

BLACK SEA ECONOMIC COOPERATION: FIFTEEN YEARS OF REGIONAL ACTIVITY

1992-2007

**VIEWS BY FOREIGN MINISTERS
& HEADS OF BSEC INSTITUTIONS**



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I. MEMBER STATES

The Black Sea Economic Cooperation: A Straightforward Assessment of the Past 15 Years and a Vision for the Future from the Turkish Perspective

H.E. Abdullah GÜL
Deputy Prime Minister and
Minister of Foreign Affairs
Republic of Turkey

The Black Sea area is an important region at the heart of three major continents. It is on strategic transportation and trade routes and energy corridors. With its huge dynamic economic and human potential as well as natural resources including energy, it is no surprise that the international focus on this region is growing.

During the Cold War, the Black Sea area drew little attention mainly due to the fact that the delicate and uneasy balance in the region made it undesirable to have tensions in this backwater, for not only littoral states but also for the superpowers themselves. When the Cold War came to an end, it was Turkey that took the lead to launch a regionally-owned initiative to help transform the centrally planned economies of the Soviet time and integrate them into the world economy, and to make use of the potential of the region. The Black Sea Economic Cooperation (BSEC) was established on the idea that stronger economic cooperation among the Black Sea countries would enhance peace and stability in the region. Turkey has been pursuing a constructive and balanced policy in the Black Sea, the main pillars of which are inclusiveness, transparency and regional ownership. These principles are important as they are the very principles that would prevent the emergence of new dividing lines in the Black Sea region as we had in the past.

When we take a look at the past 15 years, we see an initiative developing its structures into an established and full-fledged Organization. From being engaged in purely economic cooperation, BSEC has broadened its activities to environmental protection, water management, science and technology, institutional renewal and good governance, seismic protection and soft security measures in the framework of multilateral cooperation. Soft security includes combating transnational organized crime, illegal trafficking of drugs, human beings and arms, terrorism, corruption and money laundering.

BSEC currently has all the features that can be expected from a regional cooper-

ation platform. We believe that what we now need is to look forward and find a common vision and determination among the Member States for concrete achievements. Although the Organization has so far fallen short of living up to the potential in the region, particularly due to the fact that the Members started to have diverging priorities after the BSEC was created, lately the situation has started to change. The interests of the BSEC Members have begun to converge, and BSEC countries are now able to develop common strategies and approaches on diverse issues. We can see this shift also in the activities of the Organization which successfully completed its reform process and has finalized the legal basis for two comprehensive infrastructure projects, namely the coordinated development of the Black Sea Ring Highway and the development of the Motorways of the Sea in the Black Sea region.

Today's world is very different from the one when BSEC was established. The importance of the Black Sea and Eurasia is on the rise. The Black Sea basin is becoming a centre of gravity regarding oil, energy, transport and trade. We have every reason to believe that this trend will continue. Capitalizing on past experience and making use of the growing interest from the international community to our region, now is the time to look forward, to determine what we can do in certain areas where the Members can find a common ground.

The most challenging question we have now is how we can enable the region to live up to its potential to the benefit of all. This question leads us to the issue of shared interests and goals, and, of course, common strategies that we can embark upon. The economic and social well-being of the region is the overarching goal that all BSEC countries would like to reach for the joint interest of all. The main idea here is that the economic development of the region would bolster peace and stability, which is also another important common objective for all. Through different means, instruments can be promoted that would ensure the economic and social development of the region. This also requires focus and prioritization, taking into consideration the scarcity of resources.

Turkey undertook the Chairmanship-in-Office of BSEC as of 1 May 2007. During her Chairmanship-in-Office, Turkey is prepared to make every effort to use in full the capacity and potential of BSEC. While doing this, we will keep our focus on the areas where there is space for a considerable degree of progress. For this reason, during our Presidency, we will base our vision on (a) increasing efficiency and practicality, (b) pursuing a project-oriented approach, (c) reaching out to other partners, (d) increasing public awareness and common identity, (e) facilitating trade and investments, and (f) focusing on a sectoral approach.

With a view to strengthening the sectoral approach, the Turkish Chairmanship has defined five priority areas of common interest for BSEC Members as well as for potential partners that would be interested in contributing to the implementation of the projects that could have direct effects on the improvement of the lives of the people in the region. These areas are environment, transport, energy, trade and combating organized crime. Turkey was careful in selecting, from among all the others, those five priority areas, because we believe that these areas would serve as a common ground for the interests of the BSEC Members as well as potential partners, including the EU.

Working together with other international partners would strengthen our Organization's capacity to carry out important projects. Ongoing projects with the UNDP and OECD are good initiatives, and BSEC should consider expanding its cooperation further to other international organizations with concrete projects.

BSEC's interaction with the EU offers promising results. Two more BSEC countries, Bulgaria and Romania, have acceded to the EU. We welcome the recent initiative of the EU to develop a comprehensive policy towards the Black Sea. We consider that this is a continuous process that is bound to create a stronger dialogue between the BSEC and the EU. We also consider that BSEC, as the only inclusive and full-fledged organization in the region, should be the natural partner for the EU.

Developing awareness of a common identity among the peoples of the BSEC region is important, although this has not been given due consideration until recently. BSEC is a unique platform of cooperation for countries with many shared historical, cultural and social values. In a region where the quest for stability is the priority, the importance of building bridges between the peoples of the region by underlining these common values should not be underestimated. Scientific and technical cooperation among universities could be an excellent tool to this end. The newly established Working Group on Culture has the challenging task to examine the opportunities and potential with a view to reinforcing this common identity.

BSEC countries encompass an area of approximately 20 million square kilometers with 330 million people, which means a huge economic potential. Its vast natural and human resources enabled the BSEC countries to have remarkable economic growth and development over the past five years. Representing 7.6% of the overall world economy, the GDP of BSEC region grew by 6% annually, with a total GDP amounting to 3.4 trillion USD in 2005. There is a steady increase in the share

of the BSEC countries in the world economy. These figures convincingly demonstrate the huge potential for trade between the Black Sea countries which have complementary economic structures. For example, the overall trade volume of Turkey with BSEC countries, which was 22.1 billion USD in 2004, rose to around 38.2 billion USD in 2006, which is a substantial increase. This constant trend of increase in the trade volume of Turkey with BSEC countries may also be seen as a consequence of a general trend of growth in intra-BSEC trade.

We have to make every effort, all together, to finalize the ongoing projects as soon as possible. One major priority should be the facilitation of trade and investment among the BSEC countries by working on issues such as visa facilitation, elimination of non-tariff barriers and more interaction between the business communities. People-to-people relations and interaction will have a guiding role to shape our intergovernmental relations.

The BSEC Charter stipulates the creation of a free trade area within the BSEC region. We believe that a regionally-owned initiative will easily have the EU's support in this area. This initiative can be in the form of trade facilitation or more ambitious schemes, subject to a consensus among the interested parties. The EU has been working on a trade arrangement with the Gulf Cooperation Council which can be considered as a model for possible BSEC-EU trade arrangements.

One of the most essential elements for regional economic cooperation organizations is the existence of a bank to finance trade and projects. BSEC has this facility. The Black Sea Trade and Development Bank based in Salonica was created to contribute to the goals of BSEC. Turkey is among the three biggest shareholders of this Bank. It is good to see that small shareholder countries have started to increase their portfolios on a project basis. We believe that the Member States should benefit more from the Bank.

There is another modest, yet important financial tool which reinforces the project-oriented vision of BSEC, that is the Project Development Fund (PDF). We consider this Fund to be instrumental for undertaking new projects, which will help to strengthen the image of our Organization. We have to focus on strengthening the financial structure of the BSEC, the Bank and the PDF, in order to enable the Organization to undertake major regional projects. BSEC should take advantage of the increasing international interest towards our region in order to explore new horizons.

Frozen conflicts are major impediments to our cooperation and they are being

dealt with through specially devised processes. In the Black Sea context there is a deliberate separation between economic and security domains, although they are related, inter-linked and mutually supportive. This separation is made for practical reasons, in order not to block cooperation among regional countries with tough political problems. A higher degree of economic cooperation can eventually contribute to the facilitation of the resolution of political issues. Any initiative in the region, whether economic or political, should be transparent and inclusive; otherwise it is bound to erect new dividing lines in the Black Sea region. The cooperation initiatives should not, and cannot, duplicate or substitute for existing ones; nevertheless, they can be supportive of them. These are the main reasons why we do not prefer BSEC's involvement in political matters. However, we can use the potential offered by the Ministerial Meetings, especially the BSEC Council of Ministers of Foreign Affairs, for informal exchanges of views on political issues as well, in order to facilitate solutions.

On the other hand, we can talk about risks rather than threats in the region so far as security is concerned, and the Black Sea littoral states are able and capable to cope with these risks. The initiatives such as BLACKSEAFOR and Operation Black Sea Harmony are regionally owned responses that would effectively address these risks.

BSEC's 15th Anniversary Summit will constitute an important milestone for our Organization in realizing our vision to make BSEC vital to cooperation in the Black Sea region and to give a mandate and guidance to that effect.

The BSEC and Ukraine

H.E. Arseniy YATSENYUK
Minister for Foreign Affairs
Ukraine

Ukraine was one of those eleven states that, on 25th June 1992, signed in Istanbul the Summit Declaration and the Bosphorus Statement giving birth to the Black Sea Economic Cooperation (BSEC). In June 1998, Ukraine hosted in Yalta a significant for the BSEC 4th Summit of the Heads of State and Government, where the Charter of the BSEC was signed, transforming the intergovernmental initiative of co-operation into a full-fledged regional organization. This 4th Summit became for our state, which is one of the largest Black Sea countries, an opportunity to realize the aspirations to confirm its constructive approach to participation in the Black Sea regional processes.

Nowadays, owing to the great work done by its statutory organs and related bodies, the Organization has a complex impact at a regional level and embraces a number of different fields of cooperation among the BSEC Member States, both economic and security related, as well as a wide spectrum of humanitarian issues.

For Ukraine the BSEC membership is of special importance and wholly corresponds to the provisions of its National Security Strategy, according to which the main priorities of regional cooperation policy in the Baltic-Black Sea-Caspian region are:

- development of harmonious, mutually beneficial, neighbourly relations with the countries of the region;
- accomplishment of democracy and security in the region, expanding bilateral and multilateral cooperation with the countries of the region with regard to the development of a common energy policy, in particular in the field of transit of energy resources;
- stepping up interaction with European regional organizations and participation in the implementation of multilateral projects, establishing subregional collective security systems in the interest of all states in the region.

While participating in the BSEC projects, the Ukrainian side is positive that, in the context of the new concept of transport corridors adopted by the European Union,

these projects are of essential importance for the Organization itself and for all Member States, particularly in the process of their integration into the European economic space.

I hope that the upcoming 15th Anniversary BSEC Summit will bring about further decisions on how to increase the effectiveness of the Organization, particularly its project-oriented approach, and will contribute to the determination of common positions on cooperation with the European Union, which has become a direct factor of the BSEC processes after Romania's and Bulgaria's accession.

An efficient system of BSEC international contacts and cooperation should be established for the elaboration of the BSEC initiatives and programmes that are in line with the foreign policy strategy of the BSEC Member States and directed towards the development of integration with the EU and the creation of an integral Europe. The new concept of the BSEC is meant to encourage the realization of a Euro-integration strategy for its Member States according to the existing international legal instruments and integration status, specifically EU membership, association, neighbourhood concept, etc.

I believe that the positive development of interaction between the BSEC and the EU should be deepened by the efforts of both sides.

The recent exchange of views about the prospects of the BSEC-EU cooperation during the meetings of representatives of the two Organizations demonstrated that our cooperation has its future in wider Europe and should be built on a pragmatic basis and coincidence of interests of the BSEC and the EU in such fields as transport, energy security, ecology, border control, crime prevention, etc.

While speaking about a pragmatic approach to the EU-BSEC cooperation, we should also remember the mandate of the BSEC as an economic Organization.

The main aims of our collaboration within the BSEC are to stimulate trade, to develop the financial and legal basis for regional interaction, and to conduct macroeconomic reforms that will contribute to the realization of national programmes for stability, development and improvement of capital markets.

I am confident that trade, being an eloquent index of the effectiveness of economic activities, will play the main role in the Black Sea region. That is why the most important task of the Organization should be to assist in the liberalization of trade by eliminating the numerous tariff and non-tariff barriers, a subject which has been

already discussed with the BSEC.

The BSEC has acquired a new dynamic and has gradually become an influential regional driving force. Among the important trends there are those that will strengthen the security component of the Organization, while at the same time preserving its economic character. Taking into account the world tendencies, the areas of our cooperation should be also supplemented with interaction in the spheres of combating terrorism, drugs-trafficking and arms traffic with a view to strengthening the BSEC authority and its international contacts.

The BSEC should also provide support to the efforts of the world community directed at combating terrorism, resolving the so-called "frozen conflicts" in several countries of the region as well as combating trans-border crime. With this aim in mind, it is necessary to coordinate the activity of the BSEC with the corresponding programmes supported by the UN, OSCE, EU and NATO.

We also believe that, by establishing effective contacts with economic and financial institutions, the Organization will contribute a lot to the elaboration and implementation of concrete projects in the economic sphere, in particular by concluding instruments of cooperation with the World Bank and specialized organizations of the UN such as UNIDO, UNDP and FAO.

The signing of the Memoranda of Understanding on Coordinated Development of the Black Sea Ring Highway and on the Development of the Motorways of the Sea in the BSEC Region is suggested to have its logical continuation in practical steps leading to the development of transport networks, in particular short-shipping and ferry links, that will contribute to the process of integrating the region into the European transport network and the development of Eurasian transport corridors.

The amount of BSEC achievements over all those years, especially the intensification of the work of subsidiary organs in the fields of transport, energy, environment protection etc., responds to the aspirations of the Organization to consolidate and stimulate the development of versatile regional and inter-regional cooperation aiming to resolve the existing problems and tackle urgent tasks.

The international environment has changed drastically since the adoption of the Istanbul Declaration. We face new challenges and tasks nowadays, including economic integration which cannot evolve without political stability and integration.

The Black Sea region cannot be considered in separation from the modern world

processes. Thus, the agenda of the BSEC should include the main European democratic values, the promotion of democratic principles in the Black Sea region, strengthening the various formats of interaction between the Member States of the Organization, widening cooperation with the other regional organizations and initiatives within and outside the Black Sea region.

The increase of the regional role of the BSEC and of its influence on the processes of development of multilateral cooperation among the states of the region according to the defined priorities should become the main aims for the further development of the Organization.

In order to enhance the economic component of the BSEC activity, which is its main task, taking into account the prospects for the development of trade relations between the BSEC Member States and the EU, in my opinion, it would be expedient to renew the consideration of an initiative that was once discussed without being developed to create a Free Trade Area within the BSEC as an ultimate aim. The realization of this initiative would undoubtedly become a driving force for the sustainable development of trade and economic relations among the BSEC Member States. The creation of a Free Trade Area will strengthen more quickly the region's role in international relations and will help the development of market-driven socio-economic models and democracies in the Member States and in the Black Sea area as a whole. The Free Trade Area can also positively influence the development of other countries and regions by regulating access to their internal markets.

Given that a bilateral regime of free trade exists between many Member States of the BSEC, this large-scale, long-term project should be realized in parallel with the completion of accession of all Member States to the WTO as well as the signing of bilateral free trade agreements with the EU.

In the framework of its BSEC Chairmanship, which starts as of 1st November 2007, Ukraine is set to elaborate an action plan on the intensification of collaboration among the coastal regions and cities of the Member States.

Within the BSEC framework, the realization of transport, economic and ecological projects at a regional level is feasible with the involvement of local initiative, private capital, entrepreneurship and non-governmental organizations. The effectiveness of such kind of programmes is proved by the example of European regional activities.

In the framework of its Chairmanship, Ukraine also plans to initiate, in collaboration with the Black Sea Trade and Development Bank, a forum of representatives of the banks in the BSEC Member States in order to discuss the possibilities for the formation of syndicated loan pools to finance large-scale projects for the development of trade and infrastructure, and the opening of new credit lines.

In my opinion, the potential of the BSEC is not fully used. Therefore, we support in principle the proposals for BSEC reform that are to be considered at the BSEC Summit in June 2007 in order to increase its potential to influence the processes in the region.

We highly appreciate the initiative of the Republic of Turkey to host the 15th Anniversary Istanbul Summit on 25 June 2007. We believe that this event will ensure an effective realization of the BSEC goals and tasks.

Albania: A Co-founder of the BSEC

H.E. Lulzim BASHA
Minister of Foreign Affairs
Republic of Albania

Albania has been a Member State of the Black Sea Economic Cooperation since its foundation in 1992. The decision to seek this membership was extremely important for the democratic Government of that time; it was designed to speed up market economy reforms, to engage in an exchange of positive experience and to encourage political dialogue in order to level out disagreements or possible differences of positions. The membership of BSEC was the first experience in regional cooperation for Albania, after half a century of self-imposed isolation. In the early years, many friends and partners asked a naive question, wondering how was it possible for Albania to become a BSEC member, when we are so far away, i.e. when we are not a littoral Black Sea country. They confused in this way the essence of regional cooperation with the symbolic value of a sea viewed as the central element of a region.

The Albanian Government, through its Foreign Ministry, intended to accelerate democratic reforms, fill the legislative vacuum and make up for the deficient experience in market-economy reforms. The above-mentioned membership was meant to serve exactly to that end.

With the same goal in mind and following the same path, Albania also aimed at accession to other regional groupings, which materialized with its membership in the Central European Initiative (CEI), Southeast European Cooperative Initiative (SECI), Adriatic and Ionian Initiative (AI), Stability Pact for Southeast Europe (SP) and Southeast European Cooperation Process (SEECP).

Albania has translated its will and readiness for fruitful and rapid regional cooperation into meaningful participation in these initiatives, having even a relatively more frequent presence at their meetings than many other countries. Fifteen years of experience in the BSEC or about ten years in other initiatives have been really very precious for us.

The Albanian performance at the rotating chairmanship or presidency of these initiatives has undoubtedly been a significant opportunity to make sustained efforts

and to demonstrate seriousness, professionalism, moderation and management abilities. In recent years, Albania held the Chairmanship of BSEC in 2002, SEECP in 2001-2002, and two annual rotating chairmanships, in 2005-6 and 2006 respectively, of the All and CEI Initiatives. Given the modest human and financial resources of a small country like Albania, many colleagues from various countries positively appreciated Albania's commitment to honour its obligations during those chairmanships, two of them simultaneous as it was the case with CEI and All last year. During and after these chairmanships, Albania enjoyed a satisfactory regional visibility.

The picture of regional initiatives after 10-15 years is also related to the noteworthy achievements of the Member States of these initiatives. Thus, for instance, mention can be made of the Visegrad Group; in this case of regional cooperation all member countries were integrated into the EU. In another case, that of the Council of the Baltic Sea States (CBSS), most Member States were integrated into the EU. In the case of the CEI, EU members account for half of its Member States. Finally, one fourth of the BSEC members have already joined the EU.

Such developments have revitalized the debate on the need to absorb this qualitative change through reform and adjustment to the new reality. The fact that this debate has involved simultaneously several initiatives such as BSEC, CEI, SEECP and SP is also quite interesting. The intention is more or less similar: proceed with reform, move on to a new, qualitatively higher and more advanced stage, and fit into the new circumstances.

I rejoice at the fact that BSEC, which is perhaps the most well-structured regional organization of all existing regional initiatives in Eastern Europe, continues to be subject to a reform process, so as to become more operational and effective for project implementation in various fields.

If we throw a retrospective glance at BSEC's history, we come to the conclusion that, in general lines, it has been a success story in terms of political cooperation, exchange of various experiences, legislation approximation, economic cooperation and in other fields as well. The BSEC countries have increasingly better realized that they are 'condemned' to think and cooperate within a regional mentality and context. Likewise, they are obliged to establish regional networks or infrastructures in several priority domains such as energy and transportation.

I would say that BSEC has become a regional actor that carries some weight and has a respectable image. It has also served as an incubator for several satellite

centres and bodies dealing with sectoral cooperation. It has succeeded in bringing to the table even countries that have noticeable differences in terms of political positions, even countries with a poor record of neighbourly relations.

Albania's participation in the Organization of the BSEC has had clear strategic intentions, to the benefit of our national interests.

The self-imposed isolation of our country for almost half a century created a huge gap in some strategic domains such as energy and transportation, just to mention very few. At the outset of the 90s, Albania found itself outside regional and European transportation networks, with very inappropriate conditions for its commercial and economic foreign relations and for economic development as a whole. Therefore, the intention of the Albanian Government is to make our country a part of the European transport corridors as soon as possible, with special priority being attached to Corridor 8, connecting the countries of the Black Sea basin with Italy or Western Europe through Bulgaria, Macedonia and our country.

In this context, several border points are being established, with the entire relevant infrastructure meeting modern standards on all border segments with the neighbouring countries: Greece, Macedonia and Kosovo. Many roads, road bypasses and highways are under construction with these countries; one may mention, for instance, the highway under construction linking Durrës with Kosovo, which would certainly serve also Macedonia and Serbia, providing these countries with access to Durrës harbour. This new infrastructure will be conducive to very fast development of economic cooperation among these neighbouring countries; it could even develop into a multimodal highway.

At the beginning of the 90s, our country also experienced a catastrophic situation in terms of electricity production, transit to and from the region and links to European networks. Albania not only inherited a system based almost entirely on hydroelectric generation, but it also remained to this day outside the network of European oil and gas pipelines of vital economic significance.

Through its multilateral diplomacy, Albania makes great efforts to get rapidly involved in projects for regional gas network connections.

Likewise, our country has been investing a lot in the multiple interconnection of our country with other countries of the region by facilitating and improving all-season energy exchanges with these countries.

Moreover, the Albanian Government has included in its programme the diversification of energy sources by making investments and initiating concessionary initiatives to tap new sources of energy in the form of hydro and thermo power plants, as well as renewable energy (solar and wind) with an aim to turning, within the shortest possible time, from an importer into an exporter of electric energy.

BSEC has succeeded in harmonizing the experience of the countries that have had a long and uninterrupted performance in terms of the rule of law and market economy with the experience of the countries that have newly emerged from the communist system. It has also shown that experiences can be exchanged perfectly well between a small country and a large or very large country. Likewise, it has also shaped multi-modal cooperation in a region that displays immense cultural, linguistic, religious and economic diversity.

The transformation of the BSEC from a simple initiative into an organization of economic cooperation was undoubtedly a distinct and very encouraging moment in its work; moving on to project implementation and management become an important turning point in the life of BSEC.

How has BSEC performed this new mission? I think that the efforts made and the results achieved have given a positive impetus in the proper direction, i.e. work on region-oriented projects. I should mention, however, the recent occurrence of somewhat slower progress, mainly due to a shortage of funding by powerful investors.

I am of the opinion that the reform process, which BSEC has been very seriously committed to, will bring new vital quality to its performance in terms of project implementation in various fields. I would single out in this regard the efforts to upgrade the relations between BSEC and EU, which will certainly have a positive impact. Likewise, the identification of new possibilities to involve various international financial organizations in this process of regional cooperation is of special significance. Meanwhile, the need for a positive and pragmatic approach and for an increased interest on the part of a number of countries that carry major European and global weight and that currently have BSEC observer status, should also not be neglected. The harmonization of mutual interests among these countries and BSEC should be done on the basis of something that is very precious to BSEC: regional ownership. There is rich regional expertise, let me underline this point, in this region which is acquiring also an increasing geopolitical significance.

The regional cooperation that BSEC is currently promoting certainly contributes to

European cooperation in general and to EU integration in particular.

Thanks to its increasingly authoritative voice, BSEC will also play a significant role in the future, even on some global issues such as the fight against terrorism, global warming, environmental degradation, natural and man-made disasters or emergencies as well as in other fields. It is important to underscore that, in the future, the Albanian Government intends to be an active partner in the BSEC context, in this domain of security issues, in combating terrorism and organized crime.

We have to pay attention also to the fact that there are numerous working groups operating in various fields of cooperation within BSEC. We shall strive to participate in their work, within the boundaries of the real potential of our small country, the financial aspects being interlaced with human capacity. Sometimes we also face difficulties in getting entry visas, considering that we do not have embassies in the capitals of some Member States. Therefore, I think that the countries hosting BSEC activities during the rotating Chairmanship-in-Office should think how to facilitate the issue of entry visas, at least by providing them directly at the airport or at other entry points.

At important regional forums, I have expressed the thought that at various coordination and cooperation meetings among regional initiatives, in the future, we should work more actively to avoid overlapping or duplication of those initiatives. Unfortunately, despite repeated discussion on the subject, there are still problems like these. We should also think about shaping the distinctive profiles of those initiatives in order to achieve better identities and regional ownership.

It is known that the geographic distribution of BSEC Member States is relatively diversified. It includes immense countries, as large as a continent and very small ones, with a population of 3-4 million. BSEC members, for instance, are countries close to the Caspian Sea like Azerbaijan or Armenia and countries far away from the Black Sea like Serbia. The sub-regions are diversified as well. Under these circumstances, in the future, BSEC should work on a better project distribution, aimed at giving project access to all countries, regardless of their geographical location or distance from other countries. Hence, countries like Albania or Serbia, a little peripheral from the centre should have equal opportunities for project participation compared to other Member States, although they may have as a neighbour only one BSEC Member State or none at all. The inclusion of the other non-member countries in special projects would better serve this goal.

Likewise, the employment of officials, if possible from all Member States, includ-

ing those from smaller countries, at the BSEC Secretariat (PERMIS) would positively serve the further invigoration of the Organization's democratic spirit.

BSEC should keep on the positive experience of cooperation with UN specialized agencies for the promotion of projects in various fields, where common interests can be clearly identified.

Finally, I would also like to mention that the organization of the BSEC Summit in the context of the 15th anniversary of its founding would be an extremely important opportunity to analyze the BSEC work performance during a decade and a half, to provide the necessary recommendations and to outline new paths for the future.

The Republic of Armenia and the BSEC

H.E. Vartan OSKANIAN
Minister of Foreign Affairs
Republic of Armenia

This organization was established to build bridges across the Black Sea, from west to east and from south to north. The Black Sea Economic Cooperation was conceived to provide concrete opportunities for cooperation, integration and support, to provide benefits for all, from a limitless pool of potential, or more correctly, a limitless sea of potential.

Today, the role of BSEC has become more vital and the role of the ICBSS, too, is of greater import and significance. As the institution charged with studying, deliberating and proposing policy, ICBSS is best positioned to identify specific avenues for enhanced cooperation and deepening of shared interests.

An EU dimension within BSEC will formalize the premise that was at the heart of the establishment of this organization – that as Europe grows and changes, the promise of economic cooperation within and around Europe will grow, and the countries of the Black Sea must be prepared to contribute to and benefit from such developments. The specific efforts aimed at broadening interaction between BSEC and the EU and institutionalizing such interaction is critical for our time. We appreciate the ICBSS concentrating on this relationship and working with all BSEC institutions so that they can help formulate the structure for such cooperation.

This organization began because there was a vision. It continued to operate because those around the Black Sea needed that vision, and those outside the Black Sea region wanted to believe in the promise of that vision. We wouldn't need an organization such as this one if every country in the Black Sea area cooperated and shared. We need this organization precisely because this is a complex region with a variety of economic, social, historic and political experiences that require special conditions. The BSEC tries to be the place where environmental, economic, social and even political differences are mitigated, keeping in view the future, and not the competitive, sometimes adversarial past.

Despite differences among states, the BSEC and its institutions have already proven their viability. The Republic of Armenia reiterates our confidence that this organization, its mission, its project-based approach are crucial for peace, stability and prosperity around this ancient sea, in modern times.

The BSEC: Towards New Horizons of Cooperation: A View from Azerbaijan

H.E. Elmar MAMMADYAROV
Minister of Foreign Affairs
Republic of Azerbaijan

First and foremost, I would like to congratulate all BSEC Member States on the solemn occasion of the 15th Anniversary of our Organization. For fifteen years we have been united by the idea and aspiration of transforming, through economic cooperation, this vast, once divided and enormously rich area into a region of peace, stability and prosperity. These 15 years have been an extremely important, enriching and valuable learning experience of developing a comprehensive framework of cooperation in the context of new geopolitical realities, as well as developing a new sense of common ownership and responsibility for the future of our peoples.

There are undeniable advancements on the road of our cooperation, with gradually converging views and interests, bringing us all to a higher degree of maturity and better comprehension of the future of the region. As we attempt to define the prospects of our cooperation and strive to make the Organization a more visible and important player in regional affairs, we need to look back and reflect on what has been accomplished and what has not, and why.

The evolution of BSEC

Indeed, these 15 years have been an extremely important period for the formation of BSEC as an organization. Over the years BSEC has evolved into a full-fledged regional organization with developed institutions, instruments and mechanisms of cooperation, a framework embracing cooperation in parliamentary, academic, banking and business domains. It has developed into an organization with distinct regional identity. The fact that this is so far the only comprehensive and all-inclusive framework of cooperation in a vast and complex region should not be underestimated either.

The attractiveness of BSEC for the regional countries and its international recognition are also increasing. The Organization today unites 12 Member States stretching from the Adriatic to the Caspian. The number of countries seeking Observer status is also on the rise, as well as number of international organiza-

tions looking for collaboration.

BSEC has served as a useful framework for dialogue as well as a platform for the development of project concepts and initiatives across the spectrum of areas of cooperation that can be hailed as significant achievements taking into account the complex regional context and the modest resources committed.

But there is still a question: is BSEC powerful enough to face the challenges of the changing environment in which it operates?

Today our region is an area of unprecedented growth, perhaps the highest in global economy, and enormous economic opportunities for cooperation and development. It is also recognized as a region of ever growing geo-strategic importance and significance, for it provides access to new alternative sources of hydrocarbons in the Caspian and Central Asia, as well as to new emerging markets.

The past five years since the Decennial Anniversary have witnessed dynamic and radical changes in the region. A new tapestry of the region is being woven by new roads, pipelines and other infrastructure projects, not only enriching the mosaic of its economic landscape but also integrating it into the fabric of global economy. With these new developments in the Caspian and Black Sea regions, BSEC is emerging as an important pillar of energy stability and security architecture.

The recent accession of Bulgaria and Romania to the European Union has given a new impetus to the EU-BSEC interaction. The latest Communication of the EC titled "Black Sea Synergy" opens new prospects for cooperation between the two organizations.

We welcome the establishment of the enhanced dialogue and close cooperation between BSEC and EU. We hope and believe that, complementary to the bilateral cooperation under various instruments, the development of a regional framework of interaction between BSEC and EU will significantly contribute to the development of BSEC region as a cohesive economic area without new dividing lines and as part of the wider European space. The closer and more comprehensive engagement of the EU in the BSEC region will encourage all Member States, in particular those in transition, to proceed more resolutely with reforms and to shape BSEC as a cohesive region and as an integral part of wider European architecture.

In this regard, a new platform of cooperation, complementary to bilateral relations between the EU and BSEC Member States, needs to be elaborated. We have to pursue a realistic approach and develop our relationship based on the clusters of cooperation that are of common interests.

Cooperation with the international community

International cooperation is indispensable in addressing the modern challenges of development. Mobilization of the needed resources, utilization of experience and know-how, spread of best practice, elimination of unnecessary duplications to ensure better synergies - all these are prerequisites for the successful implementation of a challenging regional development agenda.

We welcome closer cooperation with international organizations such as UN, OECD, OSCE and others. We believe that collaboration with these organizations and implementation of joint projects will contribute to the improvement of the economic climate in the region and will stimulate trade and cooperation among Member States. We also hope that these projects will enhance the professional capacities of the BSEC Secretariat. We think that this pattern of cooperation with international organizations should be further developed and continued.

In view of the increasing number of regional cooperation initiatives, we believe that better coordination of activities among them will help to avoid unnecessary duplications and excessive use of resources.

Azerbaijan, regional cooperation and BSEC

European and Euro-Atlantic integration is our strategic objective. Therefore, the Wider Black Sea and Caspian region is an area of our vital interests. The development of comprehensive and balanced regional cooperation is a cornerstone of our foreign policy. The advantages of our geography, our rich natural and human resources and economic potential are among our major assets in the implementation of the national development strategy.

Due to the pursuit of our development strategy and the process of reforms, Azerbaijan has achieved rates of growth unprecedented in its history and the highest in the global economy: 26.4% in 2005 and 34.5% in 2006. During the last three years more than 500.000 new jobs were created in the non-oil sectors, reducing poverty below 20%. The inflow into Azerbaijan of direct private investments for over a decade exceeded 30 billion USD, and the pace and volumes will continue to grow.

One of the objectives of the national strategy is to develop Azerbaijan as a regional hub with a strong and modern infrastructure capable of serving the intense trade flows between Asia and Europe.

We have succeeded in the development of a diverse *energy infrastructure* capable both to support the development and export of national hydrocarbon resources as well as the transit of resources from Central Asian partners to international markets. We completed the construction and commissioned two major regional pipelines – Baku-Tbilisi-Ceyhan (oil) and Baku-Tbilisi-Erzurum (natural gas) – as core elements of the East-West Energy corridor.

We have embarked on a comprehensive multibillion programme of upgrading and developing a modern transport infrastructure to be able to handle increasing traffic of goods and general cargo between Europe and Asia. Recently, in Tbilisi, the Heads of State and Government of Participating states Turkey, Georgia and Azerbaijan have launched the construction of the Baku-Tbilisi-Kars railway link as an important part of the East-West transport corridor.

Azerbaijan is hosting Regional Dialogues with the EU on transport and energy, given the importance of these two areas of cooperation for the region and beyond it.

We also participate in a number of regional organizations, initiatives, projects and programmes such as TRACECA, North-South Transport Corridor, INOGATE, ECO, CIS, GUAM and others. Undoubtedly, we attach great importance to the development of regional cooperation in the framework of BSEC.

My country has proved its credibility as a pioneer and champion for many positive and significant developments in the region as well as a reliable partner. There are many examples of successful cooperation in the region bringing development and stability, thus demonstrating what we can achieve together, united by common goals and good will.

However, a number of unsettled protracted conflicts is the major impediment to comprehensive, balanced and all-inclusive regional cooperation. In this context I have to mention the continuing occupation by the Republic of Armenia of about 20% of our territory, the existence of almost 1 million refugees and IDPs as a consequence of this aggression that makes cooperation with this country impossible and unacceptable. The withdrawal of Armenian troops from the occupied territories, the return of IDPs to their places of origin, the recognition by Armenia of our

territorial integrity as it is done by the whole international community will open new horizons and opportunities for our bilateral and regional cooperation.

Azerbaijan has been striving to play a constructive and active role in the BSEC process. During our two successive Chairmanships of BSEC, in 2003-2004, we put emphasis on cooperation in transport, energy, tourism and education, as well as continued support to the development of regional projects through the Project Development Fund. Azerbaijan was among the first countries which voluntarily contributed financially to the Project Development Fund.

Reform and restructuring of BSEC

Moreover, most importantly to our mind, we have pushed hard to initiate the process of reforms in BSEC to make it more responsive and relevant to new opportunities and challenges.

A sound and consistent process of reform and restructuring is crucial to enhance cooperation in the framework of BSEC and remains relevant. We wholeheartedly support reforms; however, we think that the measures undertaken so far are more of a reactive nature rather than responses based on well weighted assessments and analysis of organizational deficiencies and weaknesses of BSEC.

We believe that informal brain-storming sessions at a high level about the future of BSEC should be an essential part of the BSEC activities in order to maintain its relevance to its environment and current challenges.

We need to bring the whole organizational setup of BSEC in accordance with the needs, demands and challenges that our countries and our region as a whole are facing. It is obvious today and it will be more so tomorrow that we cannot operate this system efficiently and in concert. The Organization cannot efficiently function based on the rules designed 15 years ago in a completely different environment.

It is largely the new opportunities for growth and the unrealized potential and expectations in BSEC that push for a search of new frameworks of regional cooperation. In this challenging environment BSEC has to compete to further prove its viability and *raison d'être* to its countries and peoples.

The way forward

It is widely recognized that international organizations underpin human progress. In this sense the level of cooperation in BSEC reflects the state of affairs and the degree of our maturity and readiness for further advancements. We believe that

the path that we have passed together during the first 15 years has brought us to a new juncture from where new horizons of cooperation are opening. To succeed we have to charge our Organisation with a common and shared vision, introduce relevant organizational design and procedures, support it with adequate resources and, last but not least, with strong political will and commitment. With clearer vision and understanding of our mission and enhanced capacity we will be able to make BSEC an overall winning formula.

Bulgaria and the BSEC

H.E. Ivailo Georgiev KALFIN
Deputy Prime Minister and
Minister of Foreign Affairs
Republic of Bulgaria

The Initiative of the Black Sea Economic Cooperation (BSEC) was launched in 1992, in order to provide a common basis for economic cooperation in the region.

Today, BSEC is approaching a significant landmark in its development: the 15th Anniversary. During its fifteen years of existence, BSEC has become a full-fledged organization with a well established institutional framework.

The philosophy of the BSEC is that regional economic cooperation represents a step towards a higher degree of economic development and further integration of the BSEC Member States into the broader European and global space.

The Republic of Bulgaria is an active promoter of the principles of good neighbourly relations and enjoys active cooperation with all the countries of the BSEC region.

We share the opinion that the regional cooperation among the BSEC Member States should be developed in close interaction with the European and the Euro-Atlantic integration processes. It should be focused at this stage upon the implementation of economic programmes and infrastructural projects of regional and European importance.

The Bulgarian interests lie in developing regional cooperation based on the principles, values and standards of the European processes of integration.

The EU participation in the development of regional cooperation in all its aspects is of key importance for the national interests of Bulgaria.

The long-term goals of Bulgaria towards the BSEC region are:

- to safeguard its national security through achieving lasting stability in the region;
- to create favourable conditions for the development of the Bulgarian econ-

omy through increasing cooperation in the Black Sea region on bilateral and regional basis;

- to promote democracy, rule of law, human rights and good governance.

The Republic of Bulgaria supports an enhanced cooperation among the BSEC countries based on the following principles:

- shared responsibility for the development and prosperity of the region and ownership of the regional cooperation process;
- an inclusive approach ensuring that no country of the region is excluded;
- pragmatic approach;
- synergy between various regional initiatives and programmes;
- each country may decide whether to participate or not in a given project developed at the initiative of concerned countries in the region;
- co-financing from regional partners or other sources, including international financial institutions, government and private funds, establishing partnerships of the Northern Dimension type.

Bulgaria will actively promote the formulation and implementation of an enhanced EU policy in the Black Sea region, as well as the cooperation with other international, regional and local organizations and institutions.

At this stage, we do not consider that it is necessary to create new structures and institutions. The further development of the European Neighbourhood Policy and the EU-BSEC dialogue will show if such a necessity could arise in the future.

An observer status for the EU to the BSEC could be instrumental in furthering regional cooperation without creating new institutions.

Following the full membership of Bulgaria in the EU, the Bulgarian institutions have reached a consensus to include the Black Sea cooperation – Objective 3 'European Territorial Cooperation' of the new EU Cohesion Policy 2007-2013 – in the National Strategic Reference Framework. This is not a legal requirement, but it highlights the priority which Bulgaria attributes to the Black Sea regional cooperation in the context of its national development policy.

Being a major transit corridor for the energy resources of Central Asia and the Caspian basin, the Black Sea region becomes increasingly important for the new Energy policy of the European Union insofar as the strategic objectives of this policy relate to the security and diversification of energy supplies. In this context Bulgaria considers that it is of crucial importance to include measures aimed at strengthening the partnerships between the key producers/suppliers (Russia,

Caspian region and Central Asia), major energy importers (EU) and transit countries such as Ukraine, Turkey and South Caucasian states. Bulgaria supports the establishment of a Pan-European Energy Community on the basis of the EU/SEE Energy Community.

The Black Sea Economic Cooperation (BSEC) has the potential to coordinate the cooperation among its Member States in areas such as combating cross-border organised crime, illegal trafficking of humans and terrorism as well as joint action in response to emergencies caused by natural disasters or industrial accidents.

The Republic of Bulgaria is prepared to take part in all forms of cross-border cooperation designed to enhance security and stability in the Black Sea region and in that regard to strengthen the capacity of the Black Sea Border Coordination and Information Centre in Bourgas and the National Border Coordination Centres of the Black Sea countries. Funding is to be sought from the European Neighbourhood Policy Instrument (ENPI).

At a national level, a set of legislative, institutional, administrative and organizational measures is being undertaken to address border security threats in the aquatic territories and build an efficient system for the protection and control of the sea borders.

The Republic of Bulgaria shares the opinion that an enhanced dialogue with the EU concerning the modernization of the system of public service delivery in the BSEC countries can contribute decisively and actively to the implementation of some important principles of good governance such as: a) responsiveness of administrative actions, b) transparency in public administration, c) reliability of the state institutions, d) friendliness of the bureaucracy, e) confidence of the society in administrative activities, f) participation of the citizens in decision making, g) easy accessibility to civil service, h) simplicity of the administrative process, i) equity and objectivity in the daily function of the Public Administration.

Bulgaria is prepared to undertake a key role in strengthening cooperation among the Danube and Black Sea countries. Being both a Danube and a Black Sea country, Bulgaria is well placed to contribute to the implementation of EU environmental initiatives and policies in the region and the introduction of measures to reduce the risks of adverse environmental impacts generated by port operations and shipping lines.

The struggle against poverty and economic backwardness is also one of the main objectives of Bulgaria's policy in the area of development cooperation in the Black

Sea region.

Bulgaria regards the BSEC countries as priority destinations for development resources within the EU policies addressed to third countries in areas such as tourism, trade, small and medium enterprises (SMEs), administrative capacity for local development, environment, culture and education. Eight out of the twelve BSEC Member States are also listed by the Organisation for Economic Co-operation and Development as beneficiaries of official development aid.

The BSEC Memoranda on the coordinated development of a Black Sea Ring Highway and Motorways of the Sea promote transport links within the Black Sea region and offer favourable opportunities for establishing an area of prosperity, stability and security at Europe's frontiers.

The accomplishment of effective cooperation in the BSEC region, especially in the vital sectors of trade and investments, energy, transport, communications, environment, tourism and agriculture, will be facilitated by the EU-BSEC cooperative activities around policy formulation and implementation in key reform areas.

The practical result will be a better environment for implementation of various investment projects, including strategic partnerships with donors and international financial institutions and appropriate use of various financial instruments.

Georgia and the BSEC

H.E. Gela BEZHUASHVILI
Minister of Foreign Affairs
Georgia

BSEC's 15th anniversary coincides with a turning point in the development of both the Organization and of the region that it represents. The Black Sea region is now being transformed into a dynamic economic neighbourhood which, despite many challenges, attracts growing international attention and is presented with a future full of promise.

The region is becoming increasingly important to Europe for many reasons, among which trade, energy and transportation as well as security cooperation occupy a central position. It is also important for both EU and NATO that strive to secure their external borders, while at the same time addressing the demands for further enlargement. The United States values the region's strategic location as a bulwark against asymmetric threats. Last but not least, the countries of the region are in the middle of a quest for common denominators that will underpin the Black Sea regional identity that should in the future serve as a solid background for credible cooperation in various spheres.

Institutionally as well, BSEC has advanced considerably. It has acquired a rigorous institutional base and has fostered a culture of dialogue among its members on mutually advantageous projects. Relevant structures and institutions with special objectives, vital for the proper functioning of the Organization, have been put in place.

Georgia is looking forward to seizing the opportunities that the region's dynamic evolution now presents to the BSEC. We harbour the potential to become a strategic bridge between Europe and Asia and an integral part of the global economic network. It is up to BSEC's Member States to realize this strategic advantage and transform the Black Sea into a prosperous and stable neighbourhood.

Georgia has supported the BSEC process from the very start, contributing significantly to its formation and to its transformation into a regional economic organization. The Meetings of BSEC's most important organs, the Council of Ministers of Foreign Affairs, the Committee of Senior Officials and various working groups

have been convened in Georgia. Our country consistently adopts a constructive approach to our common challenges and to our efforts to develop cooperation in various spheres.

THE PRESIDENT OF GEORGIA

For Georgia, the Black Sea region is integral to both our history and our future. We are an ancient Black Sea country by virtue of our geographic location, history, culture, and traditions. Georgia's statehood, too, has been tied to the Black Sea in many ways. The Black Sea defines our European character, since it links us with mainland Europe. Now, with Romania and Bulgaria having become full-fledged members of the EU, we are getting closer to Europe not only culturally but institutionally as well.

This convergence has only been reinforced by the peaceful Rose Revolution, which has focused Georgia on a single supreme political goal: the building of a democratic state that is at peace with its neighbours and is both able and willing to assume all of its responsibilities as a credible member of the international community. We have been steadily pursuing this goal and will continue to do so without fail. Domestically, the democratic transformation process is in full swing, while in the international sphere Georgia is determinedly integrating itself into European and Euro-Atlantic structures. Strengthening regional cooperation in the Black Sea area is one of our major foreign policy priorities, as evidenced by our *National Security Concept* and *The Foreign Policy Strategy for 2006-2009*.

It is our profound belief that, due to the increasing interdependence spawned by our current age of globalization, every state, small or big, is greatly dependent on its regional context for its peaceful internal development.

Interstate trade and other economic relationships remain at the heart of our regional cooperation. This is especially clear in the case of Georgia: in 2006, Georgia's exports to BSEC member states amounted to 505 million USD, more than half of our 993 million USD in total exports. Imports from BSEC member states, meanwhile, amounted to nearly two billion USD, which constituted a majority of our 3.68 billion USD in total imports.

Notably, in today's world, economic development and prosperity are closely tied to security. The ascendance of asymmetric threats, coupled with the melting away of state borders due to the effects of globalization, brings the urgency of regional cooperation to a new level. Such threats as existence of frozen conflicts in the BSEC region, as well as other global threats like organized crime and environmental challenges, call for closely coordinated regional cooperation. That is why,

today, there is a need within BSEC to focus attention on these problems and find an appropriate context within which to discuss them.

From our perspective, the future of the BSEC countries lies in a more secure and stable Black Sea region. Individual countries must not spare efforts to add value to regional security and prosperity. For our part, we have contributed to improving regional cooperation not only through our participation in regional forums, but also by adopting liberal economic policies. Through our internal reforms, we have facilitated the intensification of regional economic ties. Thanks to significantly reduced non-tariff barriers for imports, as well as favourable tariff rates, we are enjoying better trade relations with several BSEC countries. We have also improved conditions for cargo shipment through our territory, as currently there are no transit fees for vehicles; visa procedures, meanwhile, have been significantly simplified. Free trade agreements, as well as agreements regarding visa-free travel, were signed with Member States, including Azerbaijan, Armenia, Moldova, and Ukraine; in addition, we have a three-month visa-free entry agreement with Turkey, and we are due to upgrade the current preferential trade regime with a free trade agreement.

In addition, such regional projects as the Baku Tbilisi Ceyhan (BTC), Baku Tbilisi Supsa (BTS), and Baku Tbilisi Erzerum (BTE) pipelines as well as the commencement of the Baku-Tbilisi-Kars railway project and the signing of the *Tbilisi Declaration on a Common Vision for Regional Cooperation* constitute a clear demonstration of the possibility for productive regional cooperation on energy and transport issues. These projects represent a vivid testimony on how regional cooperation can result in tangible benefits for all stakeholders. We would like to see this spirit of friendship and mutual consent spread to the entire BSEC structure.

Georgia's domestic economic transformation, meanwhile, has been reflected in our country's improved performance within BSEC, demonstrated in particular by our ability to pay membership arrears for the past 4-5 years and to make voluntary contributions to the Project Development Fund.

All this marks a clear demonstration of how strengthened individual states can contribute to improving the regional climate. Yet, at the same time, in order to continue to serve as a valuable member of the region and of the entire international community, cooperation across the Black Sea neighbourhood must become ever stronger.

During its 15 years, BSEC has proved to be a viable institution, fostering many important areas for regional cooperation. A process of reforming and restructuring BSEC has already been launched in order to better respond to the challenges and realities that we together face.

Most notably, two draft Memorandums of Understanding have been prepared – the “Memorandum of Understanding for the Coordinated Development of the Black Sea Ring Highway” and the “Memorandum of Understanding on the Development of Motorways of the Sea at the BSEC Region.” These Memorandums, focusing as they do on vital regional projects, should serve as the backbone of our efforts to promote trade ties among the Member States.

Despite its significant achievements to date, BSEC must reinvent itself to remain relevant and to live up to its own expectations. First and foremost, this entails reinforcing BSEC’s ability to promote the economic and political interests of its Member States, especially in expanding exports to foreign markets, facilitating the flow of labour and services, and attracting foreign investment to the BSEC region. At present, foreign direct investment (FDI) into the Black Sea area is relatively low in comparison to other regions. FDI is hampered by the existence of “frozen” conflicts in the region that undermine the prospects for peace and stability. As a result, all of us in the wider Black Sea region lose out on jobs and economic opportunities.

At the same time, the disparity between the principles articulated in our Charter and the real state of regional cooperation casts a shadow on the prestige and credibility of our organization. Divergent interests and the inability to forge common ground subvert multilateral cooperation in the Black Sea, and lead to a patchwork of bilateral agreements. In bilateral settings, Member States do not feel obligated to respect the underling values and principles of our Organization – and as a result, they feel free to expose partners to unwarranted economic and transport blockades.

As long as our organization’s principles and objectives, articulated in the “BSEC Charter” and the “BSEC Economic Agenda,” do not serve as the foundation of how we conduct relations with each other, it will be difficult for BSEC to maintain its standing. Failure in this regard risks rendering BSEC irrelevant at a time when outside actors are becoming increasingly interested with BSEC and are looking to develop cooperative and institutional ties.

Despite its many challenges, the Black Sea Region also faces many opportunities

thanks to its geographic location, as well as to its human and natural resources. The BSEC region encompasses an area of 20 million square kilometers with a population of more than 300 million. At the same time, the BSEC region is a very attractive magnet for investment due to its strategic importance as an energy and transport hub.

Beyond its growing importance in the realms of energy and transportation, embodied by the major cross-border infrastructure projects that have been created, there is great potential for cooperation within BSEC in the fields of telecommunications, tourism, agriculture, small and medium business, sciences and technologies. Meanwhile, BSEC can be crucial in facilitating regional cooperation on combating organized crime, international terrorism, the proliferation of weapons of mass destruction, illegal trade in arms and drugs, human trafficking, and illegal migration.

For BSEC to realize its full potential, its Member States must ground the Organization's future goals in the principles of cooperation and respect for each other's interests. Cooperation must be strengthened in every important economic sphere, while new common projects must be conceived and supported. At the very top of BSEC's agenda should be initiatives in the fields of energy and transportation, given how crucial these are to the development of BSEC Member States both individually and collectively. Crucial to this endeavour will be finding a reasonable balance among the interests of energy producer, transit, and consumer countries.

The progressive development of relations with other international organizations and structures, meanwhile, must also continue apace. Particular importance should be given to our relations with the European Union, given the profound expertise and ample resources it could contribute toward jump starting regional projects in the BSEC area.

Last but not least, we must promote BSEC's international identity by participating in global economic networks. This will require that we create favourable conditions for security and stability within our region. It also demands that we foster institutions within BSEC that have the capacity to ensure continuity and consistency in the implementation of our common projects.

It is our hope that we will be able to devise strategies and meet the rising challenges with a stronger and more capable regional organization that is able to set for itself realistic targets and follow through with the implementation for the better future of the nations of the Black Sea area.

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Greece and the BSEC Organisation: Committed for a Better Future

H.E. Dora BAKOYANNIS
Minister for Foreign Affairs
Hellenic Republic

Fifteen years ago, the Heads of State and Government of eleven countries established the Organisation of the Black Sea Economic Co-operation (BSEC). Aiming to group countries which would multilaterally co-operate to foster peace, security, stability and prosperity, BSEC has gradually become a point of reference for the region. Its strength lies in its ability to bring together countries with different historical trajectories, cultures, religions and customs. It has found common ground towards a peaceful and prosperous future for the region. This is, undoubtedly, a great success.

Since its establishment in 1992, considerable efforts have been made and steps have been taken in order to gradually introduce a functional, efficient and effective institutional framework. The goal was the enhancement of co-operation at inter-governmental and inter-parliamentary level, as well as in business and banking sectors. In 1999, the adoption of the BSEC Charter transformed the intergovernmental forum into a fully-fledged regional economic organisation, mandated to take politically and legally binding decisions for its Member States in a range of various areas of co-operation. This greatly assisted towards reaching economic integration within the wider Black Sea area, as the Council of Ministers of Foreign Affairs was able to adopt common approaches. BSEC's presence over the past 15 years has substantially contributed toward fostering stronger relations among its Member States in sectors such as trade, investment, transport and energy. It has also had a positive impact on further expanding co-operation in areas such as the environment, agriculture, good governance, healthcare, tourism, education, culture, science and technology, and combating organised crime.

However, every time one reaches a landmark – in this case 15 years – one ponders on the accomplishments of the past, while also contemplating the challenges of the future. The challenges of the 21st century are numerous and forever shifting. If BSEC is to both face the challenges ahead and also use them to its advantage, it must transform itself. To this end, Greece actively supports the Organisation's restructuring process, initiated by the Bucharest Statement. The BSEC

Organisation must be reshaped and revamped into a more modern, flexible, and efficient entity, which further promotes regional integration and economic growth.

Our commitment to both the Organisation and the citizens of all Member States calls us to consider the Organisation's future. To this end, some of the key issues, which provide the backbone of an efficient and effective Organisation in the future, have to be addressed. The Organisation should continue to be both a trustworthy and useful point of reference for the region, as well as for its Member States' citizens.

Greece's commitment to the BSEC Organisation

Although Greece is not a Black Sea littoral state, it has displayed, since the very beginning, a strong commitment to the BSEC, on the basis of our people's long-standing historical and close relationship with the peoples of the region. For more than three thousand years, Greeks have been trading, while deepening economic ties and promoting social as well as cultural interaction with the peoples of the Black Sea region. Moreover, Greece's participation in BSEC was motivated by its immediate geographic proximity to the countries of the Black Sea area and a need to complement, through this regional economic Organisation, closer bilateral relations with the other participating Member States.

Throughout the Organisation's 15 years of existence, Greece has paid particular attention to the development of its structures and to the strengthening of its regional and international identity and profile. Indeed, we are today the BSEC's first financial contributor. Two of its related bodies, namely the International Centre for Black Sea Studies (ICBSS) and the Black Sea Trade and Development Bank (BSTDB) are also located in Greece, respectively in Athens and Thessaloniki. We spare no efforts to guarantee to these two institutions the necessary conditions, so that they efficiently and effectively perform their duties and tasks. Besides, exercising periodically the Chairmanship-in-Office, we also co-ordinate various BSEC Working Groups, thus supporting in a concrete way the further development of our multilateral co-operation.

Greece has also been committed to bringing the Organisation closer to the European Union. Our efforts have greatly contributed towards making the wider Black Sea area more visible to the EU institutions and the EU Member States. Indeed, the Organisation is gradually becoming the EU's main interlocutor in the region. Hence, we strongly support the invitation extended to the EU to acquire observer status with BSEC. In this respect, the recently adopted Communication of the European Commission titled "Black Sea Synergy – A New Regional Co-

operation Initiative" provides a good framework for an invigorated relationship between the EU and our Organisation.

Given the major challenges of the 21st century, Greece is an active supporter of the Organisation's restructuring and transformation. Our recent proposals have been mainly centred on the modernisation of the Organisation's budget. We believe that the budget, expressed in Euros, should be transformed into a programme-oriented structure, similar to the budgets of other organisations. This new structure will also assist Greece's efforts as an OECD Development Assistance Committee member, so that the BSEC Organisation becomes a recipient of Official Development Assistance. It will also be a decisive step towards attracting additional international funding for projects by observers and international donors.

The future also lies with the BSEC's capacity to implement various concrete projects, whose aim should be three-fold. First, they should seek to enhance the spirit of co-operation around the Black Sea. Second, they should substantially contribute to the economic and social development of the whole area. Third, they should aim to deepen the EU-BSEC interaction.

In this regard, our efforts must be channelled to the field of infrastructure. One of the major projects in this field, to which Greece is entirely committed, is the construction of the Black Sea Ring Highway. This project may, one day, change the overall picture of the area. Greece supported it through the decision to finance the Highway's Joint Permanent Technical Secretariat. This Secretariat, which is to be located in Thessaloniki and undertaken by the state company "Egnatia Odos S.A.", will provide the necessary expertise and other valuable services for the proper implementation of the project.

We also wish to examine the possibility of transforming this Highway into a Pan European Corridor, enriching it with a "Black Sea Electrical Ring" and a "Black Sea Optical Fibre Network." Indeed, this proposal is part of the new concept of the "BSEC Integrated Networks" which Greece intends to promote in the coming years. This concept aims to gradually integrate the various networks in the transport, electrical energy and telecommunication sectors of the wider Black Sea area. This is a strategic choice which, we believe, will significantly help towards the economic development of the whole region.

Looking ahead

We hope that the EU participation in the forthcoming 15th anniversary BSEC Summit in Istanbul will inaugurate a new era between the two Sides. The forth-

coming Summit will also allow the Heads of State or Government to endorse all of the reforms which are necessary to prepare the Organisation for the future. These reforms will need to be duly implemented. The institutional strengthening of the Organisation must continue, taking due account of the lessons learnt. Our common objective should be that the BSEC Organisation is at front stage on all issues related to the economic integration of our region. In order to achieve this objective, it is of paramount importance that a strategic master plan be agreed upon. Some of the elements of such a master plan, namely its institutional strengthening, its enhancement of relations with the EU and the implementation of regional projects, have been already outlined.

Nevertheless, in order to be "ahead of the game", we must foresee new actions, to the benefit of the overwhelming majority of our citizens, who expect the central and local authorities to address a whole range of issues which are directly or indirectly related to the sustainable development of our region. We, as leaders, have a duty to take into account their needs and wishes for a better future.

In this regard, our efforts must be channelled to the field of infrastructure. One of the major projects in this field, to which Greece is entirely committed, is the construction of the Black Sea Ring Highway. This project may, one day, change the "long" picture of the area. Greece supported it through the decision to finance the Highway's Joint Permanent Technical Secretariat. This Secretariat, which is to be located in Thessaloniki and undertaken by the state company "Egnaia Odos S.A.", will provide the necessary expertise and other valuable services for the proper implementation of the project.

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The Republic of Moldova and the BSEC

H.E. Andrei STRATAN

**Deputy Prime Minister and Minister
of Foreign Affairs and European Integration
Republic of Moldova**

Profound and rapid changes are taking place in Europe. The eastern frontiers of the European Union have reached the Black Sea. The determination of the European Union to shape a renewed EU-BSEC interaction will influence both bilateral and multilateral arrangements in the Black Sea area. The Organization of the Black Sea Economic Cooperation (BSEC) with its legal and institutional structures is well placed and fully equipped to transform the European initiatives into concrete projects and programmes for multilateral cooperation.

In almost 15 years of existence, BSEC has become more visible and has displayed a broad range of activities during this period. Today, regional cooperation has become more integrated, emerging as an efficient mechanism which can contribute to the achievement of the common goals of the Organization – turning the BSEC area into a region of peace, stability and prosperity. Indeed, this idea, enshrined in the Istanbul Summit Declaration on the Establishment of the Black Sea Economic Cooperation, and later in the BSEC Charter, has guided the BSEC Member States in their interaction and cooperation since 1992.

The same idea has dominated the priorities of the Republic of Moldova in its multilateral arrangements with the countries of the Black Sea area. Moldova regards the Black Sea region as an area where the principles of free international cooperation and partnership, democracy and market economy prevail. This will ensure that good-neighbourly relations, expansion of economic cooperation, scientific and cultural ties make it attractive to the European Union.

It is quite obvious that the Black Sea area is an integral part of the European system of security and cooperation and, at the same time, a vital link and a strategic connection to the huge potential and resources of Central Asia.

BSEC countries acknowledge the fact that further cooperation on trade and development in the region must be linked to a renewed determination to promote an enhanced sense of stability in the region. The economic development of the BSEC

countries must certainly be accompanied by the political resolution of unresolved conflict situations. A stable political environment promotes economic growth by creating conditions that allow trade to be free, labour to move freely, currencies to remain stable, credit to become available and foreign investments to flow in. These attributes of economic development are unlikely to occur wherever political conflicts dominate everything else.

There are certain strategic developments in the Black Sea area that should focus the attention of policy-makers, analysts and experts from the European continent.

Energy development and its secure transit to Europe are critical for European countries. Oil production and transportation, construction of a network of gas pipelines to Europe will undoubtedly diversify the energy supply to the old continent. The project of interconnection of electric power systems of the BSEC Member States, if implemented, will lead to the creation of a huge energy market and will eliminate the imbalances of energy supplies. These developments are already impacting and altering the landscape both strategically and economically in and around the entire region. Thus, the unique transit potential and the energy resources of this wider geographical area may become an important "guarantor" of Europe's energy security in the years ahead.

The whole system of transport corridors will eventually bring the Black Sea area closer to Europe, making this cooperation mutually beneficial. Two strategically important projects have been launched within BSEC: the development of the motorways of the sea in the BSEC region and coordinated development of the Black Sea ring highway. The Republic of Moldova signed, alongside other BSEC Member States, the respective Memoranda of Understanding on the implementation of these projects at the recent ministerial meeting in Belgrade on 19 April 2007.

The network improvements, alongside with the energy developments, will be not only instrumental for enhancing the Black Sea region's natural advantages as a genuine transit area, but would also promote social cohesion and balanced regional growth, strengthening dramatically the security and sustainable development dimensions for the entire region, thus making European communities considerably safer and more secure.

The process of fashioning ties to Europe is inevitable and inescapable for the entire region. Recently, two more BSEC member states entered the EU family. Their full membership will obviously strengthen the linkage between BSEC and

EU. Their role is important, their approach shall be to help and assist the established relations of BSEC and EU countries.

Both BSEC and EU have a mutual interest in developing a meaningful relationship and in establishing a functional mechanism for the implementation of agreed projects and activities at a regional level. In the BSEC-EU relations, regional cooperation in the BSEC area shall be complementary to the existing bilateral arrangements and agreements and shall comprise all BSEC Member States. BSEC must be seen in Brussels as an essential partner in the implementation of the European Neighbourhood Policy that can help deliver the relationship and programmes it requires to be effective from the EU perspective.

At the same time, the Europeans need to accept that the BSEC region is Europe's new south-eastern border. Thus both sides have strong interests in safeguarding the movement of some goods, preventing the movement of others, and maintaining a productive dialogue in order to ensure overall stability.

The forthcoming Summit of the heads of state of the BSEC Member States in June 2007 scheduled to mark the 15th anniversary of the Organization will restate the political will of the BSEC countries to advance the mechanism of cooperation in the region and supposedly will identify new dimensions for interaction among the Member States. It is also expected that a strategic partnership between BSEC and EU will be forged at the highest level.

The Republic of Moldova attaches high importance and special attention to the process of cooperation in the Black Sea area. It supports the recent developments and initiatives launched within the BSEC in major fields of cooperation, particular interest being focused on transport projects. It is of paramount importance that the European Union restates its policy towards the Black Sea area, and particularly in respect of BSEC, as the EU borders moved south-east, BSEC being the only regional organization in the area with an established identity and a well-functioning intergovernmental mechanism.

The recent Communication of the European Commission to the Council and European Parliament is intended as a flexible framework to ensure greater coherence and policy guidance. The approach of the Commission to the "frozen" conflicts in the area is underlined, advocating a more active EU role through increased political involvement in the ongoing efforts to address these conflicts. The Commission realized that special attention must be paid to promoting confidence-building measures in the regions affected, including cooperation programmes

specifically designed to bring the otherwise divided parties together.

The Black Sea Region and BSEC as an Organization have a unique perspective and location. Recent political, economic and security-related developments require our European partners to pay more precise and adequate attention to the regional process. At the same time, the BSEC countries need to use this uniqueness to build a distinctive BSEC approach, alongside with other Black Sea initiatives and formats, one that fully coincides with European values and aspirations.

The BSEC at Its Fifteenth Anniversary

H.E. Adrian CIOROIANU
Minister of Foreign Affairs
Romania

The Black Sea region lies at the heart of Romania's foreign policy objectives. Our country strongly believes that the economic dimension has an important role in the Black Sea cooperation processes. The overriding theme of our involvement has been and will continue to be full-fledged participation in economic projects which have an impact on democracy, security and stability in the whole Black Sea area. The common denominator of Romania's efforts is to enhance regional capabilities aimed at revitalizing cooperation, achieving concrete results, countering asymmetric risks and contributing to processes of confidence building in the region.

Romania's geo-strategic position on the Danube river, the Danube Delta and the Black Sea, in a region adjacent to the Mediterranean area, the Middle East and Central Asia, significant democratic changes in various Black Sea riparian states, the economic potential of the region (especially as a transit area or source for oil and natural gas), the diversity of cultural, religious and social traditions are all relevant parameters in the complex undertaking of designing our contribution to cooperation in this region.

BSEC was among the first initiatives launched in the Black Sea region in a troubled geopolitical environment marked both by expectations and concerns. On 25 June 1992, the heads of state and government of eleven countries – Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Republic of Moldova, Romania, Russia, Turkey and Ukraine) – signed the Istanbul Declaration and launched the Black Sea Economic Cooperation (BSEC) Initiative. With the entry into force of its Charter, on 1 May 1999, BSEC became a full-fledged regional economic organization. With the accession of Serbia, in April 2004, our Organization diversified.

Celebrating fifteen years of collaboration within the Black Sea Economic Cooperation (BSEC), the Member States of this Organization are taking a moment to analyze what are the achievements and what lies ahead.

While our economic priorities must remain steadfast, our techniques should deve-

lop likewise. BSEC may be perceived as a laboratory of ideas and instruments designed to generate effective ways of cooperation. We have to continue fostering the economic development of our region, implementing the results of progress achieved in the process of major development projects.

Transport and energy have a beneficial impact for the entire region and beyond. This is why our cooperation in developing viable transportation corridors to complement the already existing European Transportation Network is essential. Thus we can prove that, in spite of the political challenges this area is facing, we are able to work together in a pragmatic manner.

So far, the results have shown that there is a lot of potential for cooperation, given there is enough political will and readiness to build on the previous achievements while looking towards the upcoming challenges. We all have to be proud of our work and what it stands for and value the expertise gained so far in further enhancing and consolidating regional cooperation.

As much as we acknowledge our successes, we recognize there are also shortcomings in BSEC which impede the development potential of the region. These weaknesses can be found in the lack of fast and flexible response to particular political and security issues. An important set of themes in this regard are the asymmetrical risks: organized crime, illegal trafficking, terrorism and "frozen conflicts". These may be perceived as obstacles to the substance and prospects of our cooperation.

In this context, BSEC has to adapt and adjust its structure and rules of procedure to better respond to the real needs of its Member States and to the new developments pertaining to the Black Sea regional cooperation in order to increase its efficiency and sustainability.

The need for reform is not a particularity of BSEC. Major regional and global changes affecting most international organizations have demonstrated the need to engage in reform processes. The most common example is that of the UN, where the reform of the main institutions and mechanisms has been an essential topic on the agenda for the past years. At BSEC, enhancing the authority of the Secretary General as a political representative of the Organization, extending the majority vote and introducing a prioritization into our activities are only a few examples that could help increase the effectiveness of the Organization and its visibility at international level. Romania will continue to plead for the in-depth reform of the BSEC.

We are convinced that, after 15 years of BSEC existence, it is high time for us to take the Organization ahead into a more consolidated and mature phase. In the new strategic context, BSEC members will have to figure out answers to relevant issues. The future of BSEC and the concrete actions that must be undertaken to make it more efficient should be our key concerns. The economical profile of BSEC is a clear proof in this respect: the region is becoming internationally relevant, not least due to its rich natural and human resources and enormous economic potential. With an annual rate of GDP growth of about 6% in the last five years, the Black Sea area became the second fastest growing region globally and a major attraction for foreign partners.

These developments have not gone unnoticed. The European Union has acknowledged the importance of a safe and stable Black Sea region as an important prerequisite for European security. The latest Communication of the European Commission, entitled "Black Sea Synergy", demonstrates the need to pay more attention to integrating diversity and ensuring social cohesion in our cities and communities in the context of promoting an all-inclusive, non-discriminative and result-oriented approach in our region.

As the "Black Sea Synergy" points out, our approach should remain holistic and cross-dimensional. We need to ensure internal cohesion in our Organization. We need to continue our close cooperation between all Member States and BSEC Institutions, thus projecting our joint engagement even further.

Fostering cooperation among the countries of the region, especially in relevant economic fields such as transportation, infrastructure, energy, communications, trade, agriculture, environment, science and technology, tourism and health care is clearly a shared objective of both BSEC and EU. The accession of our country to the European Union will enable Romania to bring a new impulse to the cooperation between these two organizations. In addition, at the EU level, it is acknowledged that any contribution to the programmes and projects of development in this region is an investment in the future security, stability and prosperity of the European continent.

As Romania has acknowledged before, we are also facing a trap – while the Organization covers more and more fields of cooperation, we may lose focus on making it more efficient and effective. Therefore, an objective assessment of the Organization's priorities and the adjustment of its resources accordingly are needed.

In order to succeed, we need to continue furthering the economic development of our region and implementing the results of progress achieved in the process of major development projects. One good example is developing projects in the field of transport and energy, with a beneficial impact for the entire region and beyond. The cooperation in developing viable transportation corridors is essential and will help BSEC countries overcome their well-known differences in order to gradually establish a space of enhanced regional cooperation, open to extra-regional actors.

Major infrastructure projects such as the Black Sea Ring Highway and the Motorways of the Sea are important steps. Let us not forget that they are the first ones and it is up to us to turn them into real success stories. These are the arguments which enable us to be optimistic regarding the future of BSEC and of the whole Black Sea region in the years to come.

Since any anniversary is a moment of stock-taking and planning, Romania considers that the future work of the BSEC should be founded on the following:

- The Black Sea region is increasingly becoming relevant on the international scene due to its rich natural and human resources and enormous economic potential.
- The new European Neighbourhood Policy (ENP) creates unique opportunities for successful development of BSEC-EU cooperation. It is now up to us to identify the proper modalities for making efficient use of this unique opportunity.
- Despite their well-known differences, the BSEC countries have many times proved their determination to gradually establish a space of enhanced regional cooperation in the Black Sea region, open to extra-regional actors, countries and international organizations alike. We should continue to vigorously build on these efforts.
- Still, a more project-oriented approach is needed. Major infrastructure projects are important steps in our cooperation and what was already initiated needs to be implemented.
- The increasing number of countries and organizations showing a clear interest for BSEC demonstrates the importance of our region. Among the countries which are interested to cooperate with BSEC are the UK, US, Japan, Israel and even China.
- Accelerate the economic and political reforms with special emphasis on promoting democracy, good governance, rule of law and fundamental freedoms. A special attention should be paid to creating a conducive, transparent and more secure business environment.

As we celebrate the 15 years since the Istanbul Declaration was signed and the BSEC Economic Cooperation Initiative was launched, we have good reasons to believe that considerable progress will be achieved, given the fact that enough political will has been amassed. Romania will do its outmost to make its contribution toward turning the Black Sea region into a stable, democratic and prosperous area with a clear Euro-Atlantic perspective. Let us work together and prove, by the power of facts, that BSEC is and will remain a representative and effective instrument of mutually beneficial cooperation in a region deeply connected to the European and globalized world.

Russia – BSEC: Forward-looking Cooperation

H.E. Sergey LAVROV
Minister of Foreign Affairs
Russian Federation

For many centuries, the Black Sea region has been an area of vital interests to Russia. Russia, in its turn, has always remained a key partner for the countries of the region. We are tied together by common history, overlapping economic and security interests, traditionally strong human and cultural ties and booming tourist industry. As elsewhere along its borders, Russia has fostered good-neighbourly relations with the region and facilitated the development of mutually beneficial trade. The Black Sea countries currently account for 15 percent of Russia's total trade.

Russia co-sponsored the Summit Declaration on the Black Sea Economic Cooperation and the Bosphorus Statement, which were adopted at summit level on 25 June 1992, ushering in the current stage of regional development. This date has been celebrated as the BSEC Day since 2004.

Over the past years, the BSEC has become a full-fledged regional organization with operational multi-sectoral cooperation mechanisms. In conjunction with our partners, we have sought to make this cooperation goal-oriented, focusing on the implementation of joint projects aimed at improving people's lives. To this end, we have actively used our Chairmanship of the BSEC.

During the first Russian Chairmanship in 1996, we sought to strengthen the institutional, legal and financial infrastructure of the Organization. Four years later, Russia actively promoted the adoption of the BSEC Economic Agenda for the Future, which became its first comprehensive long-term policy document. During our third Chairmanship, from May to October 2006, we sought to increase the impact of the BSEC activities on the economies of the BSEC Member States and to identify joint priority projects. These issues were discussed in the framework of 60 multilateral events organized by the Russian Chairmanship, which included ministerial meetings on emergency situations, transport, energy, communication and information technologies, meetings of working groups, workshops and round tables.

Agreement was reached on a draft Memorandum for coordinated development of national road networks, prepared by Russian experts. Its adoption laid the basis for setting in motion the Black Sea Ring Highway project as part of the Black Sea Transport Corridor Concept.

Our Chairmanship also led to finding a common ground with regard to implementing President Vladimir V. Putin's initiative aimed at re-establishing passenger/ferry service between Black Sea ports. The Ministry of Transport of Russia will submit to the BSEC an application to carry out a feasibility study for this project in the near future.

The Memorandum on Multilateral Cooperation in the Field of Postal Service was signed on our initiative. Russia's draft agreement on cooperation in the field of health protection in the territories of the BSEC Member States was brought to the attention of the Organization for further discussion.

Work has been going on to establish a joint database on energy strategies developed by the countries of the region. Together with our partners, we are making arrangements to produce a synthesis of those strategies and to hold a conference on the compatibility of national approaches. We expect that, as the electric energy systems of the countries of Europe, on the one hand, and those of the CIS and the Baltic area, on the other, get synchronized, new prospects will open for the Black Sea Electricity Ring project proposed by Russia a while ago.

The ways of strengthening cooperation in fighting international terrorism and organized crime, responding to emergencies and natural and man-made disasters, combating dangerous infectious diseases, as well as in the fields of communications, public health, education, tourism, science and technology have been discussed at expert level.

An Interagency Commission on BSEC has been established in Russia, involving representatives not only from the Ministry of Foreign Affairs but also from the Ministry of Transport, Ministry of Industry and Energy, Ministry for Civil Defence, Emergencies and Elimination of the Consequences of Natural Disasters, Ministry of the Interior, etc. Its goal is to achieve a higher level of interdepartmental coordination. The first meeting of the Commission took place in December last year.

Our priorities for the future include enhancing the integration of regional energy markets, establishing cooperation in the field of physical safety of energy facilities, strengthening the environmental component of the energy industry and imple-

menting the programme of switching from the use of gasoline to natural gas in the automotive transport. We are now in the process of coordinating our approaches in this area, and we hope to sign relevant agreements in the near future.

Our policy is to involve in the BSEC activities the constituent entities of the Russian Federation, in particular Krasnodar and Stavropol regions and Rostov district; we are interested in launching full-scale cooperation among regions of the Member States.

Russian parliamentarians make their own contribution to strengthening the BSEC activities. Our country hosted three sessions of the supreme body of the Parliamentary Assembly of the BSEC, its General Assembly. At the regular PABSEC meeting held last November in Baku, we were actively engaged in discussing such issues as increasing the effectiveness of the Organization, using alternative energy resources, strengthening the legal framework for the protection of intellectual property rights and addressing the negative effects of globalization with a view to preserving cultural diversity in the modern world.

On the whole, we are satisfied with the results achieved by the Black Sea Trade and Development Bank. To date, it has signed \$707 million worth of loan agreements, with Russia accounting for \$106 million. These funds are used to implement ten expert crediting projects involving such Russian companies as JSC Severstal, ALROSA Co. LTD., JSC TolyattiAzot, etc.

We appreciate the support that our partners have given to the Russian proposal to channel the resources of the BSEC Project Development Fund, however small they might still be, toward implementing high-impact projects in the real sector.

Russian experts are taking part in drafting the framework document on cooperation between the BSEC and the European Union. We expect it to be adopted by the end of this year.

The BSEC is now reaching its maturity. Its fifteenth anniversary provides a suitable opportunity to draw interim conclusions and make plans for the future by building on what has been achieved. Provided that the current policy is pursued in the future, the prospects for the BSEC look promising. Our common task is to make the Organization more effective and capable of seeking and finding appropriate ways to deal with the most pressing issues on the regional agenda. This would be the best response to the repeated attempts of certain countries, including those outside the region, to establish structures that would duplicate or even substitute the BSEC.

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For its part, Russia is willing to continue to fully support closer interaction within the BSEC for the benefit of the countries and the peoples of the Black Sea region.

Serbia and the BSEC

H.E. Vuk DRASKOVIC
Minister of Foreign Affairs
Republic of Serbia

The Republic of Serbia held its first rotating Chairmanship of the Organization of the Black Sea Economic Cooperation (BSEC) from 1 November 2006 to 30 April 2007. As the most recent member of the Organization, it has endeavoured, from the very outset, to make an active contribution to the strengthening of relations between the Member States and to the implementation of the BSEC goals and objectives. It was guided by this imperative in identifying activities and areas of cooperation. It has paid particular attention to them during its six-month Chairmanship, confident that the work and the results of the relevant BSEC Working Groups will best promote the BSEC and make more visible the benefits of this cooperation.

The Republic of Serbia is convinced that the BSEC has the capacity to contribute to both the enhancement and the development of regional cooperation. That is why it has focused its priorities on addressing the current issues and on strengthening ties among the BSEC Member States and their citizens in the economic, transport, cultural and other areas. With an eye to the future, it has focused in particular on youth education and protection of the environment.

Serbia became a BSEC member precisely at the time of its growing importance, both regionally and globally. Therefore, the focus of its Chairmanship has been on its own contribution to the strengthening of the BSEC's role in the international community. In view of the fact that two BSEC Member States, Bulgaria and Romania, joined the European Union during the Serbian Chairmanship of BSEC and in view of the activities undertaken by Greece towards the establishment of BSEC-EU cooperation, the Republic of Serbia actively supports the efforts of Greece, as well as those of Bulgaria and Romania, aimed at the establishment, institutionalization and strengthening of cooperation between the BSEC and the European Union. In this context, Serbia believes that it is up to the EU Member States having Observer status with the BSEC to clearly define the modalities of BSEC-EU cooperation and their common approach, and to ensure significant support to that end. This cooperation could take the form of technical assistance, joint activities and projects, as well as through regional projects in many areas

including transport and energy networks, home affairs, economic cooperation and trade, good governance (democratization, training programmes, student exchange programmes), environmental protection and sustainable development.

A growing threat is being posed by organized crime and terrorism, since the activities of crime-related factors contribute to increasing stratification and poverty among the population, degradation of moral norms and social values and, consequently, to the destabilization of society as a whole. Thus, the fight against organized crime is included in the priorities of all countries, and cooperation in this field can bring multiple benefits. The more so as organized crime does not know or recognize country borders. A desirable avenue towards more effective crime control lies in the implementation of institutional reforms, adoption of relevant legislation and improved regional cooperation, including direct contacts between the police authorities of the Member States and exchange of experience. Furthermore, terrorism also poses a serious threat to stability and security in the world at large, our region included; the effects thereof mostly affect innocent citizens, who are most frequently the victims of terrorist acts. Cooperation in this area requires the establishment and development of cooperation with the EU bodies responsible for action against organized crime and terrorism.

Promotion of cooperation among the BSEC Member States involves, above all, the development of all types of communication and promotion of contacts among people at all levels. The Republic of Serbia believes that the development of transport and its infrastructure can produce results beneficial to all Member States, and supports the initiatives aimed at faster interlinking the countries in the region. This will provide prerequisites for the implementation of other BSEC priorities, encourage human contacts, strengthen the potential for tourism, facilitate trade and underpin economic and industrial cooperation.

The construction of modern transport routes certainly encourages contacts among populations, contributes to their better understanding and increases the interest of investors. Therefore, it is very important that the Memorandum of Understanding on the Coordinated Development of the Black Sea Ring Highway and the Memorandum of Understanding on the Motorways of the Sea in the Black Sea Region were signed in Belgrade on 19 May, and that their implementation can now start.

Investments in tourism also have a significant impact: they create new jobs and encourage the development of local communities. The benefits are reflected in a facilitated movement of people and cultural interaction, and improved knowledge

and understanding of each other. However, such sustainable tourism should aim at having the least adverse effect on the environment and local culture, on the one hand, and at increased earnings and creation of new jobs, on the other. More contacts and better knowledge among people will help promote artistic and cultural values, and contribute to the understanding and appreciation of cultural heritage and traditions. This will encourage cooperation among artists and cultural promoters, as well as raise the awareness of the need to protect cultural monuments and preserve cultural heritage, but will also thwart the attempts at distorting, even obliterating historical facts about the life, creativity and achievements of nations in particular territories.

Bearing in mind the position of Serbia in the Black Sea region, I wish to emphasize the importance and the role of the Danube, our natural link with the Black Sea, which is the transportation, commercial and developmental artery of the region having the potential to stimulate the development of transport, trade, tourism and services and to attract investments in these and other sectors of the economy. Aspects of particular importance are further expansion of river shipping network and building of adequate infrastructure, as well as the promotion of systems of combined transport, which should encourage investment in the region and ensure a solid basis for stable economic growth. It is therefore necessary to use all the potential of the Danube. I also wish to recall that the Republic of Serbia hosted the Third Ministerial Conference of the Danube Cooperation Process held on the eve of the meeting of the BSEC Foreign Ministers Council in April 2007.

The Republic of Serbia believes that an imperative requirement for all BSEC Member States should also be responsibility for the future; activities in education should continue to be in the spotlight. By defining the priorities of its Chairmanship of the Organization, apart from its other activities, the Republic of Serbia decided to initiate the establishment of closer relations among diplomatic academies of the BSEC countries, thus completing similar initiatives already existing at bilateral level. We are convinced that the education of young professionals, based on the same or similar principles, can significantly contribute to better communication in the region and successful cooperation in the future. That is why the Republic of Serbia organized the first formal meeting of the representatives of diplomatic academies of the BSEC Member States held in Belgrade on 30 and 31 January 2007. The meeting confirmed the existence of such an interest in all countries and resulted in the adoption of the Memorandum of Understanding on Cooperation among diplomatic academies. Next to this, our priority task should be the establishment of close relations among diplomatic academies with a view to contributing to a better understanding of our students, the future participants in the multi-

lateral processes in the region. This cooperation should include the exchange of lecturers and students, establishment of regular electronic communication as well as the definition and implementation of joint projects.

The Republic of Serbia, being aware of the upcoming challenges as well as of our common responsibility with regard to the future, decided to place the encouragement of environmental cooperation among its Chairmanship priorities. It is extremely important that awareness about the state of the environment becomes part of everyday activities, from governments to elementary schools, and that the broadest possible segments of the population take part in these activities, because the responsibility for the protection of the environment rests with all of us. The Republic of Serbia will host the Sixth Ministerial Conference "The Environment for Europe" in Belgrade from 10 to 12 October 2007, where further steps for improved environmental protection and sustainable development will be discussed.

The Republic of Serbia considers that all Member States should make additional efforts to increase the efficiency of the Organization. Such efficiency could be ensured through higher agreement on all crucial BSEC issues, overcoming potential disagreements and focusing on projects of common interest, as well as by a greater engagement of Observer countries. It is also necessary to involve relevant institutes, scientific institutions and non-governmental organizations in the process of developing common projects and to use all other available resources to implement them. This would help intensify cooperation among the BSEC Member States and thus contribute to the promotion of BSEC as a regional international organization the purpose of which is to improve the economic situation in the Members States and the entire region.

I would like to point out in particular that, during the Serbian Chairmanship, the process of BSEC reforms that has been going on with some interruptions since 2004, has been completed. The Republic of Serbia has come to recognize that all BSEC countries share a common vision of the profile of the Organization in the future and that they are ready to adopt a reform package. Accordingly, an informal meeting of the BSEC Committee of Senior Officials was held in Belgrade on 5 and 6 February 2007. It adopted important decisions concerning the BSEC decision-making process, which marked a significant step forward towards creating a more efficient Organization. Furthermore, Serbia sees continuity in the implementation of proposals and initiatives not only as an important tool in increasing BSEC's effectiveness but also as a guiding principle when assuming the Chairmanship and the responsibilities that it entails. By adhering to this principle,

each Member State holding the Chairmanship should be encouraged to contribute to the implementation of the ongoing proposals and projects and to make new, long-term proposals. In other words, Serbia considers that BSEC should primarily be a project-oriented organization. In this context, it is necessary to ensure greater understanding and assistance not only of BSEC related bodies, i.e. the Trade and Development Bank and the Business Council in particular, but also of other financial institutions and business organizations.

At the end of its first Chairmanship of the BSEC, the Republic of Serbia remains even more committed to the BSEC goals and objectives and it stands ready to made additional efforts aimed at further strengthening the Organization of the Black Sea Economic Cooperation.

However, South Eastern Europe faces another outstanding issue on the successful settlement of which hinges the destiny and future of the Republic of Serbia and the entire region as well. The Special Envoy of the Secretary General of the United Nations, Mr. Martti Ahtisaari, submitted to the UN Security Council a proposal that Kosovo and Metohija (an autonomous province of the Republic of Serbia administered by the United Nations since June 1999) be accorded the status of an international sovereign State. By making such a proposal, Mr. Ahtisaari has overstepped the mandate given to him by the UN Secretary General, because he had been mandated to propose a new status for Kosovo and not a new status of the internationally recognized State of Serbia by creating on its territory a new sovereign State, against its will and in breach of the UN Charter.

In the name of one of the fundamental principles of the United Nations to guarantee territorial integrity to the internationally recognized States, I urge that no support be given to the adoption of a resolution or any other document on forcibly changing the existing internationally recognized borders of the Republic of Serbia, a founding member of the United Nations.

The Republic of Serbia has no intention to rule over Kosovo and it completely accepts the will of the Albanian majority to govern this territory independently. On its part, the Republic of Serbia requests two things only: firstly, that its internationally recognized borders be not changed and secondly, that the rights of Serbs be guaranteed as well as the Serbian religious, historical and cultural heritage in Kosovo. Regarding all the rest of other than these two things, Serbia invests in compromise, stability and a common European future. Compromise is also one of the guiding principles of the international Contact Group for the status of Kosovo. An independent Kosovo and a forcible disintegration of an internationally recog-

nized State can in no circumstances be regarded as a compromise.

Kosovo cannot be declared either as a "unique case", because this would also mean that Serbia is a unique State whose territorial integrity is not guaranteed by the United Nations Charter. It is true only that a violation of the integrity of the State of Serbia would create a dangerous precedent resulting in the break-up of the territorial integrity of many other States.

I call for support to the United Nations Charter and the principle that the law should be a source of power for the United Nations, and that force cannot be the source of law. The law is precisely the source of the will of the citizens of the Republic of Serbia not to accept violence against the law and its own State.

II. RELATED BODIES

The Parliamentary Dimension of the Black Sea Regional Cooperation

Georgi PIRINSKI

President

Parliamentary Assembly of the

Organization of the Black Sea Economic Cooperation (PABSEC)

The role of parliamentary diplomacy in enhancing international relations has substantially increased during the past decade. Regional interparliamentary organizations have rightfully occupied an important place among the institutions of world politics. In the contemporary world, the parliamentary component of interstate relations has become an increasingly significant factor in addressing topical problems in the areas of security, stability, democracy and sustainable social and economic development.

Established in 1993 as a Parliamentary Dimension of the Black Sea Economic Cooperation (BSEC), the PABSEC proved to be an effective forum for inter-parliamentary dialogue in the Black Sea region. With a membership of 76 parliamentarians representing the national parliaments of the twelve BSEC Member States, the PABSEC facilitates the mobilization of efforts by the national parliaments aimed at promoting democratic values, rule of law, pluralistic society and market economy. The main objective of the PABSEC is to provide assistance to the national parliaments in enacting the laws that are necessary for the implementation of the projects elaborated within the framework of the Organisation of the BSEC and to establish the legislative foundation for successful multilateral economic, political and cultural cooperation in the region.

The discussion of issues regarding regional economic cooperation complements to a large extent the bilateral relations between States. Meetings in a regional format in the PABSEC framework secure regular contacts at parliamentary level between States that may not have diplomatic relations. This helps to clarify positions regarding a number of interstate relations and to enhance an atmosphere of trust among the Member States of our Organization, which is very specific in its composition. As a whole, the PABSEC promotes a new understanding of partnership, overcoming the tendencies of technocratic governance in some countries that undermine the role of parliaments.

Today, PABSEC is a dynamic democratic forum for dialogue and cooperation at inter-parliamentary level, as well as an important communication channel among governmental institutions and the peoples of the region through their elected representatives. Interaction among and between the national parliaments in the PABSEC framework paves the way towards bringing countries together, strengthens parliamentary diplomacy and gradually builds an atmosphere of cooperation, trust and stability in the region.

Multilateral economic cooperation and the challenges of sustainable development take priority in the agenda of the Assembly. The PABSEC has considered the main aspects of regional economic cooperation and has elaborated relevant recommendations on reaching a higher degree of integration of the BSEC region into the European and world economy. The recommendations of the Assembly in the sphere of transport, energy, agriculture, tourism, liberalization of trade and facilitation of customs procedures, attraction and protection of investments, establishment of a regional stock-exchange, development and protection of small and medium enterprises in the region, as well as fight against economic crimes represent only a part of the efforts by the Assembly in this direction. Parallel to these activities, the Assembly has organized important inter-parliamentary gatherings on topical economic issues - the First Inter-Parliamentary Conference on the Environmental Protection of the Black Sea in 1996; the Seminar on Transport Technology and Integration of Europe in 1998; the Seminar on Fostering Cooperation on SMEs and its Legal Framework in the Black Sea Region in 1998; the Seminar on Industry and Trade in 1999; and the Seminar on Sustainable Development in the 21st Century in 2004.

Given the important role of transport in ensuring sustainable development in the Black Sea region, and in the light of the activities and projects of the BSEC in the sphere of transport, the PABSEC pays considerable attention to large-scale structural and institutional reforms in the transport system in the BSEC region, as well as to the development of relevant contacts with Trans-European and Pan-European networks and Central Asian countries. At the 26th Plenary Session of the PABSEC General Assembly in 2005 the Recommendation on "Development of transport infrastructure in the Black Sea region" was adopted calling upon the BSEC Member States to further their efforts on connecting the Black Sea region with Trans-European and Pan-European networks.

Taking into account the fact that energy is one of the main priorities determined in the BSEC Economic Agenda, the PABSEC discussed in 2003 the issue of cooperation in the field of energy and adopted a relevant report and recommendation

providing a framework for improving coordination in the field of energy and interaction among the BSEC Member States. In addition to these undertakings, in 2005 the Assembly discussed issues regarding energy resources and aspects of the oil crisis, transportation of resources from the Caspian Sea, the problem of nuclear energy use and environmental protection, as well as issues concerning renewable energy resources at the Seminar on Energy and Environment jointly organized with the National Assembly of the French Republic. At the 28th Plenary Session of the General Assembly in Baky, in November 2006, the Recommendation on "Alternative Energy Sources and their Possible Application in the Black Sea Region" was adopted stressing the necessity to create a fully competitive internal energy markets and to enhance cooperation among the BSEC Member States in the development of alternative energy sources.

Having focused its activities on high-priority economic issues, the Assembly also addresses the problems of democracy and the rule of law. As declared in the Bosphorus Statement and acknowledged at the BSEC Summit in June 1992, the main idea of a "new partnership among the Black Sea countries inspired by the values of democracy, rule of law and respect for human rights" guides the whole BSEC process, which is constantly supported by the national parliaments and the Parliamentary Assembly. In this respect, PABSEC adopted the Recommendations on "Strengthening the Rule of Law in the Black Sea Countries" and on "Cooperation among the PABSEC Member Countries in Strengthening Good Governance", where it stressed the significance of parliamentary diplomacy, free elections and separation of power as the most important instruments for the development of a common legal basis, thus paving the way towards a new type of relationship among the countries in the region.

Monitoring elections is an important part of the Assembly's activities, which puts forth the commitment of the parliamentarians to promote parliamentary democracy and the rule of law in the new democracies. As a recent activity in this area, in 2006, a PABSEC delegation took part in monitoring the parliamentary elections in Ukraine.

Having acknowledged the fact that such social hardships as a dramatic decline in living standards, growing unemployment and poverty among people are widely spread in the transition countries, the Assembly addressed the issue and adopted recommendations on the social protection of migrants and displaced persons, pensioners, children, migrant workers, unemployed and women, calling for social guarantees and new clearly defined social policies for the most vulnerable groups of the population. In 2003, the Assembly approved a report and recommendation

on "The Fight against Poverty in the BSEC Member States", and in 2004, the PABSEC adopted a report and recommendation on "Improving Social, Economic, and Civil Rights of People with Disabilities".

The Assembly attributes particular attention to cooperation in the cultural sphere. In this context, the Assembly adopted various recommendations on the protection of cultural heritage and cooperation in the sphere of culture. In 2006, the Assembly adopted the Recommendation on "The dialogue among cultures as a means to build trust among nations" and the Recommendation on "The process of globalisation and the potential threat to cultural diversity". At the same time, the initiative to organize the "Golden Ferry" Children and Youth Festivals of the BSEC States (2001-2002) cemented friendly relations among the young people in the region by promoting a spirit of partnership and cooperation for the new generation.

The Assembly attaches paramount importance to intensive interaction with the Organization of the BSEC through the coordination of its activities and work plans with the BSEC priorities, speeding up the ratification of the BSEC legal instruments by the national parliaments, exchanges of information and ideas. The PABSEC also welcomed the inclusion of new items in the BSEC activities such as security and stability in the region being considered by the Ad Hoc Group of Experts. The facilitation of political dialogue aimed at strengthening good-neighbourly relations and regional stability is one of the priorities for the Assembly. The PABSEC is ready to enhance its contribution at inter-parliamentary level for the prevention and settlement of conflicts in the Black Sea region.

Being aware of the fact that terrorism in all its manifestations is a serious threat to international peace and security, and to political, economic and social stability of the BSEC Member States, the Assembly welcomed the draft of an Additional Protocol on Combating Terrorism to the "Agreement among the Governments of the Member States of the Black Sea Economic Cooperation on Cooperation in Combating Crime, in Particular in its Organized Forms" and brought its own contribution to the final version of that document.

The PABSEC acquired its own identity on the international scene by establishing contacts and developing cooperation, in particular, with such European institutions as the European Parliament, the Parliamentary Assembly of the Council of Europe, the OSCE Parliamentary Assembly, the CIS Inter-Parliamentary Assembly, the CEI Parliamentary Assembly and others.

The Black Sea regional cooperation is considered by the majority of countries as an element of wider European integration. At the time when the BSEC membership includes members and the candidate countries to European Union, and when the Organization of the BSEC places its relation with the European Union at top of its priorities, the interaction between the PABSEC and the European Parliament gains particular importance. The Assembly welcomes the regular participation of European Parliament representatives in its sessions and supports a strengthened relationship between these two parliamentary structures. The results of the visits to the European Parliament by the PABSEC high-level delegations in 2002 and 2003 gave a strong impetus to the enhancement of that cooperation. At the General Assembly in 2003, the PABSEC adopted a Recommendation on "Shaping a European Economic Space", where it expressed its support to the elaboration of an EU Black Sea Strategy regarding the inclusion of the Black Sea Cooperation in the EU regional policies. At the same meeting, the Assembly adopted the Recommendation on the "Black Sea Region within the Context of the Enlargement of the European Union", which stressed that the strong attraction of EU membership provides a powerful incentive for domestic reforms toward consolidating political and economic stability and sustained economic growth. Members of the Assembly also discussed the Communication of the European Commission to the European Council and European Parliament on "Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours" and outlined their opinion in a document that was forwarded to the European Parliament. In 2004, the Assembly adopted the Recommendation on the "Framework of the Cooperation between the PABSEC and the European Parliament". Moreover, the parliamentary conference "Wider Black Sea Region in the New European Architecture" organized by the Hellenic Parliament in 2005 within the framework of the BSEC Hellenic Chairmanship and with the support of ICBSS and the PABSEC was another important step in the consolidation of cooperation. In addition, during the working visit of Mr. Ouzky, Vice-President of the European Parliament, to the PABSEC International Secretariat in 2006, issues like EU enlargement, the consequences of the EU growing involvement in the developments in the Black Sea region; and the ways and means for strengthening the institutional basis of interaction between the PABSEC and the European Parliament were discussed.

Having concentrated its attention on the issues of democracy and good governance, the Assembly discussed at the meetings of the Legal and Political Affairs Committee the effectiveness of ombudsman institutions in the Black Sea region and cooperation at the level of local authorities. In this context, the PABSEC adopted a Recommendation on the "Institution of Ombudsman in the BSEC

Member States”, which welcomed the fact that almost all the BSEC Member States had established such institutions and noted that an impartial ombudsman enhanced transparency and democratic accountability within States. The PABSEC initiated a meeting of Ombudsmen from the BSEC Member States in 2006, stressing that in the 21st century the ombudsman institutions would play a more active role in the Black Sea region in helping state institutions to understand the people’s growing expectations and demands through safeguarding human rights, underpinning the principles of human dignity, social justice, mutual respect and solidarity.

The Assembly has also given particular attention to the role of local authorities and civil society in the Black Sea cooperation process. The PABSEC adopted a Recommendation on “The Role of Local Governments in Strengthening Cooperation in the Black Sea Region” stressing that political support at a local level is one of the major elements for successful development of regional cooperation. Having in mind the growing role of civil society organizations in the world at large and in the region in particular, the Assembly stressed the need for a more dynamic engagement in that sphere.

In order to reinforce and underpin regional cooperation, the Assembly sought to involve new actors in this process. The organization of the Round Tables of the Governors and Mayors of the Black Sea Capitals since 1994, Meetings of the Public Television Broadcasters since 2000, and of the Forum of the Presidents of the Constitutional Courts of the Black Sea Member States in 2001 under the PABSEC auspices provided additional frameworks for further cooperation and interaction at various levels.

The Assembly has constantly stated its concern that the long-term prospects of cooperation are hampered by internal instability and interethnic tensions. Local conflicts undermine the political, economic and social structures in the region, and they complicate the process of regional cooperation. Although the PABSEC is not directly involved in peacekeeping and conflict resolution, it can find its niche in looking for the ways to settle local conflicts. The PABSEC cannot serve as a mechanism for direct conflict settlement, but it is fully equipped to create the required preconditions and to promote objective information on debated issues.

The decisions and recommendations adopted in the framework of the Parliamentary Assembly have a certain impact upon the process of regulation of interstate relations in the region. Despite the fact that the PABSEC does not represent a source of actual public international law, some provisions of its recom-

recommendations have been included in legal practice and have been incorporated in customary legal norms. The recommendations of the Assembly formulate the principles of interaction among the BSEC Member States. Some of the recommendations have resulted in the concrete conclusion of regional conventions and agreements.

The PABSEC, along with the other bodies of the Black Sea Economic Cooperation framework, has to fully exploit its possibilities in order to boost economic cooperation. The members of the Parliamentary Assembly of the Organisation of the Black Sea Economic Cooperation acknowledge that the Black Sea countries can meet tomorrow's challenges and resolve topical problems only through collective efforts at all levels to provide a common frame of cooperation for economic growth and prosperity.

The Role of the BSEC Business Council

Costas MASMANIDIS
Secretary General
BSEC Business Council (BSEC BC)

The Business Council is a Related Body of the BSEC Organization entrusted with bringing together the business communities of the Region and facilitating their cooperation.

Structure

Before elaborating on the strategy and activities of the Business Council, a description of its organizational structure is in order. Each of the 12 BSEC Member States has its own business cooperation platform, its own organisation that represents the country in the BSEC Business Council. The type of organisation varies from country to country. If we take Greece as an example, the Hellenic Business Council has been established specifically for the purpose of representing the country in the BSEC Business Council. Its members come from the major business associations and federations of the country. In the case of the Russian Federation we have the Russian National Committee consisting of various individual businesspeople as well as business organisations. In the case of Turkey the Foreign Economic Relations Board, DEIK, fulfils the role of the country business cooperation platform. For most of the other countries, the organisation acting as the local BSEC Business Council is their major Chamber of Commerce and Industry.

Each of the country organisations elects a person to represent the country on the Board of Directors of the Business Council. The Chairmanship rotates synchronously with BSEC. The co-ordination of all activities is carried out through the Business Council International Secretariat, based in Istanbul.

Vision, mission

The Vision of the Business Council is to make an impact as an agent of change and a contributor to the development of the private sector in the Black Sea region. Its Mission is to promote regional integration and global integration, to contribute to a business-friendly environment, to help attract foreign direct investments.

Implementing this Mission requires a very focused approach. We always prioritize,

focus and target our activities in order to maximize our impact and make the best possible use of our resources.

Our strategic directions

The attention of the Business Council focuses on the small and medium-sized enterprises of the Region. It is SMEs that need support the most as they most often lack experience and know how and resources to establish cross-border cooperation. In order to ensure that we address the real needs of SMEs, we frequently conduct informal field surveys in the various countries that we visit.

We have structured our strategy around six main directions:

- 1) Promoting Regional Economic Development
- 2) Promoting Business Cooperation
- 3) Disseminating Business Information
- 4) Helping SMEs Gain Competitiveness
- 5) Promoting Foreign Investments
- 6) Improving the Business Climate

Let us now take a brief look at how we try to implement each strategic direction.

Promoting Regional Economic Development

The main thrust of regional economic development is borne by the various BSEC Working Groups, which are entrusted with the development of major regional cooperation projects in Transport, Energy, Telecommunications, etc. The Business Council plays an important role in several of these Working Groups by presenting the point of view of the private sector as well as by offering its managerial expertise. We are also trying more and more to ensure the active involvement of businesspeople in these BSEC Working Groups.

Furthermore, the Business Council is maintaining a good cooperation with the other BSEC Related Bodies and in particular with the BSTDB. Finally, it is developing relations with international bodies such as OECD, as mentioned below.

Promoting Business Cooperation

The objective of the Business Council is to maximise its reach to as many as possible out of the millions of businesspeople in the Black Sea Region and this can be only achieved through the continuously evolving Information Technology. The main networking instrument that the Business Council is employing is the Black Sea Business Opportunity Network (BSBIN, www.bsbin.com), developed and hosted by its member, the Romanian Chamber of Commerce and Industry. It is a

useful Business-to-Business (B2B) tool that is providing SMEs across the Region with contacts for the establishment of business partnerships for sales, distribution, purchasing, joint projects.

Valuable as BSBIN has been so far in its present form, user surveys indicate some specific needs for improvement to make the system more user-friendly. This will be the object of our work in the near future.

Furthermore, the Business Council frequently organises business fora and conferences that bring businesspeople together and help them identify opportunities for partnership. Because of the amount of resources required for such events and also for reasons of efficiency, we prefer to team up with other national, regional or international organisations in organising them.

Disseminating Business Information

One of the primary needs of SMEs is information on new markets and on new business opportunities. To satisfy this need the business Council is maintaining the Black Sea Information Gateway www.bsec-business.org, a web portal that provides information on business conditions in all 12 countries of the BSEC Region together with lots of other useful business information. This portal has already undergone several relaunches, indicative of our strong wish to continuously update and enrich it in order to satisfy the evolving needs of the SMEs of the Region.

The Information Gateway is an equally valuable tool for business, for FDI attraction and export promotion as well as an excellent publicity tool for the promotion of the BSEC image. Our ambition is to establish it as the most valuable repository of business-economic information on all 12 BSEC Member States.

Helping SMEs Gain Competitiveness

From the beginning, the Business Council has tried to go beyond what other Regional Business Advisory Councils normally do and organise in favour of our SMEs not only horizontal support measures (policy issues such as improving the business climate) but also direct interventions in the form of information, training, etc.

Marketing is one of the areas in which we have been offering training, as the concept of customer was missing from the planned economies of the Region. Furthermore, the Business Council considers Innovation as one of the key factors for the success (if not the mere survival) of the SMEs of the Black Sea Region.

Therefore, it intends to continue the work it has already started in this area by organising or co-organising fora specifically targeted on SMEs (and not just the scientific communities), helping them introduce innovation management in their daily work.

At the same time, the Business Council Secretariat offers its free services for direct training of SME personnel towards the improvement of their competitive skills. In the framework of its training activities, the Business Council has delivered on various occasions a series of presentations with both managerial and motivational content. It has also established cooperation agreements with international consulting and training companies for cost effective training programmes around the Region.

Promoting Foreign Investments

Attracting Foreign Direct Investments (and the related issue of helping improve the business and investment climate) have always been high among the priorities of the Business Council. We consider that FDI is very beneficial to the countries of the Region not only for the capital and the new jobs it helps create but, even more importantly, for the management know how and the new work mentalities it brings in. Furthermore, the best way for local companies to integrate in the global marketplace is to link their supply chains to those of the multinational investors.

In the past, the Business Council had established a strategic partnership with OECD through the launching of the Black Sea Investment Initiative. Despite several activities that took place, there was, unfortunately, no possibility to make concerted, systematic efforts with measurable results due to the lack of proper funding of the project. However, cooperation with OECD has continued and we participate actively in the annual OECD Global Investment Fora. Moreover, the Business Council has been holding various technical discussions with UNDP regarding its trade-investment promotion project and is ready to engage in a formal cooperation with it to contribute to the fruition of the project.

The Business Council utilises every opportunity provided by international conferences to create awareness about the strengths of the Region as a very attractive investment destination. The Information Gateway of course is also an effective tool in these awareness-creation efforts.

Lastly, the Business Council is currently experimenting with the creation of one-stop shops in the Member States that will help SMEs wanting to invest with the first important steps in setting up an operation.

Improving the Business Climate

Our surveys show that perhaps the most important need businesspeople have is for a favourable, obstacle-free business climate. The Business Council aspires to contribute in as many ways as possible to the improvement of the business environment, to the benefit of businesspeople in the Region and foreign investors alike.

While most countries in the Region have been making progress in introducing reforms aiming at the elimination of disincentives for business and investments, businesspeople complain they are still facing many obstacles (bureaucracy, corruption, unclear legislation, lack of predictability, complex taxation systems etc.) that have a negative impact on their competitiveness.

At the same time, there are many non-tariff barriers-to-trade that obstruct cross-border business cooperation and prevent the Black Sea Region from being considered as an integrated, sizable regional market. The most severe barriers have to do with slow, bureaucratic and complicated border-crossing procedures, customs formalities as well as the difficulties in obtaining visas for businesspeople. Businesspeople insist that the priority should be on solving exactly these major border-crossing related issues. Other barriers are more technical in nature (e.g. labelling requirements) and are not seen by many as priority areas.

Therefore, the cooperation of businesspeople with the governments of our Region in identifying and eliminating these disincentives is of paramount importance. With this in mind, the Secretariat takes every opportunity to encourage the business communities to speak out about the problems they face and to engage in a systematic cooperation with their governments in addressing them. This encouragement is actually more substantial than it sounds, as several countries do not yet have well-developed institutions that can bring the voice of the private sector to the policymakers. Our future plans call for a regional network of mutual support that will help build the capacity of our business institutions to enable them to play more effectively their advocacy role. To this end, the Business Council has been seeking the partnership of European business and sectoral organisations as well as international organisations.

Conclusions

The BSEC Business Council is a dynamic part of the BSEC Organisation. While putting a lot of emphasis on issues related to business climate, it has also instituted various programmes of direct interventions in favour of the SMEs of the Black Sea Region. At various times and for specific projects it has cooperated with inter-

national organisations such as OECD, UNECE, UNIDO, UNCTAD as well as with national, regional and international business associations.

The Black Sea Trade and Development Bank: A Vehicle for Regional Cooperation

Hayrettin KAPLAN

President

Black Sea Trade and Development Bank (BSTDB)

Background

The idea of creating a development bank focused upon the Black Sea Region dates back to the initial Summit Declaration of the Black Sea Economic Cooperation, done in Istanbul on 25 June 1992. In Paragraph 16 of the Summit Declaration, the Member States of the Black Sea Economic Cooperation (BSEC) state that "they will consider the possibilities and the ways of establishing a 'Black Sea Foreign Trade and Investment Bank'."

The name of the institution was modified to the Black Sea Trade and Development Bank (BSTDB) in order to reflect the focus that the founders wished to give to it. BSTDB came into existence with the *Agreement Establishing the Black Sea Trade & Development Bank*, agreed by the eleven founding Member States of BSEC in Tbilisi on 30 June 1994 and subsequently ratified by each State.

As defined in the opening article of the Establishing Agreement, "The purpose of the Bank shall be 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".

For BSTDB, this has translated into 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 establish itself as a pre-eminent partner financial institution for the Black Sea Region:

- catalyzing regional trade and investment;
- attracting external investors;
- nurturing regional businesses and financial institutions, and
- contributing to cooperation in the Black Sea Region and to the promotion of common regional perspectives.

The Bank operates as a sound, independent financial institution which mobilizes resources from within and from outside the Region for the provision of products and services tailored to regional business needs and anticipated trends that are consistent with the development and co-operation objectives of the Member States.

The shareholders of BSTDB are the founding Member States of BSEC. Their holdings at the establishment of the Bank broke down as follows:

Albania	2.0%	Bulgaria	13.5%	Moldova	2.0%	Turkey	16.5%
Armenia	2.0%	Georgia	2.0%	Romania	13.5%	Ukraine	13.5%
Azerbaijan	2.0%	Greece	16.5%	Russia	16.5%		

The initial authorized capital of the Bank was SDR 1 billion¹, divided into SDR 300 million paid-in capital and SDR 700 million callable capital. The Bank enjoys preferred creditor status.

Operational History

The decision of the Bank to participate in a financing venture is based upon a combination of factors including the contribution of a proposed operation to development and regional cooperation, and the economic sustainability or financial viability (for public or private operations respectively) of the operation. Moreover, while covering costs is essential, maximizing profitability is not the Bank's top priority - for its shareholders the main considerations are the contribution to development and regional cooperation.

The Bank by and large offers the same financial products as other international financial institutions: mainly loans, but also equity investment, guarantees, or combinations of the above depending on the requirements of the potential recipient and the nature of the operation. The term of loans in general ranges from 3 to 7 years, but the Bank may lend up to 15 years in exceptional circumstances that are significant for mandate fulfillment. The pricing of a loan 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; sovereign guarantees are not required but may be accepted.

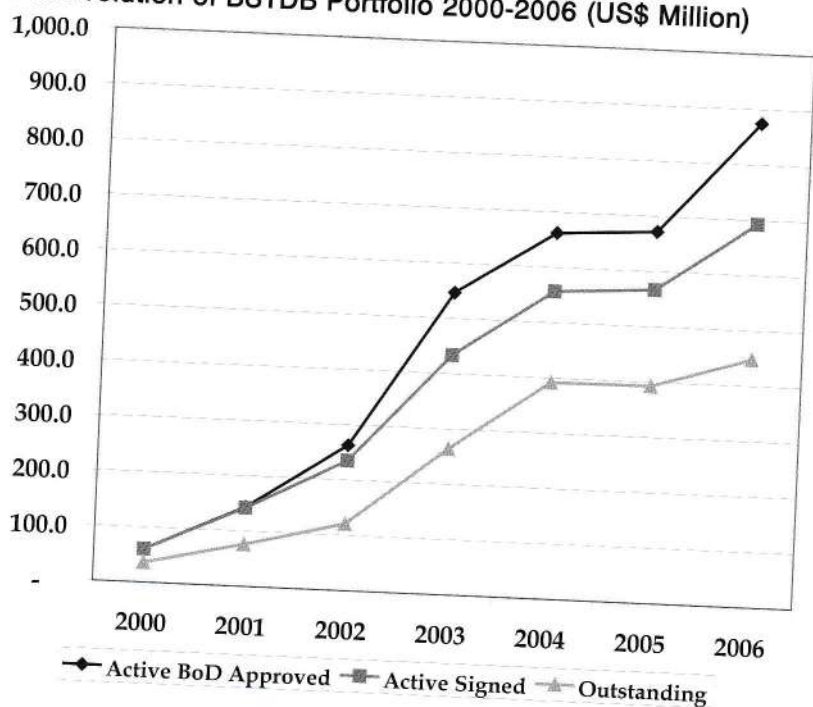
A distinctive feature of the Bank, relative to other international organizations, is its explicit mandate to promote trade via the provision of financing, as a result of the concern of the Bank's shareholders about (i) the low levels of commerce among

¹ SDR=Special Drawing Rights - 1 SDR approximately equals 1.50 \$US

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 programme is offered mainly through revolving credit lines to local financial intermediaries and provides financing to firms importing from Member States and to Regional exporting firms.

Following the Establishing Agreement and its ratification, BSTDB was formally established in February 1998 and commenced operations in June 1999. In its first year of operations, the Bank approved two operations for financing, beginning with participation in the Trans-Balkan gas pipeline project, in which the Bank took part in a syndication to support the construction of a gas compressor station, with five member countries benefiting directly and indirectly from the operation. Subsequently, the Bank's portfolio of operations has grown at a rate which seeks to balance the need for expansion with the need to lend prudently in order to establish the reputation of the Bank as a sound financial institution. As Figure 1 shows, as of 31 December 2006, the Bank's portfolio had grown to 72 operations for US\$ 875 million approved by the Bank's Board of Directors, of which 63 for US\$ 693 had been signed (i.e. committed) with the amount disbursed and outstanding reaching US\$ 448 million.

Figure 1: Evolution of BSTDB Portfolio 2000-2006 (US\$ Million)



During 2006, the Bank's portfolio grew 30% over 2005 in terms of Board approvals, whereas the portfolio of signed operations increased 22% in volume terms and the amounts disbursed and outstanding rose 14%. Furthermore, the Bank achieved its second consecutive positive outturn for a fiscal year, with profits before provisions increasing to US\$ 19 million - an increase of 28% over 2005 outturns, and net profit growing to US\$ 17 million - representing an increase of over 250% over 2005.

These figures indicate that, while the Bank is still small, it has reached a level of maturity that has helped to establish its position 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 figures also reflect the conscious strategy of the Bank: while it is essential for the institution to grow, this must be achieved prudently at a manageable pace with close attention to the selection of operations that will permit the build-up of a high-quality portfolio. This approach may have cost the Bank participation in some business opportunities, and some foregone earnings, but it has helped the institution (i) to build its name in a marketplace full of well-established competitors, (ii) to find a niche for its products and services in this crowded marketplace, and (iii) to keep the number of problem operations to a minimum. In its existence to date, the Bank has had two problem operations and achieved a recovery in excess of 80% with favourable prospects for the second as well.

This prudent growth approach has not only helped the Bank to build credibility with its business partners, it also contributed to the Bank achieving a Baa2 (BBB equivalent) credit rating with Moody's in 2003, which at the time was better than the credit rating of 10 of its 11 shareholders. That credit rating was upgraded to Baa1 (BBB+ equivalent) in October 2006, once again better than that of 10 of the Bank's 11 shareholders and reflecting (i) the Bank's positive results and favourable prospects and (ii) the improved ratings of its shareholders over the last few years such that 60% of the Bank's shares are held by Member States having achieved an investment grade rating (at least Baa3).

During its seven plus years of operation, BSTDB has sought to promote BSEC and the countries which comprise the Black Sea Region in the course of its activities. It has hosted annual Business Day events which rotate among the Member States and highlight business opportunities and sectoral issues relevant to the Black Sea Region, as well as host country points of interest. In addition, the Bank has sponsored focused events with external agencies such as the EU and OECD which draw attention to regional developments and prospects. This has involved coordination with other BSEC bodies such as PERMIS and the Business Council.

BSTDB has also developed relationships and ties with entities from outside the BSEC Region which have shown interest in becoming involved in some or all of the countries of the wider Black Sea Region. For the most part, the Bank has sought to develop these links operationally, with interested investors and financial institutions. In the case of the latter, particularly, the Bank has cultivated relations with private sector banks and leasing firms as well as official national lending institutions and multilateral development banks. The common theme in the development of these relations is an interest in strengthening activities in, and ties to, the Black Sea Region, with BSTDB facilitating the entry of these institutions, or strengthening their presence. The Bank has also sought the development of closer ties with the European Union (EU) and its related institutions. The Bank is acknowledged as a multilateral development bank in the EU's Directive 2006/48/EC of 30 June 2006 for the application of the key principles of Basle II (concerning capital adequacy requirements and the regulation of credit institutions).

Furthermore, BSTDB has been an active participant in two Working Groups established between the European Commission (EC) and multilateral development banks focusing (i) on new EU Countries, Accession Candidates, and Potential Candidates (covering Bulgaria, Romania, Turkey, and Albania) and (ii) on Eastern Europe, the Southern Caucasus, Russia, and Central Asia (covering Armenia, Azerbaijan, Georgia, Moldova, Ukraine and potentially Russia). These groups have proved to be useful fora for discussion among the institutions involved, information sharing, strategy development, coordination of policies, and networking.

Looking Ahead

BSTDB operates in a diverse setting, as the Black Sea Region exhibits great variation in terms of economic structures, levels of economic development, geography, and demography. This requires that the Bank tailor its strategies to the requirements of individual countries even as it tries to maintain commonality of principles and consistency of approach in the assessment and selection of operations. This is challenging enough, but is further complicated by one significant common characteristic which the countries share - all the economies are growing at rates which range from healthy to truly exceptional. As a whole, the Region has experienced sustained economic growth against a background of macroeconomic stability and improving business environments since 2000. It has registered average GDP growth of 5.9% annually between 2000 and 2006, nearly double the 3.0% growth observed globally. Thus the Bank also operates in a rapidly changing context, in which its member countries are in considerable flux, with changing operating environments and business needs which in turn necessitate that the Bank stay up to date and on top of what is occurring in these markets. As the mar-

kets become more stable and confident, and increase in maturity, the banks and firms will require (i) more sophisticated financial products, and (ii) demand greater time horizons and often more complicated structures against a backdrop of shrinking margins.

Against this backdrop, BSTDB activities in coming years will be guided by its Medium Term Strategy and Business Plan 2007-2010, approved by the Bank's Board of Governors in December 2006. The institution's principal objectives will be to continue making steady and measurable progress in the following areas which are necessary in order to ensure the long term viability of the Bank: (i) institutional consolidation; (ii) asset quality; (iii) cost control; (iv) profitability; and (v) productivity. The Bank's operational goal for the period 2007 - 2010, according to its core scenario, is to double its total outstanding exposure and reach approximately SDR 600 million by end 2010. This will be reflected in an annual average growth rate in total outstanding disbursements of 19%. The Bank targets achieving an A3 risk rating from Moody's by 2010.

The Bank intends to follow a similar strategy in broad terms to the one it has implemented thus far, seeking to expand its portfolio in a manageable and prudent manner, with (i) 'bankability' - the financial viability of an operation - and (ii) relevance to mission continuing to serve as the overriding factors in determining the possibility of Bank involvement. Where there are changes in focus, it is partly a result of the changing profile of the Region and the need to stay relevant not only to the needs of the existing pool of potential client firms, but to expand to support the developing business environment in the Bank's shareholder countries. Thus, in addition to large, good credit risk, established companies, the Bank intends to expand assistance, gradually but steadily, to so-called 'second tier' firms - less well established or known firms with a smaller track record, but which show growth promise, management quality, and vision. This will entail judiciously simplifying requirements and taking calculated risks in terms of structures, products, tenors etc., in order to achieve higher development impact. The main targets would include medium sized locally incorporated companies that are dynamic, with rapidly expanding operations, and additional features such as being export oriented, generating technology and know-how transfer, and creating employment. More broadly, this will involve expanding the use of local financial intermediaries to access small and even 'micro' firms and help them to expand and develop their potential. This in turn fits well with the Bank's intent to expand its operations in the financial sector, supporting the institutional development, delivery capacity and financial strengthening of regionally active financial institutions. In this context the Bank will provide greater financial support to the SME sector and

will also continue its promotion of trade activities. The Bank will also target clients in the public sector, including municipalities, public utilities and public agencies, for which operations may yield important efficiency and environmental benefits.

In order to achieve greater regional cooperation impact, the Bank intends to intensify its focus on cross-border operations, particularly in infrastructure related sectors. Such operations possess high shareholder value for the Bank and are therefore priority activities. However, they can be costly and time consuming to put together, and their cross-border nature and usual requirement for public sector participation (as borrower, guarantor, concession provider, licensor, facilitator, etc.) increase complexities. Such risk may be mitigated through cooperation with other financiers.

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 the institution's shareholders, understanding of the Bank's mission, transparency and disclosure of information, and sound corporate governance. The Bank is committed to achieving proper checks and balances that enhance responsibility and accuracy without compromising efficiency and ensuring compliance with adopted policies and procedures which are the cornerstones of its corporate governance framework. BSTDB's dual mandate, to promote economic development and regional cooperation, will help to keep the institution relevant as the countries give emphasis to particular sectors for growth and increase their economic integration and complementarity.

In terms of its relations with external actors, the key challenge for BSTDB in coming years will be to establish cooperation on an operational level - namely the co-financing of projects, programmes, and other operations. This applies to relations with national and international financial institutions, as well as the EU, which is planning to increase its commitment to the Black Sea Region, albeit at differential rates that depend upon each individual country's relationship with the EU. The Bank also plans to support the development of a multilateral 'Black Sea Dimension' of the EU in its dealings with the Region, in cooperation with BSEC PERMIS and the other partner Related Bodies. Closer cooperation and coordination with the entire BSEC family is necessary in order to help promote the Black Sea and to improve information sharing within the Region, and knowledge about the Region to outsiders. This will involve taking advantage of the fact that BSEC and its organizational infrastructure represent the sole institutions focused upon the wider Black Sea Region and the promotion of economic development and cooperation therein that is wholly owned and operated by the countries which

comprise the wider Black Sea Region. This is testimony to the sense of regional interest and collective 'ownership' of the Member States.

The Contribution of the International Centre for Black Sea Studies

Dimitrios TRIANTAPHYLLOU

Director General

International Centre for Black Sea Studies (ICBSS)

The International Centre for Black Sea Studies (ICBSS) was founded in Athens in 1998 as a non-profit organisation. It has since served a dual function: on the one hand, it is a related body of the Organisation of the Black Sea Economic Cooperation (BSEC) and serves as its acknowledged think tank. On the other hand, it is an independent research and training institution focusing on the wider Black Sea area. As a result, the ICBSS is a uniquely positioned expert on the Black Sea area and its regional cooperation dynamics.

The ICBSS in many regards owes its creation to Yannis Valinakis, Greece's current Deputy Minister of Foreign Affairs, who, in the mid-1990s, in his capacity as Director of a leading foreign policy think tank, had the foresight to identify the need for a research centre with a particular focus on the wider Black area. Upon the establishment of the Centre, the BSEC eventually recognized it and accepted it as part of the BSEC institutional family. An early step was made with the BSEC Charter of 1998 which included an article on promoting "cooperation among the academic communities, scholars and scientists of the Member States." In October 1999, the Council of Ministers of Foreign Affairs of the BSEC Member States mentioned specifically the ICBSS for the first time and called upon it to play a role in enhancing cooperation between the BSEC and the European Union (EU) by elaborating "sectoral studies on the interface of the BSEC projects with the existing EU programmes, addressed to the BSEC, and to pay, at the same time, particular attention to common areas of interest." In April 2002, the ICBSS was recognised by the Council as a *de facto* related body of the BSEC and as a facilitator of academic cooperation, while in June 2004 a new article was introduced in the BSEC Charter spelling out the legal identity and the specific attributes of the ICBSS. The BSEC Charter, thus amended, is in the process of ratification, with Serbia, Georgia, Armenia, Bulgaria and Greece having completed the legal requirements to date.

As a later addition to the group of BSEC related bodies, the ICBSS has had to catch up with the established practices and procedures within BSEC and to carve a specific niche for itself. The amount and quality of its contribution to the work of

the BSEC have grown progressively not just in terms of producing relevant scholarly studies but also drafting a number of policy papers and legal proposals pertaining to the Organisation's reform process.

The ICBSS has primarily focused its activities on enhancing the relations between the BSEC and the EU, promoting policy making at a regional level in the field of science and technology, assisting the BSEC in defining its economic agenda, leading the way in making good governance a mainstay of the BSEC, exploring possibilities for cooperation in the energy sector, and providing substantive inputs toward increasing the overall effectiveness of the Organisation. The Centre has also put, in recent years, much effort into international outreach activities aiming to promote better awareness about the ICBSS and the BSEC. Consequently, the integration of the ICBSS into the BSEC family has been relatively quick, as the ICBSS seized the opportunity early on to involve itself steadfastly in the Organisation's work.

A brief overview of the ICBSS contribution to regional cooperation in science and technology, to enhanced relations with the EU, and to a broader international outreach is provided below just in order to illustrate with concrete examples its proactive approach.

Policy Making in the field of Science and Technology

The ICBSS involvement in this field can be principally seen as part of the interaction with the EU. The ICBSS has contributed significantly toward a regional concept of policy-making in science and technology and has been a key contributor to the advancement of relations between the BSEC and the EU in this sphere. Since 2004, the ICBSS has managed two EU co-funded projects under the 6th Framework Programme on the technological and research potential of the Black Sea region (BS-ResPot) and on the formulation and implementation of a relevant BSEC Action Plan (ActionPlan-BS).

Work within the context of ResPot concentrated on mapping and evaluating the research and technological development (RTD) systems and institutions in the BSEC region; assessing the prospects for the establishment of a Black Sea innovation centre; and finding ways to enhance coordination of RTD policies among the BSEC Member States and with the EU. One of the main objectives of the ResPot project was also to enhance cooperation between the National Academies of Sciences (NAS) of the BSEC Member States. Finally, in order to implement this project, the ICBSS cooperated closely with the Turkish and Ukrainian Academies of Science and other expert partners from Greece and Austria.

The ActionPlan-BS project had a direct impact on BSEC policy making in science and technology leading to the adoption of a Joint Declaration and the BSEC Action Plan on cooperation in that field by the Ministers Responsible for Science and Technology (Athens, 28 September 2005), and the subsequent endorsement of those documents by the 13th Council of Ministers of Foreign Affairs (Chisinau, 28 October 2005).

By carrying through those two projects, the ICBSS pioneered active access to, and use of, funds from existing EU financial instruments to the benefit of regional cooperation in the BSEC framework. Given the limited financial resources of the BSEC countries for funding regional projects, one can realize the significance of assured access to EU funds for more ambitious regional projects.

The significance of the ICBSS-managed projects is not limited to their financial aspects. In fact, they advanced the concept of 'BSEC-wide projects' covered by the available financing instruments and programmes of the European Community. The concept of BSEC-wide projects (involving all 12 BSEC Member States) was thus acknowledged as providing added value through multilateral cooperation.

Interaction with the European Union

Since its establishment in 1998, the ICBSS has paid special attention to the BSEC-EU relationship by identifying areas of common interest and potential cooperation at institutional level as well as between the respective Member States. In 2002, the ICBSS published a book together with the Centre for European Policy Studies on *Europe's Black Sea Dimension* which put forward policy proposals on possible synergies between the BSEC and the EU in the fields of energy and the environment.

A closer and more productive relationship between the neighbouring regions has acquired increasing significance over recent years, especially in the light of the European Union's enlargement process and the growing geopolitical importance of the Black Sea region. As the official think-tank of the BSEC, the ICBSS has been very actively involved in developing a conceptual basis for institutionalised BSEC-EU relations. Mandated by the BSEC Council in 2005, the ICBSS coordinated the work of an ad hoc Group of Experts charged with the task of preparing a working paper on BSEC-EU interaction. The ICBSS draft, with contributions from the BSEC Member States, was eventually adopted as an official BSEC policy document in January 2007, reflecting the BSEC approach to enhancing relations with the European Union.

The ICBSS has since continued to concentrate on developing further synergies

between the BSEC and the EU, especially after the publication of the dedicated Communication of the European Commission in April 2007. For the International Centre for Black Sea Studies this breakthrough in the relations between the two organisations is a cause for professional satisfaction but also a challenge to think ahead even more ambitiously and yet realistically.

As the interaction between the BSEC and the EU moves on from the declaratory phase into the realm of concrete deeds with an eye to the future, the ICBSS has begun to concentrate on a number of questions which would assist the BSEC in defining its positions. These include:

- Which specific areas of interaction belong to the domain of policy dialogue? Which ones make coordination necessary and possible? Which ones allow for immediate cooperative action?
- What should the forms of BSEC involvement, as a representative regional organisation, with the various regional EU-sponsored programmes/initiatives such as the Baku Initiatives for energy and transport, TRACECA, INO-GATE, the Black Sea Commission, and others be?
- What steps should the BSEC take in its relations with other neighbouring regions such as Southeastern Europe or Central Asia?
- How could enhanced cooperation with the EU impact on the positive resolution of outstanding issues, including "frozen conflicts" in the region and what, if any, the BSEC's role could be?
- How to make interparliamentary dialogue more substantive?
- How to further enhance BSEC capacity-building in terms both of institutional and human resources with targeted reforms in order to cope with the challenges of enhanced interaction?
- How to foster cooperation among policy research communities across the BSEC space and the EU in order to sustain and enrich the interaction?

International outreach

The continued efforts to improve relations with the European Union are part of a larger initiative by the ICBSS to reach out to institutions and organisations both within and outside the BSEC space in order to strengthen the Centre's role as a leading point of reference for the wider Black Sea area and, as a consequence, to better explain the BSEC's potential and role. In this respect, the ICBSS is continuously improving and updating its website with relevant documentation and updating its ever growing contacts base. The ICBSS has also been increasingly establishing contacts with national and international, public and private institutions abroad to promote itself and has begun to co-organise events with partner institutes. It has also been steadily increasing its publications output and distributing

them to an ever growing network of stakeholders across the globe.

Summing up

The International Centre for Black Studies is coming of age along with the rest of the BSEC. The growing international interest in the wider Black Sea area and the obvious synergies among the BSEC Member States and with the European Union and other non-European entities provide the ICBSS with an ever expanding menu of agenda items for research, policy advice, publications and cooperative opportunities that need to be grasped, assessed and acted upon in order to fully exploit its potential and its role within the BSEC family. The ICBSS will be celebrating its own 10th Anniversary in 2008 and looks forward to commemorating many more such events by building upon its acquis of knowledge and expertise.

III. THE PERMANENT INTERNATIONAL SECRETARIAT

The Role of the Permanent International Secretariat within the BSEC Framework

Ambassador Leonidas CHRYSANTHOPOULOS
Secretary General
Permanent International Secretariat of the BSEC

The BSEC was established on 25 June 1992, upon the initiative of the late President of Turkey, when the Heads of State and Government of eleven countries signed the Summit Declaration and the Bosphorus Statement in Istanbul. With the entry into force of its Charter on 1 May 1999, BSEC acquired international legal identity and was transformed into a full-fledged regional organization, the Organization of the Black Sea Economic Cooperation.

It was the period following the collapse of the Soviet Union. The founding fathers of BSEC had a vision to create an Organization that could promote peace and stability in the Black Sea region through economic cooperation - but also by combining forces and abilities throughout the region to make a significant step into the new millennium.

In these 15 years, BSEC has built a permanent and extensive institutional framework of cooperation that covers all levels of governance (intergovernmental - the Council of Ministers of Foreign Affairs being the highest decision-making organ, parliamentary - PABSEC is the parliamentary dimension of BSEC, financial - BSTDB is the trade and development Bank of BSEC, the BSEC Business Council, and the International Centre for Black Sea Studies - the BSEC's think tank).

And here is where the role of the Secretariat (Permanent International Secretariat - PERMIS) appears as a body functioning under the authority of the Chairman-in-Office that is executed by the Secretary General. It has the important role of coordinating BSEC activities and ensuring that BSEC functions effectively and contributes to the development of the region and its people.

PERMIS is also the living memory of BSEC, since it is the depositary of the Charter, Protocol, Agreements made and signed by BSEC as well as of all Council Resolutions and Decisions that have been adopted since the beginning of the Organization. According to the rules set out for us (Rule II of the Staff Regulations), we are also entrusted with administrative and secretarial functions, attendance of

BSEC meetings and events, preparation of Progress Reports on BSEC activities, etc. We are also charged with other competences that make a significant contribution toward promoting our common interests and projects:

- to monitor and facilitate progress in the elaboration and implementation of projects and programmes of common interest;
- to conduct consultations with the Member States, Observers, BSEC related bodies and non-governmental organizations (NGOs) that are involved in the BSEC activities;
- to maintain dialogue with international organizations and third countries under mandate given by the Council and in consultation with the Chairman-in-Office.

Whatever tasks are entrusted to us in the Rules of the Staff Regulations and the corresponding Job Descriptions, they are implemented by PERMIS. But since that is not sufficient for promoting the Organization, we have embarked on an internal streamlining of PERMIS to reduce the paperwork and facilitate the tasks of the Chairman-in-Office. We have also assumed the task of monitoring the implementation of Resolutions, Decisions and Recommendations of the Council, as was decided by the Council of Ministers of Foreign Affairs in Moscow on 1 November 2006.

Focus on Communication - internal and external

At the Secretariat we see as an objective of our work to focus on establishing better communications among the Member States. In this respect we amplified our efforts to provide the Member States with comprehensive information on all contacts of PERMIS with the Member States, Observers, Related Bodies and International Organizations. Since communication is a two-way road, PERMIS has also asked the Member States to provide it with information on their contacts with third countries or parties, if BSEC-related issues are discussed. Such information, once disseminated by the Secretariat to the Member States, results in everyone speaking to these countries in one voice on BSEC-related issues.

And we are on the right track with this approach. The first results can be seen in the rapprochement that is taking place between BSEC and the EU. The comprehensive information exchanged, through the Secretariat, among the Member States enabled us to speak in one voice to the EU.

Another area where we see a need for further emphasis is promoting BSEC to its people - within the BSEC countries and beyond. We have to bring BSEC out of the twilight zone and promote the work and projects that are being done by it. And

also here the first fruits of our achievements have started to become visible. We have developed excellent contacts with the Turkish, BSEC and international opinion-leading media. During bilateral visits to BSEC Member States, press conferences and interviews are given which spread a positive echo in national, regional and international publications. As a result, many positive articles have appeared concerning BSEC and its new project-oriented approach.

Furthermore, the BSEC newspaper "The Black Sea News" has started being published in Ankara. (It was published before in Thessaloniki under the supervision of the Black Sea Trade and Development Bank.) Now, we at PERMIS are closely cooperating with the editors, providing them with information on BSEC developments. For the future we envision this BSEC publication becoming a true communication medium between us and our people with commentaries, reports and opinions of our readers. The task of informing our peoples about BSEC should be undertaken also by each of the Member States by using their mass-media to promote our Organization.

An effective and project-oriented BSEC

BSEC, in the last few months, has transformed itself into a project-oriented Organization. On 1 November 2006, the Memorandum of Understanding for the Coordinated Development of the Black Sea Ring Highway and the Memorandum of Understanding on the Development of the Motorways of the Sea in the BSEC region were adopted by the Council of Ministers of Foreign Affairs in Moscow. It is for the first time in the history of BSEC that projects of such magnitude have been adopted and are now at a stage of being ready for implementation. PERMIS played an important role in their adoption and will also participate in the Steering Committee for the implementation of the first Memorandum, thus enabling us to assist in the coordination of the implementation phase of this project.

The enhanced relations between BSEC and the EU have brought both Organizations closer together. At the Secretariat we believe that the follow up and coordination of relevant activities will end up on our desk; we will be more than happy to assume this task since we are convinced of the importance of this enhanced cooperation.

Cooperation with regional and international Organizations

The Organization of the Black Sea Economic Cooperation constitutes a forum of economic cooperation stretching from the Balkans to the Caucasus and beyond, covering an area of nearly 20 million square kilometres and a market of 370 million people, its Member States spanning a bridge between two continents and

including a variety of cultures. BSEC highly values its relations with other international and regional organizations.

Here also we have the first result-oriented projects under way, such as the BSEC-UNDP joint project "Black Sea Trade and Investment Promotion Programme". The end result of this programme will be to increase intra-BSEC trade and investments in our region. This project, with the financial contribution of Greece, Turkey, BSEC and UNDP, was signed in Istanbul on 1 December 2006. A similar project has started with OECD.

Our relations with other international organizations are very important also in the context of implementing the BSEC projects that will have a direct positive impact on our people. The EU, UN and its agencies are our main partners. Here again PERMIS has and will have an important coordination role.

Working towards a better future

We have achieved a lot in the 15 years of our existence. The Istanbul Summit of June 25th 2007 in its Declaration welcomed the adoption of the reform measures that were initiated in Bucharest and finalized in Belgrade. This reform package will increase the effectiveness and overall performance of our Organization. Within this reform process, the Secretariat has acquired increased competences in monitoring the implementation of the Resolutions and Decisions adopted by the BSEC Council of Ministers of Foreign Affairs. Also our coordinating activities with the BSEC Related Bodies have increased. PERMIS is being transformed more and more into a pivotal point of our Organization: managing, coordinating and monitoring.

The Member States, acknowledging the increased responsibilities of the Secretariat, have agreed to undertake the first steps that would enable us to work better. With the increase of our staff that was decided by the Council of Ministers of Foreign Affairs in Belgrade on 19 April 2007, PERMIS will be able to continue coping in an effective way with its new responsibilities. And we will continue working efficiently and effectively until the Organization is ready for a new reform, a reform that will be substantial, a reform that will change the Charter.

Within such a reform, it would be ideal that the Secretariat became a Secretariat of the whole BSEC system and thus increase the accountability, efficiency and coordination of the entire Organization for the benefit of the people that it represents.

15 Years PERMIS – A Historical Review

On 25 June 1992, the Heads of State and Government of eleven countries: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine signed in Istanbul the Summit Declaration and the Bosphorus Statement giving birth to the Black Sea Economic Cooperation.

It came into existence as a unique and promising model of multilateral political and economic initiative with an aim to foster interaction and harmony among the Member States, as well as to ensure peace, stability and prosperity by encouraging friendly and good-neighbourly relations in the Black Sea region.

From 1992 until 1994, the secretarial work of the Black Sea Economic Cooperation (BSEC) was carried out by the Ministry of Foreign Affairs of Turkey. The Permanent International Secretariat (PERMIS) was established in Istanbul in March 1994.

PERMIS started then operating with only twelve personnel in 1994: four directorial positions and seven support staff. The directorial staff consisted of one Director, one Alternate Director, who was assigned the temporary duty to set up the office and recruit the support staff, and two Deputy Directors. The support staff was composed of one Accountant, one Archivist, three Secretaries, one Driver and one Office Cleaner.

The Secretariat was then located in Beşiktaş, in the vicinity of the Dolmabahçe Palace, sharing a two-storey historical building with the Secretariat of the Parliamentary Assembly of BSEC (PABSEC).

In December 1996, the Secretariat moved to its current premises in Istinye allocated to it by the Turkish Government. The structure of the PERMIS changed almost simultaneously with its relocation.

During their Ninth Meeting held in Istanbul in April 1997, the BSEC Ministers of Foreign Affairs approved the recommendation of the Senior Officials Meeting with regard to the reorganization of the new titles as follows:

Directorial Staff : Secretary General, First Deputy Secretary General and three Deputy Secretaries General;

Professional Staff : Project Coordinator as Assistant to the Secretary General;

Support Staff : *Secretary/Typist, Superintendent and
Driver/Messenger.*

The introduction of a new post of Legal Advisor was decided exactly one year later, at the Eleventh Meeting of the Ministers of Foreign Affairs held in Yerevan in April 1998, increasing the number of personnel working at PERMIS to 19.

The ratification of its Charter on 1 May 1999, transforming the Black Sea Economic Cooperation into a full-fledged Organization with a distinct legal identity on the international scene, increased the responsibilities and thus the work load of the Secretariat.

The Second Council of Ministers of Foreign Affairs held in Chisinau on 27 April 2000 restructured the PERMIS as follows: Secretary General, First Deputy Secretary General and Deputy Secretary General, four Executive Managers, one Project Coordinator-Assistant to the Secretary General and one Legal Advisor. It also adopted the job descriptions and terms of office of the PERMIS staff in which the functions of PERMIS are mentioned.



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