distant learning software for the international road transport managers. The same year also witnessed the BSEC-URTA International Transport Forum on improved distribution of ECMT quota permits to hauliers in the Black Sea region, which was held in Bucharest, Romania in June 2004.

In July 2005, it was again BSEC-URTA, which encouraged the Member States to discuss and elabo-

rate a BSEC Agreement on Mutual Recognition of Diplomas, Certificates for Professional Competence and Other Forms of Qualification for Road Transport Operators. Unfortunately, this valuable initiative led to a draft agreement, which was never officialised by the Member States due to their lack of interest in the following years.

In July 2006, the BSEC MoU on Facilitation of Road Transport of Goods entered into force, which constituted a historic milestone for the next five years of the BSEC-URTA until today.

2007 was a year for the industry to know closer and embrace warmly the BSEC Secretary General H.E. Ambassador Leonidas Chrysanthopoulos, who did not only organise the Black Sea Ring Highway Truck Caravan together with the IRU and the BSEC-URTA but also travelled physically inside a truck at an international journey and even personally drove a commercial truck across the EU border between Romania and Moldova.

2008 was welcoming the strong rise of the BSEC as a project oriented Organisation, which witnessed entry into force of the BSEC MoU on Coordinated Development of the Black Sea Ring Highway, the BSEC MoU on Development of Motorways of the Sea in the BSEC Region as well as opening to signature of the BSEC Agreement on Simplification of Visas for Professional Drivers Nationals of BSEC Member States.

In March 2009, the BSEC-URTA organised the very important public-private Roundtable on Implementation of the BSEC Memorandum of Understanding on Facilitation of Road Transport of Goods in the BSEC Region in Istanbul, Turkey, in scientific cooperation with the *NEA transport research and training* from the Netherlands, which eventually paved the way to historic birth of the BSEC Permit in January 2010.

2011 was not only coinciding the BSEC-URTA's 10th Anniversary but also witnessed the very successful BSEC Forum on Trade and Road Transport Facilitation in November 2011. The first of its kind, the BSEC Forum was organised in partnership by the BSEC PERMIS, BSEC-URTA but also the PABSEC and the ICBSS.

It was successful not with its distinct public-private audience, high level keynote speakers, dynamic media coverage, but even more important than all of these; it convinced the Secretariats of the BSEC-URTA and the ICBSS that they are two credible partners for continued long term cooperation.

The ICBSS, being the most valuable think-tank of the BSEC Organization, is certainly an important BSEC Related Body, which actually provides the private sector and the governments an unbiased, scientific and true center of knowledge and a driving force for setting right strategies, pursuing correct policies and realising successful projects, which really benefit to the BSEC peoples.

Therefore, the BSEC-URTA is excited to work together with the ICBSS for a better future of international road transport, which is the key to any successful economic cooperation and social development project as such the BSEC.

We know that our next decades will be filled with even more challenges and difficult times. But we also know that by working together, we will still find the best ways to overcome them as much as possible.

As road transport industry, we are proud to drive to the BSEC citizens the progress, prosperity and a better life. Our pride will be even bigger if this exciting journey takes place with the company of the ICBSS.

Join us!

## Chapter 9

# Participation of the EU Institutions in BSEC after the Lisbon Treaty

*Dr. Ioannis Stribis, Legal Officer at the OSCE Secretariat*

## I. The BSEC framework

On many occasions and in many documents various organs of the Organisation of the Black Sea Economic Cooperation (BSEC) have affirmed that the European Union is one of the most important partners of the BSEC. The BSEC is an organisation of the European space and is comprised of Member States that are integrated or, in various degrees, related to the European Union. This deep and developing relationship has been formalised in June 2007, by a resolution of the Council of Ministers of Foreign Affairs of the BSEC Member States (“BSEC Council”), acting upon an application of the (as it was then) Commission of the European Communities. The relevant resolution reads as follows

“Considering the application of the Commission of the European Communities and in pursuance of articles 8 and 9 of the BSCE Charter, the Council agreed to grant the Commission of the European Communities an observer status in BSEC.”<sup>7</sup>

This resolution is exceptional in that it grants observer status to a BSEC partner (in this case the Commission of European Communities) based on two provisions of the BSEC Charter, namely articles 8 and 9. The surprising – and unprecedented – feature of the 2007 resolution of the BSEC Council is that from the two provisions referred to with respect to the observer status of the Commission of European Communities, only one deals with observer status (article 8). Article 9 envisages other forms of relationship between the BSEC and third parties.

Article 8 of the BSEC, entitled “Observer Status”, provides that:

“Observer status in the BSEC shall be open, upon request, to any State or international organisation which expresses its readiness to make practical and valuable contribution to the work of the BSEC.

Observer status may be granted, suspended or terminated by the Council in accordance with the Rules of Procedure.” (italics added).

Article 9 (“Relations with Third Parties”) stipulates that:

“The BSEC Shall promote a relationship with third parties (*States, international organisations and institutions*) interested to cooperate on various matters of mutual concern through:

a. dialogue partnership, within a frame of periodic exchanges and consultations;

<sup>7</sup> BSEC Council, Special Meeting, Istanbul, 25 June 2007, Annex VII to BS/SFM/R(2007)1, paragraph 1.

- b. sectoral dialogue partnerships; possibility of attending meetings on specific subjects;
- c. invitation of guests; possibility of attending sessions of the BSEC upon the invitation of the Chairman-in-Office and with the consent of all the Member States.

Dialogue partnership and sectoral dialogue partnership may be granted following the resolution of the Council.” (italics added).

It becomes clear from the plain language of the above two provisions of the BSEC Charter that the observer status can be granted by the BSEC exclusively to States and international organisations. The latter category comprises, in accordance with the BSEC Charter, inter-governmental and non-governmental organisations (article 2, *litt. d*). In contrast to article 8, more inclusive language is employed by the BSEC Charter with respect to the statuses envisaged in its article 9: dialogue partnership, sectoral dialogue partnership and invitation of guests. These possibilities are expressly available to “States, international organisations *and institutions*”.

In pursuance of these clear provisions, it is clear that the Commission of the European Communities was not eligible for observer status under article 8 BSEC Charter. It was not an international, inter-governmental or non-governmental, organisation, neither a State. It was however, eligible for dialogue (or sectoral dialogue) partnership status, in accordance of article 9 BSEC Charter. Despite these undisputed statutory limitations, the negotiations between the relevant BSEC organs and the Commission of the European Communities concluded to a *political understanding* to grant observer status to the pre-Lisbon Treaty Commission in the BSEC.

In order to avoid outright violation of the BSEC Charter, by the resolution through which the BSEC Council would have granted observer status to the Commission of the European Communities, it was submitted in 2007 that the relevant resolution of the Council would be based on both articles, 8 and 9, of the BSEC Charter. This “solution” is *at best* at the fringes of the legality of the BSEC Charter. A resolution by the BSEC Council cannot infringe the BSCE Charter. For one, the BSEC Charter can be amended in accordance with a formal procedure provided for therein (article 30). More importantly perhaps, because any resolution of the BSEC Council derives its binding force from the Charter itself. Therefore, the resolution granting participation status to the Commission of the European Communities should be constructed as having granted the Commission a dialogue partnership status in the BSEC, which *for political purposes only* was called “observer status”. This situation has been explained in several occasions to the Commission of the European Communities during the phase previous to the granting the so-called “observer status”. The acceptance by the involved parties of this situation is facilitated by the fact that, in the BSEC practice, the rights and obligations attached to the dialogue (or sectoral dialogue) partnership are not different from those relating to the observer status. For all practical reasons the two statuses are equivalent.<sup>8</sup>

In addition to the formal “hybrid” status of the Commission of the European Communities, in the BSEC framework it is also provided that “representatives of other [than the Commission] EU institutions may be invited to the meetings of the Ad hoc Group of Experts on BSEC-EU Interaction”.<sup>9</sup>

<sup>8</sup> Ioannis Stribis, *Advocacy in international institutions by civil organisations*, 2008, pp. 49-54.

<sup>9</sup> BSEC Council, 17th Meeting, Ankara, 25 October 2007, Resolutions, Decisions and Recommendations, Annex VII to BS/SFM/R(2007)1, paragraph 10 and Attachment 1.

## II. The developments in the European Union following the entry into force of the Lisbon Treaty

On 1 December 2009 the Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, signed in Lisbon on 13 December 2007<sup>10</sup> (“Lisbon Treaty”) entered into force, bringing several changes in the institutional set-up of the European Union. The three-pillar structure (European Communities, Common Foreign and Security Policy and Justice and Home Affairs, later to be called Freedom, Justice, Security), introduced by the Maastricht Treaty, was abolished. The European Community is replaced by the European Union which succeeds it and takes over all its rights and obligations (article 1, third paragraph, of the Treaty on European Union as amended by the Lisbon Treaty). The Treaty on European Union keeps the same name while the Treaty establishing the European Community becomes the Treaty on the Functioning of the European Union. The European Union acquires legal personality,<sup>11</sup> becoming thus a fully-fledged international organisation.

One of the important features of the negotiation that eventually lead to the conclusion of the Lisbon Treaty was the special focus on giving the European Union a unified, clearer and stronger voice in the world.<sup>12</sup> Under the previous system, there were several poles of external representation in the European Union: Presidency of the Council of the European Union, High Representative for the Common Foreign and Security Policy, European Commissioner for external relations, to name the most important.

The Lisbon Treaty introduces a new *integrated foreign policy structure*, the **High Representative of the Union for Foreign Affairs and Security Policy**, who combines three different functions of the previous regime: EU Council’s Representative for the Common Foreign and Security Policy, President of the Foreign Affairs Council and Vice-President *ex officio* of the European Commission. The High Representative of the Union for Foreign Affairs and Security Policy will be assisted in her functions by the **European External Action Service (EEAS)**, which has been built over the past years. The Lisbon Treaty stipulates that the organisation and functioning of the EEAS will be established upon a separate decision of the Council, on a proposal of the High Representative of the Union for Foreign Affairs and Security Policy, after consulting the European Parliament and obtaining the consent of the European Commission. This decision was adopted on 2010.<sup>13</sup> The EEAS is called to work in cooperation with the diplomatic services of the Member States and is composed of officials from the relevant departments of the General Secretariat of the Council and of the Commission as well as of staff seconded from national diplomatic services.

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<sup>10</sup> Official Journal of the European Union, C 306, 17 December 2007.

<sup>11</sup> Article 47 Treaty on European Union, “The Union shall have legal personality.”

<sup>12</sup> Cf. Antonio Goucha Soares, “A União Europeia como potência global? As alterações do Tratado de Lisboa na política externa e de defesa”, *Revista Brasileira de Política Internacional*, 2011, pp. 87-104; John Peterson, “The EU as a Global Actor”, in E. Bomberg e.a., *The European Union: How Does it Work?*, 2008, pp. 201-221; Derya Büyüktanır “Dış İlişkiler Kapsamında Avrupa Birliği’nin Tüzel Kişiliği ve Lizbon Antlaşması”, *Uluslararası İlişkiler*, Cilt 7, Sayı 27, Güz 2010.

<sup>13</sup> Council Decision 2010/427/EU establishing the organisation and functioning of the European External Action Service, 26 July 2010, Official Journal of the European Union, L 201, 3 August 2010, pp.30-40.

### III. The implications for the BSEC

With the succession of the European Union to the European Community, the Commission of the European Communities ceased to exist and has been replaced by the European Commission.

The new situation presents an opportunity to correct the afore mentioned discrepancy between the legal and political status of the European Union Institutions in the BSEC. With the elimination of the pillar-structure, the attribution of legal personality to the European Union as a whole and the establishment of an integrated foreign policy structure headed by the High Representative of the Union for Foreign Affairs and Security Policy,<sup>14</sup> there should be no political, practical, let alone legal reason justifying the presence of the European Commission only as a dialogue partner of the BSEC. The external relations and voice of the European Union is gradually being consolidated in one institution (the High Representative of the Union for Foreign Affairs and Security Policy),<sup>15</sup> and thus this institution is responsible to express the European Union externally.<sup>16</sup> Already the delegations of the European Commission in third countries and international organisations have been renamed as Delegations of the European Union and placed under the authority of the High Representative of the Union for Foreign Affairs and Security Policy. Therefore the current status of the European Commission in the BSEC not only is it not based on a sound legal basis in the BSEC statutory framework, but it does not reflect the present institutional set-up of the European Union itself.

It is obvious that the current situation of the “observer status” (in reality, sectoral dialogue partnership) of an institution that has long ceased to exist is unsustainable. In contrast to the diligence that the relevant EU institutions displayed in informing other EU’s international partners on the changes that the Lisbon Treaty has brought to the structural outlook of the EU and in calling for consecutive modifications in the partnership modalities<sup>17</sup>, the mode of its participation in the BSEC has not been addressed by the EU. This lack of European interest is being matched by the inaction of the relevant BSEC organs. In this context, it is submitted that the competent BSEC organs propose to the European Union (High Representative of the Union for Foreign Affairs and Security Policy) to upgrade the current status of its participation in the BSEC from dialogue status of the European Commission to observer status of the European Union. At the earliest conve-

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<sup>14</sup> Rosa Balfour, Hanna Ojanen, Does the European External Action Service Represent a Model for the Challenges of Global Diplomacy?, IAI Working Paper 11/17, June 2011.

<sup>15</sup> The consolidation of the external representation of the European Union does not entail a change in the competencies of the European Union; Declaration no. 24 concerning the legal personality of the European Union annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon states that “The Conference confirms that the fact that the EU has a legal personality will not in any way authorise the Union to legislate or to act beyond the competences conferred upon it by the Member States in the Treaties.”

<sup>16</sup> Cf. Thierry Chopin, Maxime Lefebvre, “Après le traité de Lisbonne: L’Union européenne a-t-elle un numéro de téléphone?”, Questions d’Europe - Fondation Robert Schuman, N° 151, 2009, p. 1-8.

<sup>17</sup> Michele Comelli, Raffaello Matarazzo Rehashed Commission Delegations or Real Embassies? EU Delegations Post-Lisbon, IAI Working Paper 11/23, July 2011; Raffaello Matarazzo, “L’Ue conquista spazio alle Nazioni Unite: Ruolo “rafforzato” nell’Assemblea generale”, AffarInternazionali, 09/05/2011, <http://www.affarinternazionali.it/articolo.asp?ID=1751>; Giovanni Grevi, From Lisbon to New York: The EU at the UN General Assembly, FRIDE Policy Brief N° 81, June 2011; Elina Viilup, Ante su reforzado papel en la Onu, el “Aislamiento Dorado” no es una opción para Europa, CIDOB opinión 128, Octubre 2011.



nience after the conclusion of consultations with the relevant institution of the European Union, the BSEC Council could adopt a resolution granting observer status to the European Union.

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# ANNEXES

## ANNEX I

### Web-G.I.S. Observatory Network for the Environmental and Sustainable Development of the Black Sea area

*Mr. Ioannis Katsios, Assistant Professor, Technological Educational Institute of Athens*

The Black Sea area lacked of an integrated mechanism capable of systematically gathering and presenting comparable primary data and indicators in the fields of environment and sustainable development. The establishment of the **“Web-G.I.S. Observatory Network for the Environmental and Sustainable Development of the Black Sea area”** was an initiative undertaken by the International Centre for Black Sea Studies (ICBSS), targeting at filling this gap, in the framework of the new strategic policy of ICBSS “Greening the Black Sea”, which aims at promoting the principles of sustainable development and incorporating the environmental dimension into economic development, social cohesion, culture, governance and innovation.

The Web-G.I.S. Observatory is based on a *system of indicators* for the environment and sustainable development referring to five main categories: environment, geography, economy, social cohesion and accessibility. The database that was created for this purpose contains information for two geographic levels (national and regional) and two time frames (2000 and 2010), giving the opportunity to assess the evolution of trends in countries and regions over time.

The Web-G.I.S. Observatory constitutes a strategic tool, which provides information and supports both the public and the private sector. It is valuable to all interested parties in the Black Sea area, such as experts, academics, researchers and policy-makers who need to compare data and uncover similarities and discrepancies between countries and regions. Through the system of indicators can contribute to the:

- creation of a valuable tool for provision of input in the decision-making process
- provision of useful data to enterprises, NGOs and local development actors, who are relevant with the fields of environment and sustainable development
- promotion of cooperation and networking among the BSEC countries
- promotion and incorporation of environmental dimension into sectoral policies, through the organized presentation, systematic analysis and assessment of the updated environmental data
- placement of environmental pressures and issues in higher priority in the policy-makers agenda

The Web-G.I.S. Observatory consists of three specific components:

a) The *Interactive Mapping Analysis*, which includes maps with capabilities, such as Query and

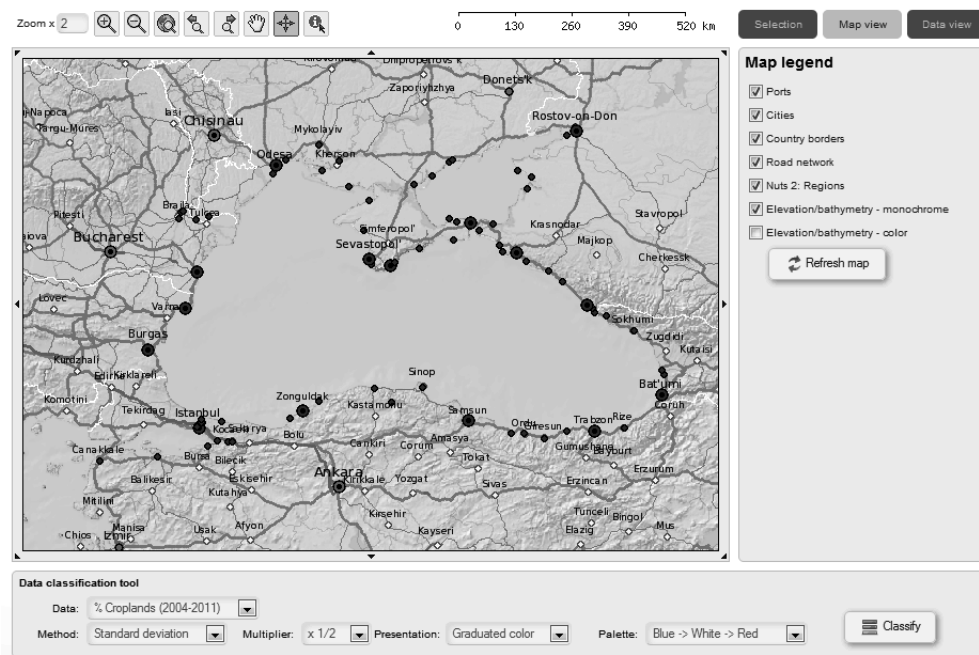
Spatial Selection, Interactive classification, Toggle and Zooming tools.

b) The *Interactive Statistical Analysis*, which gives users the ability to query the database for statistical indicator data. Results depend on parameters that users define. After making a data compilation, users can convert the selected data into a chart and make use of corresponding metadata and basic statistical information (Min, Max, Average, Coefficient Variation and Standard Deviation).

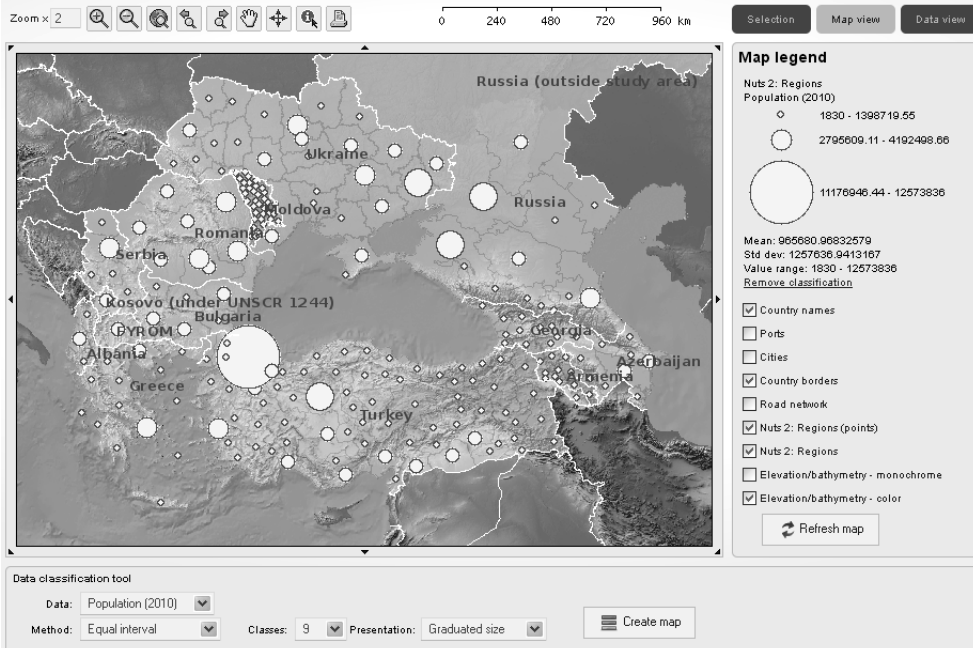
c) Finally, the *Instructions Manual*, which is an analytical guide with useful instructions for potential users.

The Observatory's database is under constant updating, with the view to becoming an accurate and comprehensive tool capable of providing information services and supporting policies and development programmes for all interested actors in the Black Sea area. It promotes cooperation and networking among the Black Sea countries and stakeholders with an active interest in the area. Finally, it consists of an innovative insight and an operational approach to the monitoring of similarities and disparities among Black Sea countries and regions.

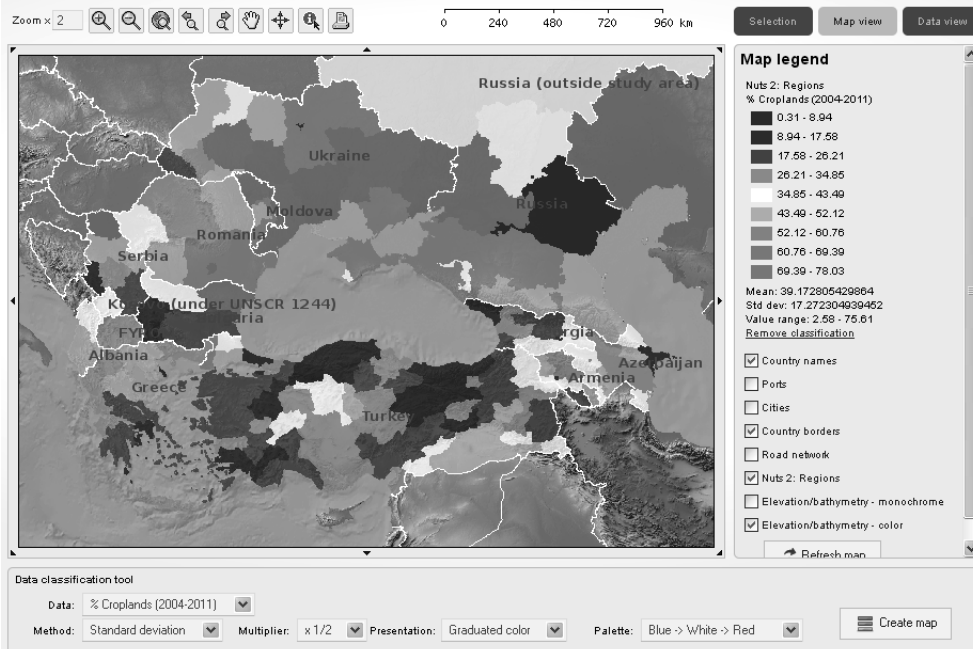
Web-G.I.S. Observatory Network for the Environmental and Sustainable Development of the Black Sea Area



## Web-G.I.S. Observatory Network for the Environmental and Sustainable Development of the Black Sea Area



## Web-G.I.S. Observatory Network for the Environmental and Sustainable Development of the Black Sea Area





## ANNEX II

### ABOUT THE AUTHORS

**Ms. Eftychia Bacopoulou** was Secretary General of BSEC Business Council. She belongs to the economic diplomacy service of the Greek Foreign Ministry. Prior to joining the BSEC Business Council, after being elected unanimously by the BSEC Business Council BoD, she also served in Brussels (1998-2001, Permanent Representation of Greece to the EU), Sofia (2001-2004, Greek Embassy), Athens (2004-2007, MFA, Directorate for economic relations with SE Europe, CIS countries & BSEC) and Moscow (Greek Embassy, Deputy Head of the Office for Economic and Commercial Affairs). She studied law at the National and Kapodistrian University of Athens and made postgraduate studies in European law and International Business Law in Paris and Athens. Prior entering the MFA service, Ms Bacopoulou pursued a career as attorney-at-law.

**Ambassador Leonidas Chrysanthopoulos** was Secretary General of BSEC from 2006 to 2012. A career diplomat at the Greek Ministry of Foreign Affairs he had served in numerous posts abroad. He was the first Greek Ambassador to Armenia in 1994, to Poland in 1996 and to Canada in 2000. In Athens he had been Director General of EU Affairs in 2004 and Director General of Bilateral and Multilateral Economic Relations in 2005. He has published many articles in various journals concerning BSEC and non BSEC issues.

He has published two books, “The Caucasus Chronicles-Nation building and Diplomacy in Armenia 1994” and “How the US and Canadian Radio and Television covered the invasion of Cyprus by Turkey in 1974.”

**Dr. Zefi Dimadama** is the Director General of the International Centre for Black Sea Studies (ICBSS) since July 2010. She holds a Phd on “Environmental policies and Regional Development” from Panteion University and since 2004, she gives lectures at the Graduate Programme of Political Science at Panteion University of Political and Social Sciences. Before joining the ICBSS, Dr. Dimadama worked as a lecturer at the University of Peloponnese and as a Senior Research Fellow at the Institute of Urban Environment and Human Resources at Panteion University. She has participated as a scientific researcher in several European and international conferences and has coordinated a number of European Research Networks, inter alia ESPON/European Spatial Planning Observatory Network 2000-2006, FP6 Research Programs/HERMES, Artemis 2004-2007. She is a member of the Regional Science Association (RSA) and the European Urban Research Association (EURA). Zefi Dimadama has published numerous articles in scientific Journals both in English and Greek; as well as a monograph in Greek, Dimadama, Z. “Economy, Development and Environment, Theoretical approaches and sustainable development policies” Papazisis Press, 2008. Research interests/ expertise: Environmental policies, multilevel governance, sustainable development, cross-border regional development, comparative analysis of environmental policies (European, international level), EU regional policies, Black Sea environmental governance and regional cooperation.

**Dr. Fraser Cameron** is Director of the EU-Russia Centre and Senior Advisor to the European Policy Centre (EPC), Brussels. He is a Visiting Professor at the Hertie School of Governance in Berlin, and at a number of other universities in Europe, the US, and Asia. A former academic and diplomat, Dr Cameron was an adviser in the European Commission for more than a decade and served at the EU's delegation in Washington DC. He is the author of several of books and articles on European and international affairs. His most recent books include *US Foreign Policy after the Cold War* and *An Introduction to European Foreign Policy*. He is a well-known commentator on EU and international affairs.

**Amb. Tedo Japaridze** is a Georgian diplomat born in Tbilisi. He studied and worked at the Institute for the USA and Canada Studies of the Soviet Union's Academy of Sciences from 1974-89. He served as Georgia's deputy foreign minister in August 1991; deputy chair of the National Security Council from November 1992-June 1994; ambassador to the United States from July 1994-March 2002; and (after the "rose revolution") foreign minister from November 2003-March 2004. After leaving government service, he was secretary-general of the Organisation of Black Sea Economic Cooperation (BSEC) and president of the US-Caucasus Institute in Tbilisi.

**Mr. Andrey Kondakov** was appointed President of the Black Sea Trade & Development Bank as of 16 July 2010 for the period of four years. He started his professional career as a research fellow in 1982, specializing in international investment project financing. In 1988 he joined the Ministry of Foreign Affairs, Department of International Economic Relations and held progressively responsible positions in Moscow and abroad before becoming Director of the Department in 2002. Throughout his career, he was mainly in charge of issues of the Russia's participation in International Financial Institutions, investment and financial relations and regional economic co-operation. As of 2006, he became a Member of the Collegium of the Ministry of Foreign Affairs (Ministerial Board). He served as a Russian G8 Foreign Affairs Sous-Sherpa and a member of the Governmental Commission of the Russian Federation on the Accession to the WTO and OECD. He also headed Russian delegation to the accession talks with the Asian Development Bank and Inter-American Development Bank. In 2003 - 2007 he was a member of the BSTDB Board of Directors for Russia. From July 2007 to July 2010 In addition, he served as the BSTDB Vice President Banking. He graduated the Economics Faculty of the Moscow State University and has a Ph.D in Development Economics.

**Mr. Spyros Kouvelis** holds a BSc in Economics from the University of Athens and an MSc in Agricultural/ Environmental Economics from the University of Reading in the UK. He was elected as Member of the Greek Parliament in 2009 (A' Athens) for a second term, and served as Deputy Foreign Minister from October 2009 until June 2011. His duties included economic and energy diplomacy, environmental and cultural diplomacy, development cooperation and humanitarian assistance. From May 2007 until his election he worked with the Mediterranean Action Plan of the United Nations Environment Programme (UNEP). he was also president of the International Film and Visual Arts Festival of Rhodes – *Ecofilms* from 2004 until 2007. From 2001 to 2007 he held the position of MedWet Coordinator, directing the Mediterranean Wetlands Initiative Unit in Athens, a Ramsar outposted unit for the entire Mediterranean region. In 1997 he was appointed



Advisor to the Deputy Minister of Environment, Planning and Public Works of Greece, where he worked until 2001.

**Mr. Haydar Ozkan** leads multilateral sector dialogue, development of multi-party projects, harmonization of common sectoral efforts in independent countries and establishment of direct links with governmental bodies in the vitally important region stretching from the Southeast Europe and Black Sea to the Middle East and South Asia, as well as involved in international transport related programs and projects on governmental and other levels. He teaches Global Transport Policy at Istanbul University, School of Transport and Logistics. After he received a Master's degree in Business Administration (MBA) in Turkey, he has managed the departments of transport technologies, transport training and research in several organizations and companies in Turkey. For a number of years he also served as a member of BoD at the Association of Turkish Businessmen in Russia, in Moscow. has more than 15 years of work experience, of which 5 years about (road) transport policy development inclusive lecturing at various universities in Turkey. He has been serving as the International Road Transport Union General Delegate to the Middle East and Region since 2005. He is also founding secretary of the Union of Road Transport Associations in the Black Sea Economic Cooperation Region (BSEC-URTA) since 2001.

**Dr. Ioannis Stribis** is Legal Officer at the OSCE Secretariat (Vienna). He has been the Legal Adviser of the Secretariat of the BSEC (1999-2003) and of the ICBSS (2003-2009). He has been Adjunct Lecturer at the Democritus University of Thrace, Faculty of Black Sea Studies (2004-2008) and at the University of the Peloponnese (2009-2011) and Research Fellow at the Bureau of International and Constitutional Institutions of the Academy of Athens (2003-2009). He holds a PhD, a Masters Degree on European Community Law and a Masters Degree in Public International Law and in Law of International Organisations from University of Paris I (Panthéon-Sorbonne); also a Law Degree from University of Athens. He is the author of numerous publications in international organisations, public international law, international law of the sea and regional Black Sea cooperation issues.



## ANNEX III

### ABBREVIATIONS

BRIC	Brazil Russia India China
BSS	Black Sea Synergy
BSTIP	Black Sea Trade and Investment Promotion Programme
BSEC URTA	Union of Road Transport Associations in the Black Sea Economic Cooperation Region
CIS	Commonwealth of Independent States
EaP	Eastern Partnership
ECJ	European Court of Justice
ECMT	European Conference of Ministers of Transport
EEAS	European External Action Service
EEC	European Economic Community
EU	European Union
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
FAO	UN Food and Agriculture Organization
GDP	Gross Domestic Product/ per head
IOM	International Organization for Migration
OSCE	Organization for Security and Co-operation in Europe
PABSEC	Parliamentary Assembly of the Black Sea Economic Cooperation
UNECE	UN Economic Commission for Europe
UNEP	UN Environment Programme
UNDP	UN Development Programme
UNODC	UN Office on Drugs and Crime
UNIDO	UN Industrial Development Organization
UNSC	UN Security Council
US	United States of America
MoU	Memorandum of Understanding
WTO	World Trade Organization



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