

TURKEY
AND THE BLACK SEA ECONOMIC COOPERATION (BSEC): 1992-2008

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ABSTRACT

TURKEY AND THE BLACK SEA ECONOMIC COOPERATION (BSEC): 1992-2008

Karakaya, Dilek

M.S., International Relations

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This thesis analyzes the Organization of Black Sea Economic Cooperation (BSEC) and Turkey's role in this international organization. This thesis argues that contrary to scholars who view institutional weaknesses of BSEC as the main reason of its failure in achieving sufficient level of cooperation among its members, political problems emanating from member states constitute the main reason of BSEC's ineffectiveness as an international organization.

There are six chapters of this thesis. Following the introductory first chapter, the second chapter of this thesis examines the factors behind establishment of BSEC and its formation process. In the following three chapters, BSEC's institutional structure, its issue areas and problems are discussed in detail. The last chapter is conclusion.

Keywords: Black Sea Economic Cooperation (BSEC), Turkey, International Organization, Regional Economic Cooperation, Intergovernmentalism.

ÖZ

TÜRKİYE VE KARADENİZ EKONOMİK İŞ BİRLİĞİ ÖRGÜTÜ: 1992-2008

Karakaya, Dilek

Yüksek Lisans, Uluslararası ilişkiler
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Bu tez Karadeniz Ekonomik İş Birliği Örgütünü (KEİÖ) ve Türkiye'nin bu uluslararası örgüt içindeki rolünü incelemektedir. Tezde, KEİÖ'nün üyeleri arasında yeterli düzeyde iş birliği sağlamada başarısız olmasının nedeni olarak kurumsal zayıflıklarını gören araştırmacıların aksine, KEİÖ'nün uluslararası bir örgüt olarak yetersizliğinin temel sebebinin üye ülkelerden kaynaklanan siyasi problemler olduğu savunulmaktadır.

Tezin altı bölümü bulunmaktadır. İlk, giriş bölümünü takiben ikinci bölümde KEİÖ'nün kurulmasında etkili olan faktörler ve kuruluş süreci anlatılacaktır. Sonraki üç bölümde KEİÖ'nün kurumsal yapısı, konu alanları ve problemleri ayrıntılı olarak tartışılacaktır. Son bölüm ise sonuç kısmıdır.

Anahtar Kelimeler: Karadeniz Ekonomik İş Birliği Örgütü (KEİÖ), Türkiye, Uluslararası Organizasyon, Bölgesel Ekonomik İş Birliği, Hükümetlerarasıcılık.

In memory of my lovely father

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LIST OF ABBREVIATIONS

ACG	Azeri-Chirag-Guneshli
BSEC BC	Black Sea Economic Cooperation Business Council
BSEC	Black Sea Economic Cooperation
BSFOCS	Black Sea Fiber Optic Cable System
BSTDB	Black Sea Trade and Development Bank
BTC	Baku-Tbilisi-Ceyhan
CPC	Caspian Pipeline Consortium
DOKAP	Eastern Black Sea Telecommunication Project
EC	European Community
EU	European Union
GDP	Gross Domestic Product
GEF	Global Environment Facility
ICBSS	International Centre for Black Sea Studies
ITUR	Italy-Turkey-Ukraine-Russia Fiber Optic Cable Backbone
KAFOS	Black Sea Fiber Optic Submarine Cable System
NATO	North Atlantic Treaty Organization
PABSEC	Parliamentary Assembly of Black Sea Economic Cooperation
PERMIS	Permanent International Secretariat
TAE	Trans Asia Europe Fiber Optic Cable System
TET	Trans Europe Telecommunication
UNEP	United Nations Environmental Programme
USSR	United Soviet Socialist Republics
WTO	World Trade Organization

CHAPTER I

INTRODUCTION

The idea of establishment of the Black Sea Economic Cooperation (BSEC) was suggested by a senior ambassador Şükrü Elekdağ and was put into practice by Turgut Özal, the President of the Republic of Turkey in office between 1989 and 1993. Finally, BSEC was established on the 25th June 1992. Since the idea belongs completely to Turkey, BSEC is dubbed as “Child of Turkey”¹ or “Turkish Creation”². However, BSEC is not able to attract sufficient attention. It can even be said that BSEC is not well known. Different analyses are available upon BSEC, its performance and main challenges to its success. This thesis analyses BSEC and Turkey’s role in BSEC with the aim of evaluating its performance.

Turkey, the Russian Federation, Romania, Bulgaria, Azerbaijan, Armenia, Georgia, Moldova, Ukraine, Greece, Albania are founding member of BSEC. Serbia and Montenegro joined in 2004. Initially formed as an economic cooperation zone BSEC turned into an international organization in 1998 when Charter of the Organization of the Black Sea Economic Cooperation was signed.³ As it is determined in the Charter, the main objectives are: to develop economic collaboration among member states, to act for improving business environment and promoting individual and collective initiatives involved in the process of economic cooperation, to further develop and diversify bilateral and multilateral cooperation on the basis of principles and rules of international law, to enhance mutual respect and confidence, dialogue and cooperation among member states, and to further

¹ Interviews with Turkish Foreign Ministry officials, January 1999, cited in M.Fatih Tayfur, “Turkish Foreign Policy towards the Euro-Mediterranean Partnership and the Black Sea Economic Cooperation: A Comparative Analysis”, *Foreign Policy (Dış politika)*, (Issue 1-4 1999):p.59, www.ceeol.com (accessed on 24.09.2009).

² Serkan Kekevi, *Batı'nın Çöküşü ve Türk Dış Politikası*, (IQ Kültür Sanat Yayıncılık, İstanbul,2004):p.210

³ Although Black Sea Economic Cooperation was turned into an international organization in 1998 Yalta Summit in Ukraine, its generally accepted abbreviation continues to be BSEC. Therefore, throughout this thesis BSEC abbreviation is used for this organization before and after 1998.

encourage the participation in BSEC process of economic cooperation of other interested states, international economic and financial institutions. Also, trade and economic development, energy, communication and transportation, science and technology, banking and finance, exchange of statistical data are determined as areas of cooperation by the Charter. There are different analyses about BSEC, its success and main challenges to success. For one thing, there are positive analyses about BSEC. In other words, BSEC is viewed as a successful international organization by some scholars. However, optimistic evaluations of BSEC mostly belong to very beginning of 1990s. Especially, after signature process was completed, there were headlines in the newspapers meeting the formation of BSEC with a great excitement like “Reconciliation in the Black Sea”⁴, or “The leader in the Black Sea is Turkey”.⁵ Also, heads of state or governments of the member states made speeches filled with very promising words. For example, Azerbaijan’s President Ebulfez Elcibey said that BSEC would bring a life to the region and it might help to find solutions for longstanding problems of the region’s states. The President of Romania, Ion Iliescu, said that BSEC could contribute to peace and economic development of the region. Similarly, Albanian Prime Minister Sali Berisha said that long standing conflict in the region threatened all regional states. They wanted to have stability and BSEC would be a factor, which could bring stability to the region. Points made by state authorities show great expectations from BSEC. In addition, Nihat Gökyiğit who was a syndicated columnist in Cumhuriyet newspaper, evaluated BSEC as a realistic initiative and said:

BSEC is established by voluntary participation of the member states. Desire showed by the member states and increasing mutual benefits among states make chance of success of BSEC high. That is why BSEC has attracted attention of the world.⁶

Not only in the initial years after the establishment of BSEC, but also in the 15th anniversary of BSEC, newspapers were filled by positive evaluation of BSEC. In one of the newspapers, it was mentioned that Black Sea states could overcome

⁴ “Karadeniz’de Uzlaşma”, *Milliyet*, (25 Haziran 1992).

⁵ “Karadeniz’de Lider Türkiye”, *Tercüman*, (26 Haziran 1992).

⁶ Nihat Gökyiğit, “Karadeniz Ekonomik İş Birliği”, *Cumhuriyet*, (26 Haziran 1992).

negative impacts of dissolution of USSR thanks to BSEC. It is mentioned that BSEC contributes smooth transition of newly independent states to market economy. BSEC prevented emergence of serious conflict in the region. The Black Sea region became a safer region through BSEC.⁷

Despite of these positive comments about BSEC, in the mainstream literature BSEC is criticized for not providing sufficient level of cooperation in areas determined by the legal framework of BSEC. There are several scholars advocating BSEC's failure in achieving its targets. For example, Emel Oktay mentions that BSEC failed to provide economic integration among its members and she says:

Despite of all institutional achievements and established infrastructure, BSEC cannot provide economic integration among member states at sufficient level. The Organization not only has limited value for the EU's policies towards BSEC's member states, but also it is disregarded. Specialist of USA evaluates BSEC as "muerte" organization in Spanish which means dead.⁸

Similarly Erhan Büyükakıncı mentions lack of concrete results in BSEC and he says:

BSEC can be seen as a framework for forging closer economic and political ties in a volatile and strategically important area. However, practical achievements have been minimal and that no concrete measures have been implemented for enhancing economic cooperation among its participating states. BSEC's contribution to security building has also been seen as marginal.⁹

In short, it can be said there is a common view about BSEC that it has failed to achieve most of its original goals, to attain equal standing in the family of international organizations and to become a real leading force in its region.

When BSEC's insufficiency in achieving its target is taken for granted, reasons of this failure rises. In literature, there are two approaches about the reasons. On one hand, there are some scholars viewing BSEC's failure as a result of problems

⁷ Özlem Sanberk, Murat Sungur, *Karadeniz Ekonomik İşbirliği veya Barış Mantiği*, <http://www.turkrus.com/content/view/4741/36/>(accessed on 20.07.2009).

⁸ Emel Oktay, "Türkiye'nin Avrasya'da Çok Taraflı Girişimlerine Bir Örnek: Karadeniz Ekonomik İşbirliği Örgütü" *Uluslararası İlişkiler Dergisi*, (Cilt 3, Sayı 10, Yaz 2006):p.173.

⁹ Erhan Büyükakıncı, "Security Issues and Patterns of Cooperation in the Black Sea Region", *The Turkish Yearbook*, (Vol.XXXV, No.35, 2004):p.31

coming from the very nature of BSEC as an international organization. On the other hand, some others advocate political problems sourced from the member states.¹⁰ While the former includes decision making process in BSEC, lack of implementation power, lack of professionalism and budgetary problems, the latter represents lack of political will of the member states to create a healthy organization and frozen conflicts in the region. By admitting effects of the problems coming from the institutional structure of BSEC, this thesis argues that contrary to scholars who view institutional weaknesses of BSEC as the main reason of its failure in achieving sufficient level of cooperation among its members, political problems sourced from member states are the main reason of BSEC's failure.

The first group of scholars argues that although BSEC has developed as a full-fledged international organization, it has administrative problems frustrating its development. For example, Burcu Gültekin and Krassimir Nikolov underlines requirement for some institutional reform in BSEC especially in decision making procedure. They say:

BSEC member states are aware of the gradual over-bureaucratization of the organization, which considerably diminishes the efficiency and effectiveness of its activities. Attempts at reform have not touched upon the consensus principle in decision-making. Top BSEC administrators have long been recommending the abandonment of unanimity decisions, but any official proposal in this direction is met with staunch opposition from BSEC member states...BSEC's relatively unimpressive record until now necessitates further efforts to enhance the efficiency of its decision making mechanism and effectiveness of its policies and their implementation.¹¹

Panagiota Manoli mentions several challenges to BSEC capacity, but her emphases are mainly on the institutional problem of BSEC. She mentions that main critics towards international organizations are usually based on their inefficiency and delay in delivering responses. BSEC lacks effectiveness and efficiency. She says:

¹⁰ This discrimination is adopted from an article of Panagiota Manoli: "Reflecting on the BSEC: Achievements, limitations and the Way forward", *ICBSS Policy Brief#1*, (July 2006):p.3.

¹¹ Burcu Gültekin, and Nikolov Y. Krassimir., "European Union Approaches to Fostering Synergies of Cooperation and Integration Around the Black Sea", *Southeast European and Black Sea Studies*, (Vol.8 No.2, June 2008):p.122, 126.

The criticism is directed to several aspects of the Organization's functioning: decision making, capacity, policy implementation, project implementation, visibility and coordination with other institutions and among its related bodies... In order to improve its effectiveness, BSEC requires substantial structural reform. A number of changes are necessary to address the issue of Organization's profile and identity, its management and leadership, its decision-making processes and its capabilities.¹²

Nicolae Ecobescu is another scholar stressing on institutional problems and requirement for reform in order to make BSEC more efficient. He mentions institutional deficiencies of BSEC as an important obstacle in front of its improvement. He mainly underlines lack of implementation mechanism in BSEC and lack of professionals in its institutions.¹³

However, quite an important numbers of scholars mention political problems outcoming from member states as the main reason of BSEC's insufficiency. As it is mentioned, lack of political will or might, political and security problems of the member states, frozen conflicts are the main problems.

For example, İlhan Uzgel underlines that BSEC remained an initiative that is unable to reach its objectives, because member states are reluctant to carry obligations coming from BSEC. He says:

Although the member states struggled for not remaining outside of it, they have become reluctant in doing necessary job and adaptations in order to reach objectives. BSEC remained as a loose organization functioning as a political and economic platform without any practical result.¹⁴

Tunç Aybak, evaluates BSEC as a loose framework of cooperation that is regarded secondary to overwhelming European orientations and ambitious of most Black Sea countries. He says:

¹² Panagiota Manoli, "Reflecting on BSEC: Achievements, Limitations and the Way Forward", *ICBSS Policy Brief#1*, (July 2006):p. 2, 6.

¹³ Nicolae Ecobescu, "BSEC at Fifteen: Enhancing Effectiveness Through Better Performance and Meaningful Institutional Reform", *ICBSS Policy Brief#2*, (September 2006):p.3.

¹⁴ İlhan Uzgel, "Balkanlarla İlişkiler", *Türk Dış Politikası Kurtuluş Savaşından Bugüne Olgular Belgeler, Yorumlar 1980-2001*, ed.Baskın Oran, (İletişim, İstanbul , 2001):p.522.

Despite the initial optimism, for the most part of the 1990s BSEC remained a loose cooperation process. Greece, for instance joined BSEC to counter balance Turkey's weight, and the initial optimism of Russia has given way to southern frontier. For Ukraine, a key Black Sea country, the Black Sea cooperation was secondary to its European aspirations. Indeed, the Black Sea as a loose framework of cooperation was regarded secondary to the overwhelming European orientations and ambitious of most Black Sea countries".¹⁵

Similarly, Mustafa Aydın and Ömer Fazlıoğlu underline effect of political and security problems of the member states in BSEC's failure. They says:

After an enthusiastic start, it became clear that the member states of BSEC lacked the necessary political will to create genuine regional political cooperation. Turgut Özal's initial vision was never fully realized. BSEC was established right from the beginning as an organization aimed at increasing regional cooperation mainly in the economic field. From the early 1990s onwards, however armed conflicts and increasing political tension marked the region instead of expanding regional economic cooperation.¹⁶

By admitting the institutional weakness of BSEC, this thesis embraced the second approach about the reasons of BSEC's insufficiency and argues that BSEC cannot provide sufficient level of cooperation in its issue areas because of political problems sourced from member states which are lack of political will and security problems of member states.

While analyzing BSEC and its insufficiency in providing proper level of cooperation, this thesis relies on realist critic of neo-functionalism. Neo-functionalism is an integration theory, which sought to explain theoretical account of the European Community (EC) since political and economic cooperation was best developed in Europe and it was most suited to theoretical and empirical study. In other words, Europe and European integration became the major focus of neo-functionalism during the 1960s and 1970s.¹⁷ The main neo-functionalism is Ernst B.

¹⁵ Tunç Aybak, "Interregional Cooperation Between The EU and BSEC", *Black Sea Politics Political Culture and Civil Society in an Unstable Region*, ed. Ayşe Güneş-ayata, Ayça Ergün, Işıl Çelimli, (I.B.Tauris, London, 2005):p.28.

¹⁶ Mustafa Aydın and Ömer Fazlıoğlu "The Turkish Foreign Policy Towards The Wider Black Sea Region and Its Chairmanship of BSEC (May-October 2007)", *Unfolding the Black Sea Economic Cooperation Views from Region*, (Xenophon Paper, No 2): p.132.

¹⁷ Carsten Stroby Jensen, "Neofunctionalism", *European Union Politics*, ed. Michelle Cini, (Oxford University Press, USA,2003):p.83.

Hass whose popular work is *the Uniting of Europe: Political, Social and Economic Forces 1950-1957*.

The key question of neo-functionalism is how economic integration leads to political integration. Neo-functionalism ignores realistic view that societies are straightforwardly and permanently adjusted to security necessities and international politics is based on interest of the nation-states. Before going into detail, six assumptions of neo-functionalism should be made. First, according to neo-functionalism integration is a process, which evolves over time and takes on its own dynamics. This means that outcome can be different from the one intended at the beginning by national decision makers. Second, neo-functionalism assumes prevalence of pluralist politics with multiple and diverse actors who are not restricted to their national states' realm. Third, although neo-functionalism does not ignore importance of nation-state, it relies on collective actors like interest groups, social groups or institutions taking utilitarian approach to fulfillment of their objective. In other words, actors are elites rather than mass public and their target is utility maximization. Fourth, according to neo-functionalism interest in cooperation is not constant, but rather it carries tendency to change and also increase during integration as actors learn benefits of cooperation. Fifth, once cooperation is established it can take control of its life and controlling of borders or direction of cooperation by those who created it becomes difficult. Last, interdependence between economies as well as between sectors provokes and fosters integration.¹⁸

Neo-functionalism is centered on three theses. These are spill over thesis, elite socialization thesis and thesis on supranational interest groups.

To begin with, spill over is defined by Leon N. Lindberg as a

Situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action, and so forth.¹⁹

¹⁸ Arne Niemann, "The PHARE Programme And The Concept Of Spillover: Neofunctionalism In The Making", *Journal of European Public Policy*, (Vol.5, No.3, September 1998):p.429-430.

¹⁹ Leon N. Linberg, *The political Dynamics f European Integration*, (London, 1963) :p.10, cited in Çınar Özen, "Neofunctionalism and Change in Dynamics of Turkey-EU Relations", *Perceptions*, (Vol. 3, No.3, September-November 1998):p.3.

There are three types of spillover mentioned by neo-functionalists. The first is *functional spillover*. Owing to the interdependence of some sectors in advanced economies, integration in one area would work only if followed by the integration of other related areas. *Political spillover* refers to situation where policy areas are deliberately linked together because of political or ideological reasons. *Cultivated spillover* may be observed in situations where supranational actors try to push forward a supranational or transnational agenda, even where member states are reluctant to accept further integration. In sum, there is no place for political and economic areas discrimination in neo-functionalism. Political integration is not a goal in cooperation process, but rather it is unintended or automatic conclusion of cooperation.²⁰

Furthermore, neo-functionalism focuses on elite socialization. Hass mentions:

Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over pre-existing national states.²¹

Neo-functionalists argue that integration process would lead to establishment of elite group loyal to supranational institutions and holding norms and ideas of their cooperation. These elite will try to convince national elites of the advantages of cooperation.

Lastly, neo-functionalists advocate formation of supranational interest groups. Accordingly, as economic and political integration develops through cooperation, interest groups will try to match these developments through a process of reorganization, to form their supranational organization. Also, neo-functionalist believes that interest groups would put pressure on governments to force them to speed up the integration process since they experiences benefits of cooperation.²²

To sum up, neo-functionalism explains cooperation by using concepts of spillover and loyalty transfer. States are expected to cooperate on economic issues in

²⁰ Jensen, "Neofunctionalism", p.85.

²¹ Ernst B. Hass, "The Uniting of Europe", *The European Union Readings on the Theory and practice of European Integration*, ed. Brent F. Nelsen and Alexander Stubb, (Palgrave, UK, 2003):p.145.

²² Jensen, "Neofunctionalism", p.87.

order to have economic advantages occurring as a result of intensive trade relations. This cooperation would lead demands for political coordination and in some cases to establishment of supranational institutions. Cooperation in one area would involve cooperation in new areas that automatically would bring political integration.

However, neo-functionalism is criticized on both empirical and theoretical grounds. At empirical level neo-functionalism is criticized for being remote to explain state of political integration in the Europe. In other words, pattern of development characterized by a gradual intensification of political integration did not take place in Europe in the 1970s. Stanley Hoffman whose theory is intergovernmentalism carrying realist underpinnings criticizes a theoretical base of neo-functionalism.

Intergovernmentalism, as a theory of European integration emerged in the mid-1960s, out of a critique of neo-functionalist theory.²³ Intergovernmentalists see international organizations as intergovernmental bodies including forums in which states can meet to discuss common issues, share ideas and negotiate agreements. International organizations are usually based on international treaties and membership is voluntary. In other words, according to intergovernmentalists international organizations are rational conduct of governments. Contrary to neo-functionalists, intergovernmentalists see cooperation occurring in fits and starts and not as a trend towards political community or federal state.²⁴

Contrary to neo-functionalism focusing on societal groups as actors, there is sovereign state at the heart of intergovernmentalism. According to intergovernmentalists national sovereignty and nation state were altered, but they were not superseded. Despite the fact that societal changes are basic challenges to nation states, state governments remained powerful since they hold sovereignty over their territory and they possess political legitimacy. Hoffman continues:

There is currently no agreement on what such a formula will be; as a result, nation states-often inchoate, economically absurd, administratively ramshackle, and impotent yet

²³ Michelle Cini, "Intergovernmentalism", *European Union Politics*, ed. Michelle Cini, (Oxford,USA, 2003):p.97.

²⁴ Cini, "Intergovernmentalism", p.95.

dangerous in international politics-remain the basic units in spite of all the remonstrations and exhortations....The nation-state is still here, and new Jerusalem has been postponed because the nations in Western Europe have not been able to stop time and to fragment space.²⁵

In relation with the role of nation state, intergovernmentalists argue that control of the cooperation is in the hands of states. There can be share of sovereignty in some areas to some degree, but there cannot be transfer of sovereignty to a supranational body. Also, contrary to neo-functionalists arguing loyalty transfer and pressure on nation state put by elites, intergovernmentalists argue that member of supranational institutions of cooperation are civil servants of the member states. They are permitted to act in less controversial policy areas. However, when subject becomes sensitive policy domains their functions are seriously curtailed.²⁶

In addition, contrary to neo-functionalists who does not make differentiation between high and low politics and argue economic cooperation would spillover to political area, intergovernmentalists make this distinction. Accordingly, while high politics touch on national sovereignty and issues of national identity, low politics are more technocratic and less controversial. There are clear borders between less dramatic economic integration possible in areas of low politics and impermeable high politics where integration cannot occur. In other words, according to intergovernmentalists functional spillover can happen in low politics area such as economy, but states will not allow it to be transferred to the high politics area.²⁷

Hoffman says:

In the areas of key importance to national interest, nations prefer to certainty, or self-controlled uncertainty, of national self-reliance, to the uncontrolled uncertainty.²⁸

²⁵ Stanley Hoffmann, "Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe", *The European Union Readings on the Theory and practice of European Integration*, ed. Brent F. Nelsen and Alexander Stubb, (Palgrave, UK, 2003):p.165

²⁶ Cini, "Intergovernmentalism", p.96-97

²⁷ Cini, "Intergovernmentalism", p.98.

²⁸ Hoffmann, "Obstinate or Obsolete", p.170.

In addition, intergovernmentalists advocate importance of absolute in cooperation contrary to neo-functionalist assuming satisfaction coming from relative gain. Hoffman says:

Logic of integration, neo-functionalism, assumes that it is possible to fool each one of the associates some of the time because his over-all gain will still exceed his occasional losses. The logic of diversity, intergovernmentalism, implies that, on the vital issues losses are not compensated by gains on other issues: nobody wants to be fooled.²⁹

Furthermore, intergovernmentalists do not give credit to political unification since there are a lot of differences between states. They criticize neo-functionalists for neglecting this point. According to intergovernmentalists, states even locating in the same region come from different pasts, moved by diverse tempers, differently subjected and attracted to the outside world. Hoffman mentions that states have different internal circumstances and outside legacies. Domestic differences and different world views supply diverging foreign policies and therefore unification movement becomes victim and survival of nation state is the outcome.³⁰

To sum up, realist critique of neo-functionalism embodies in intergovernmentalism. Intergovernmentalists evaluate international organization as a rational conduct of states. They do not agree with neo-functionalist arguing economic cooperation would bring political cooperation. Intergovernmentalists evaluate international organization as fits and starts, so there is no room for political unification by cooperation provided under the umbrella of international organization. Also, intergovernmentalists criticize neo-functionalism for ignoring authority of nation state on cooperation and differences between high and low politics and relative and absolute gains. While cooperation and integration can be provided in less controversial areas, it is not possible for high politics areas since national interests and sovereignty are at stake. Similarly, it is not possible to tolerate unequal profits in some sensitive areas.

When BSEC is the subject, it is seen that there is neo-functionalist understanding in the formation of BSEC. Also, it will not be wrong to mention that it has some neo-functionalist claims. BSEC is established for economic cooperation

²⁹ Hoffmann, "Obstinate or Obsolete", p.170.

³⁰ Hoffmann, "Obstinate or Obsolete", p.166.

among regional states, which would provide regional development. Increase in trade relations, development of transportation and communication, cooperation in energy and environmental sectors are the basic aims of BSEC. However, above all, it is expected that cooperation in those areas would promote friendly and good-neighborly relations and at the end the Black Sea would become a sea of peace, stability and prosperity.³¹ In this respect, it is evaluated that BSEC has a kind of target of neo-functionalism, which generally advocates occur of political cooperation and political community as a result of cooperation. In addition, it is possible to see neo-functionalist methods under the umbrella of BSEC. For example, there is BSEC Business Council that was established for effective engagement of small and medium size companies of the region and for awareness about business opportunities of the region. There is Black Sea Trade and Development Bank whose aim is to financially support projects of public and private sector of the member states. In other words, there are institutions in BSEC where elite socialization could develop.

However, this thesis examines how realist critiques of neo-functionalism materialize for BSEC. During this thesis besides article about BSEC written by both academicians and authorities of BSEC and member states, books and article related to Turkish foreign policy, newspapers belong to the beginning of the 1990s, official documents of BSEC, economic data of member states are used in order to have a proper study on BSEC.

The first chapter is introduction. In the second chapter, origins of BSEC and its establishment are analyzed. The end of the Cold War, globalization, Turkey's relations with the EC at the beginning of 1990s, priorities of the European states and the US in the beginning of the 1990s, economic transformation experienced by both Turkey and the USSR during the 1980s, and economic oriented foreign policy approach of the President Turgut Özal are factors providing establishment of BSEC. In the second part of the chapter, development of the idea, the process completed by signing of Summit Declaration on Black Sea Economic Cooperation and Bosphorus Statement on 25th June 1992 is given. In order to provide direction to third and fourth chapter, the second chapter is concluded with the objectives of BSEC. To help transformation of member state's economies toward free market economy; to bring

³¹ *Summit Declaration on Black Sea Economic Cooperation*, Istanbul, 25 June 1992, <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 16.08.2009).

stability to the region; to help to solve conflicts between member states; to establish commercial, economic, scientific and technologic cooperation among member states are some of the main objectives of BSEC.

In the third chapter legal framework and institutional structure of BSEC are analyzed. General features and points made in the Istanbul Summit Declaration (1992), Bosphorus Statement (1992), Bucharest Summit Declaration (1995), Moscow Summit Declaration (1996), Yalta Summit Declaration (1998) are given in that chapter. Moreover, under the title of institutional structure of BSEC, its principal and affiliated organs are examined. In this part of the thesis, problems in functioning of the organs of BSEC are given which verifies intergovernmentalism's argument that is institutions in the cooperation and members of those institutions do not have authority apart from their national states. In other words, in this chapter lack of executive power of BSEC's institutions, financial and bureaucratic problems of BSEC are underlined.

Issue areas of BSEC are the subjects of the fourth chapter. As it is mentioned before, cooperation areas of BSEC is determined as trade and economic development, energy, communication and transportation, science and technology, banking and finance, exchange of statistical data are determined as areas of cooperation by the Charter. Although security and stability is not defined as area of cooperation, in several official documents the issue of security and stability is examined under a separate title. Also later on in 1998 security issues with respect to organized crime was considered as an area of cooperation. Herewith, trade and investment, transport and communication, energy, environment and lastly security and stability issues are examined as issue areas of BSEC. For the each issue, how much cooperation is provided is questioned.

Through this chapter, the aim is to emphasis that while member states show their aspiration for cooperation in transportation, environment and trade fields that can be considered as low politics areas, they show reluctance for cooperation in energy and security field that are high politics. Further more, it is underlined that even in low politics areas, sufficient level of cooperation cannot be reached, because of different foreign policy priorities of member states and different economic, social and politic standards of them.

In the fifth chapter, achievements and problems of BSEC are given. The meaning of achievement here is outside of practical results. In other words, under the title of achievements, the importance of BSEC as an international organization and for Turkey without questioning its practical results is given. In this chapter, factors halting the success of BSEC are mentioned under two groups: institutional weakness of BSEC and political problems sourced from the member states. Lastly, reforms underlined in the 15th anniversary of BSEC are given.

The last chapter is the conclusion.

CHAPTER 2

TURKEY AND FORMATION OF BSEC

The subject of this chapter is factors behind establishment of BSEC and its establishment process. Establishment of BSEC mostly relates to changes in the world politics happened in late 1980s and in early 1990s. However, besides the end of the Cold War, some other origins should be bared in mind. Therefore, six factors including the end of the Cold War are mentioned in this chapter. These are; end of the Cold War, effects of globalization, Turkey's disappointment by the European Community (EC), Omnipotence of the Black Sea by the United States of America (US) and the European countries at the beginning of 1990s; Turkey's and Soviet Union's economic transformation realized in 1980s; Personality of Turgut Özal. It is important to analyze the origins of BSEC since they indicate how its establishment became possible at the very beginning of 1990s.

Not only the origins, but also establishment process of BSEC; adaptation the idea, membership process, reflections of the establishment of BSE will be examined in the following part of this chapter.

2. 1. Factors Behind BSEC

To begin with, as it is mentioned above, atmosphere occurred towards the end of the Cold War was the most effective factor leading establishment of BSEC. During the Cold War states had to direct their policies according to ideology and political purposes of the bloc that they were inside. A lot of states determined their policies according to support or threat coming from the USSR or US. It can be said that Turkey who was an ally of the West particularly US, directed her foreign policy according to needs of the US and the NATO. However, moderation of rigidity of relations started towards the end of the Cold War. The end of the Cold War referred a new era for the whole world. This change created possibility for Turkey to follow

assertive, reactive and activist foreign policy pattern in her region.³² Serdar Sayan and Osman Zaim draw attention to this point. They advocate that Turkey had to be remote from her neighbors to the north as a party to NATO's containment policy fostered under the Cold War arrangements. Disintegration of the Soviet Bloc provided opportunity for Turkey to improve "long damaged" relations with newly independent states³³. Similarly, Mustafa Aydın argues that the end of the Cold War brought an environment proper for cooperation. He says:

The demise of the Soviet Union, has on the one hand, liberated ancient sources of tension and grievances that the Cold War suppressed and masked, but on the other, allowed for the first time an emergence of truly cooperative environment around the Black Sea.³⁴

In addition, Oral Sander evaluates the end of the Cold war as an encouraging factor, which brought hopes for more pluralistic web of relationships.³⁵

In short, all the Black Sea coastal states except Turkey were the East Bloc states during the Cold War. In such a system, Turkey's foreign policy towards her neighbors had to be in the context of systemic policies determined according to rivalry between two super powers. Although, end of bipolar system brought some new worries, it also referred opportunity for new initiatives especially for members of the region.

In relation with the end of Cold War, globalization process had important effect on establishment of BSEC. Mainly, globalization is defined as stretching of social, political and economic activities across national frontiers and deepening interdependency on economic, political, social and environmental issues. There is common understanding that states respond globalization by showing similar trends as

³² Gamze Güngörmüş Kona, "The Black Sea Economic Cooperation Organization (BSECO) and Turkey, in *Kocaeli Üniversitesi Sosyal Bilimler Enstitüsü Dergisi*, (2003/1):p.42.

³³ Serdar Sayan and Osman Zaim, "The Black Sea Economic Cooperation Project", *The Political Economy of Turkey in the Post-Soviet Era Going West and Looking East*, ed. Libby Rittenberg, (Praeger, London,1998): p.116.

³⁴ Mustafa Aydın, "Regional Cooperation in the Black Sea and the Role of Institutions", *Perceptions*, (Vol. X, Autumn 2005): p. 57.

³⁵ Oral Sander, "Turkey and the Organization for Black Sea Economic Cooperation", *Turkish Foreign Policy*, ed. Kemal Karpat, (Madison, Winconsin, 1996):p.62.

a result of pressure caused by intensive relations especially in economic terms. When remaining outside of this new mood of relations and trend is not possible, states choose to harmonize themselves with globalization. The similar trend with the globalization adopted in order to meet its effect is regionalization, because of some reasons. Basically, trade among states locating in the same region has low transportation costs. Also, there are usually similar consumption habits and income levels among states locating in the same region. These two reasons encourage commercial relations in a region. In this respect, regionalization became a respond economic pressure of globalization.³⁶ Therefore, to interpret BSEC as a regionalization movement against effects of globalization would be beneficial.

According to Tunç Aybak, there is EU at the core of globalization, since it manifests a supranational deepening and widening process towards a post Westphalian order. Although Black Sea states are geographically close to the Europe, they can not take place in the process, because they have different structural, cultural, economic situation and their level of modernization are different from those of European states. According to Aybak, initiative of BSEC is a kind of Black Sea states' positioning themselves in response to global changes in Europe.³⁷ In addition, Gülten Kazgan mentions similar point in her study and argues that, regional cooperation agreements outspread in parallel with globalization in order to meet negative effects of globalization. Turkey, who started to be subject negative effects of globalization earlier than the other Black Sea states, initiated establishment of BSEC³⁸.

Apart from economic pressures caused by globalization, there were also security and political factors encouraging regionalization. One of the factors leading regionalization was need for confidence building among states. During the Cold War, there were strict lines between states. They were able to know possible sources of threat more or less. In new political environment all states need to have security

³⁶Gülten Kazgan, *Küreselleme ve Ulus-Devlet*, (İstanbul, İstanbul Bilgi Üniversitesi Yayınları,2000):p.142, 143.

³⁷Aybak, "Interregional Cooperation Between The EU and BSEC", p.24.

³⁸Gülten Kazgan, "Günümüzde Türkiye ile Rusya Arasındaki Politik İlişkiler", in *Dünden Bugüne Türkiye ve Rusya Politik Ekonomik veKültürel İlişkiler*, der. Gulden Kazgan, Natalya Ulçenko, (Bilgi Üniversitesi Yayınları, İstanbul, 2003):p.166.

around their borders and to know possible threats. The most popular way to assure security after the end of the Cold War became regionalization. The Black Sea, which is one of the most conflicting regions of the world, needed a confidence building measure in the new political environment. In this sense, BSEC represented a kind of confidence building measure in the Black Sea.

Another factor encouraging regionalization in the Black Sea was European support for regionalization movements. The Europe, which relatively had assured its security in itself, was also interested in stability and security level around its borders. What is happening around its border always contributes situation inside the Europe positively or negatively. Because of possible positive effect of regionalization in preventing conflicts, Europe has supported regionalization movements. Also, Europe supports regional grouping because of economic reasons. Since the European states completed their economic transformation, they want to have neighbors, who are potential partners for trade. The last factor encouraging regionalization was need for political maturity whose adoption could be provided in regional grouping. Basically, there was a common view that regional grouping should be supported because of the assumption that these groupings would remove negative political rivalries, political hatred and extreme nationalist aims. Also, powerful actors of the new system believed that politically, economically and socially developed states would play a model role in the region for others. In this sense, it can be said that the West supported Turkey for establishment of BSEC in which Turkey would be a positive model for newly independent states.³⁹

In sum, when BSEC is seen as a kind of regionalization, there are three factors effective in establishment of it. First, globalization whose effect was intensively felt economically pushed Turkey and the other member states to have a regional deal by which they can have similar economic relations as it was realized in Europe. Second, security and confidence requirement of states in new international system that would be totally different from the system during the Cold War was effective in establishment of BSEC. Third, support coming from the Europe for regional grouping was another encouraging factor.

³⁹ Kona, "The Black Sea Economic Cooperation Organization":p.40,41.

Another important dynamic behind the establishment of BSEC was Turkey's disappointment by EC in 1987. As it is known 1980s were tense years for Turkey with respect to both domestic problems and foreign relations. Although, general course of Turkey's political and economic life were not so encouraging for membership application to EC, she applied for membership on 14th April 1987. Some basic reasons directed Turkey membership application can be given. Firstly, Turkey's general Westernist foreign policy was effective in this application. To integrate with the EC would help Turkey to reach democracy and stability. Secondly, Greece became an EC member on 1st January 1980 that was a big loss for Turkey with respect to rivalry between two countries. Greece caught possibility to bring problems between the two countries to agenda of the EC and to provide solutions in favor of it. Lastly, Turkey was the only country that was not a member of the EC although she was a member of North Atlantic Treaty Organization (NATO). Naturally this situation was upsetting Turkey. Finally, Turkey applied for the EC membership with effects of these factors. Turkey's eligibility for membership was underlined in the respond of European Commission. However, it was determined negotiation should not start with Turkey before the end of 1992, since EC was undergoing major changes following adoption of the Single Act. Shortly, it was declared that it would be inappropriate to become involved in new accession negotiation at that stage. Moreover, Turkey's economic, democratic and human rights problem and especially Kurdish problem were shown as reasons for rejection of Turkey's application.⁴⁰ The official answer to Turkey's application was not derogatory, but European media evaluate Turkey's application as "ill-timed and hopeless attempt".⁴¹

Although rejection was tried to be compensated by the Custom Union Treaty, Turkey's disappointment and vexation as a factor pushing to Turkey show of strength cannot be denied. In this direction, Ahmet Davutoğlu evaluates EC-Turkey relations towards the end of 1980s (EU suspended Turkey's application for

⁴⁰ Edgar Lenski, "Turkey and the EU: On the Road to Nowhere" in *WHI_Paper* 10/03, www.whi-berlin.de/turkey.htm, accessed on 14.06.2009.

⁴¹ Çağrı Erhan, Tuğrul Arat, "AT'yle İlişkiler", in *Türk Dış Politikası Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar*, Cilt II 1980-2001, ed. Baskın Oran, (İletişim Yayıncılık, İstanbul, 2004): p.97.

membership) as a catalyst encouraging establishment of BSEC.⁴² However, Turkey's initiative for BSEC was not evaluated as a deviation of Turkish pro European foreign policy. Sander argues that although some quarters saw the initiative for BSEC as a reaction to her exclusion from the EC, to become a member of European society has been one of the fundamental aims of Turkey and this situation does not seem to be changed in the foreseeable future. Under this way of thinking, he evaluates BSEC for Turkey as a mean by which she could achieve her goal that is integration into the EU.⁴³

In several resources it is mentioned that BSEC is not an alternative to the EU. There is a common understanding that, BSEC is an initiative "related" to the EU. For instance, when Aydın analyzes whether the Black Sea is a region or not, or what kind of region it is, he says "What is happening in the Black Sea area with BSEC for example, can be considered a side-effect of European integration"⁴⁴ Similarly, Aybak assesses BSEC as "natural stepping stone" in Turkey's march to the EU.⁴⁵ Also, Panagiota Manoli claims that BSEC is regarded as a "stepping stone" towards integration with the Europe by participating states.⁴⁶

To sum up, Turkey's disappointment by the EC has impact on establishment of BSEC. However, not only BSEC has never been reflected as an alternative initiative to the EU, but also this is clearly emphasized in the Summit Declaration on the Black Sea Economic Cooperation dated 1992, that economic cooperation targeted by BSEC

⁴² Ahmet Davutoğlu, *Stratejik Derinlik Türkiye'nin Uluslararası Konumu*, (Küre Yayınları, İstanbul, 2007): p.227

⁴³ Sander, "Turkey and the Organization for Black Sea Economic Cooperation":p. 61,62.

⁴⁴ Aydın, "Regional Cooperation in the Black Sea": p.59.

⁴⁵ Tunç Aybak, "Black Sea Economic Cooperation (BSEC) and Turkey: Extending European Integration to the East", *Politics of the Black Sea dynamics of Cooperation and Conflicts*, ed. Tunç Aybak,(I.B.Taurish, London,2001): p.33.

⁴⁶ Panagiota Manoli, "Bringing the Black Sea Economic Cooperation and the European Union Closer", in *Southeast European and the Black Sea Studies*, (Vol.5, No.2, May 2005): p.167.

does not prevent promotion of relations with third parties including international organization as well as the EC.⁴⁷

Another dynamic providing proper atmosphere for establishment of BSEC was priorities of the US and European states at the beginning of 1990s. Just after the end of the Cold War, the US gave priority to Russia in its foreign policy and European states preferred to engage with their neighbor Balkans. 1990s are evaluated as “years of Euro-Atlantic neglect” toward the Black Sea region.⁴⁸ Oleksandr Pavliuk stresses on this point in his work and mentions that, despite huge size and population of the Black Sea, the region has rarely been able muster attention. He says that international attention was towards Balkans and Middle East during 1990s.⁴⁹ In short, this situation provided space to follow active policy in the Black Sea region for Turkey.

The emergence of BSEC also attached to economic transformation happened in both Turkey and USSR during 1980s. Turkey had left strategy of import substitution for industrialization and had embraced strategy of export dependence for industrialization by adopting Stability Programme in 24th January 1980. On the other hand, the USSR started to transfer to market economy and develop relation with Euro-Atlantic world between 1985 and 1990. According to Hasan Kanbolat, BSEC initiative represents, in economic terms, a seeking for outside market for Turkey who had just changed her economic strategy. Transformation in the USSR provided proper atmosphere for the realization of the initiative.⁵⁰ In addition, change towards economic liberalization occurred in the same direction in both Turkey and the USSR that provides opportunity to develop economic relations between two states. The natural gas treaty signed in 1984, agreement about contractor services in 1987, and

⁴⁷ Summit Declaration on the Black Sea Economic Cooperation, 25th June 1992, <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx> , (accessed on 16.08.2009).

⁴⁸ Aydın and Fazlıoğlu “The Turkish Foreign Policy Towards The Wider Black Sea Region”, p.131.

⁴⁹ Oleksandr Pavliuk, “Introduction”, *The Black Sea Region Cooperation and Security Building*, ed. Oleksandr Pavliuk and Ivanna Klymush-Tsintsadze, (East West Institute, Newyork, 2004):p.9.

⁵⁰ Hasan Kanbolat, “Türkiye Karadeniz Ekonomik İşbirliği’nin Dönem Başkanlığı’na Hazırlanıyor, *Stratejik Analiz*, (Cilt.7, No.74, Haziran 2006):p.62.

Turkey's proposal for establishment of BSEC and USSR's positive attitude towards it were all result of this economic change realized in both countries.⁵¹

Lastly, personality of Turgut Özal should be mentioned as an important factor in establishment of BSEC. The significant characteristic of Özal was his economic centered foreign policy understanding because of his close ties with international finance centers and institutions. For example, he was undersecretary of Turkish Republic State Planning Organization between 1967 and 1971. Also, he was a consultant of the World Bank between 1971 and 1973. During his prime ministry and presidency, he focused on economic solutions almost for all problems. According to Sedat Laçiner, foreign policy was a toll serving Özal's economic aims. According to Özal's foreign policy, Turkey should develop economic relations with her neighbors and increase interdependency. She should decrease risks for conflict by increasing interdependence with her neighbors. In other words, Turkey should follow an active foreign policy towards her neighbors and create domination area around her borders. To increase economic relations is the main tool to realize this aim. In this framework, BSEC was a natural result of foreign policy perspective of Özal.⁵²

BSEC initiative can be realized thanks to these six factors mentioned above. The international atmosphere occurred towards the end of Cold War provided structural opportunity for Turkey to courage such an initiative, because otherwise she could not suggest Soviet Union such a cooperation while the two states were in different polars. Globalization and its economic pressure were highly felt during 1980s and 1990s. Economic pressure produced requirement for similar free and gainful economic relation. Regionalization became basic respond to pressures of globalization. In this sense establishment of BSEC is evaluated as a regionalization movement by which Black Sea states who cannot take part in European globalization positions themselves to globalization. Economic transformation realized in Turkey

⁵¹ Kazgan, "Günümüzde Türkiye ile Rusya Arasındaki Politik İlişkiler": p.151,152.

⁵² Sedat Laçiner, Özal dönemi Türk Dış Politikası, *Türkiye'nin Dış, Ekonomik, Sosyal ve İdari Politikaları*, ed. Turgut Göksu, Hasan Hüseyin Çevik, Abdülkadir Baharççek ve Ali Şen, (Siyasal kitabevi, Ankara, 2003):p.29.

and USSR and Özal's perspective in Turkish foreign policy were other important factors that enabled establishment of BSEC.

2.2 Turkey and BSEC

Turkey's relations with the Black Sea region are determined according to USSR factor from the end of the Second World War until the dissolution of USSR. During that years Turkey avoided showing any kind of interest towards the region in order not to disturb the USSR. However, dissolution of the USSR refers a new era for Turkey and also for the whole world. Generally, the end of Cold War referred end of balance of power that had been evaluated as the best way of providing stability in the international arena. In other words bipolarity was replaced by multipolarity, which shelters more risk of conflict since there are more actors and their clashing interests. However, while the end of the Cold War brought new risk, it also provided opportunity for cooperation. Remaining under the authority of USSR, former East Bloc states showed their desire to engage the rest of the world when restrictions coming from bipolarity vanished. In the same way, the other states started to feel comfortable for having contact with the former East Bloc states. In other words, the end of Cold War facilitated initiation for cooperation.

Turkey who is one of the most important member of the Black Sea region, met directly two consequences of the end of the Cold War. Turkey has been surrounded by conflicting neighbors in the new international era. Also, Turkey who was used to define herself as a "strategically important state" lost this privilege when USSR threat abolished. Turkey found itself in requirement of defining a new role for herself. When this situation combined with the positive side of the end of the Cold War, Turkey started to follow activist policies towards its new neighbors. In other words, Turkey left its Moscow oriented foreign policy and started to develop active relations with the Soviet successor states in the beginning of 1990s. Turkey embraced a new role for herself that was to help newly independent states in integration with the world. The Prime Minister in office, Süleyman Demirel said "Regional and international responsibilities of Turkey increased and Turkey cannot avoid to fulfill the responsibilities". It is implied by Demirel that Turkey should play

an active role in integration of newly independent states to the world and help them while they are questioning their place and identity in the new international system.⁵³

This policy of Turkey was supported by the West and especially by the US. Since the Western states did not want that extremist Islam supported by Iran fill power vacuum occurred as a result of dissolution of USSR, they supported Turkey who has secular and democratic state structure. As Demirel said, in eyes of the Western states “Turkey is an example proving that Islam, democracy, human rights and market economy can peacefully coexist”. In other words, Turkey who had accomplished its economic and political transformation could be a model for the newly independent states.⁵⁴

Establishment of the BSEC in 1992 should be evaluated in this context. BSEC represents for Turkey a tool of its active foreign policy towards newly independent states. Also, BSEC was evaluated as an opportunity to extend Turkish soft power into a region opening up to the rest of the world following the collapse of the USSR.

2.3 Establishment of BSEC

As it is mentioned, the idea of establishment such a cooperation belongs Şükrü Elekdağ. The first article of Elekdağ including the idea for cooperation was published on 20th February 1990. According to Elekdağ, the idea was not embraced immediately, because the Warshaw Pact was still alive at that time. Dissolution of the USSR was not completed yet and peaceful unification of Germany could not be presumed. The major threat for Turkey was still thought to be USSR. Elekdağ summarizes:

Ministry of Foreign Affairs and state bureaucracy did not accept BSEC. This situation came to light at a meeting realized in March of 1990. The meeting was arranged in order to inform Turkish businessmen about business ways in East Europe...I mentioned the idea of BSEC, but no body showed a positive reaction. Academicians supported the idea, but there was need for political support. Required support for BSEC came from the president Turgut Özal. Özal

⁵³ Mustafa Aydın, “Kafkasya ve Orta Asya’yla ilişkiler”, *Türk Dış Politikası Kurtuluş Savaşından Bugüne Olgular, Belgeler, Yorumlar Cilt II 1980-2001*, ed. Baskın Oran, (İletişim, İstanbul, 2001):p.381

⁵⁴ Aydın, “Kafkasya ve Orta Asya’yla ilişkiler”, p.383

whom with I met at a graduation ceremony, told me that he was interested in the idea and asked for a detailed report. After he got the report, things developed rapidly.⁵⁵

After two preparatory meetings, the first meeting was held in Ankara on 19th December 1990 between USSR, Bulgaria, Romania and Turkey. The parties worked on basic principles of cooperation in this first meeting lasting four days. At the end of the meeting, they declared that they had agreed on the establishment of the Black Sea Economic Cooperation Zone. It should be mentioned that although USSR participated the meeting there were delegations from Azerbaijan, Armenia, Georgia, Ukraine, Moldova, Russian Federation as observers beside Greece and Yugoslavia. Also, they wanted to sign the Declaration separately from USSR, but it was not possible at that time⁵⁶. The Ankara meeting was followed by two technical meetings. (Bucharest meeting between 12th and 13th March 1991 and the Sofia meeting between 23rd and 24rd April). BSEC agreement got ready in Moscow meeting convened between 11th and 12th July 1991.

However, dissolution of Soviet Union caused adjournment of signing of the declaration. After ambiguity in international area disappeared, İstanbul meeting was realized with initiative of Turkey on 3rd February 1992. In this meeting participation of newly independent states was provided. Turkey, Russian Federation, Romania, Bulgaria, Azerbaijan, Armenia, Georgia, Moldova and Ukraine initialized the declaration. Later on 25th June 1992, ‘Summit Declaration on Black Sea Economic Cooperation’ and ‘Bosphorus Statement’ were signed by heads of state or government, of Greece, Albania and the nine states mentioned above. Membership of Albania and especially Greece is a little interesting point. According to Hasan Kanbolat, although Turkey tried to show EC as a model for BSEC, Romania and Bulgaria had some doubts about whether BSEC would represent a kind of alternative to the EC. Also Greece, who had hampered Turkey’s relations with the EC, had tried to dissuade Bulgaria and Romania from participation to BSEC. The reason of this attitude of Greece was that BSEC, which would be Istanbul centered a regional cooperation, could be against interest of Greece. In order to eliminate possible negative effects of Greece, Turkey accepted Greece application. Elekdağ criticizes

⁵⁵ Şükrü Elekdağ, “Karadeniz Ekonomik İşbirliği”, *Yeni Dünya Düzeni ve Türkiye*, ed. Sabahattin Şen, (Bayrak Matbaası, İstanbul, 1994): p.205.

⁵⁶ Elekdağ, “Karadeniz Ekonomik İşbirliği”: p.206

Özal for granting Greece membership while Greece was blocking Turkey's accession to EC. Özal's decision was seen as a goodwill gesture to Athens. In addition, Albania was accepted as a member, since Özal desired a comprehensive cooperation.⁵⁷ Consequently, beside Turkey, Russian Federation, Romania, Bulgaria, Azerbaijan, Armenia, Georgia, Moldova, Ukraine, also Albania and Greece became founding members of BSEC by signing Declaration on the Black Sea Economic Cooperation.

It must be said that establishment of BSEC had great value for Turkey and there were big expectations from it. Reflections of establishment of the BSEC in the media are worth to mention. In the Tercüman newspaper of 26th June 1992, establishment of BSEC was announced with headline of "The Leader in the Black Sea is Turkey". The Milliyet newspaper of 25th June 1992 used "Reconciliation in the Black Sea" headline. Also, the Cumhuriyet newspaper of 26th June 1992 had headline of "Bosphorous Declaration: The beginning of a new Partnership".

What were the initial attitudes towards BSEC and expectations from it is an important question that should be answered in order to see atmosphere at the establishment level of BSEC. The positive atmosphere is clearly understood from the newspapers belonging to the ends of June in 1992. According to Nihat Gökyiğit writing a column in Cumhuriyet newspaper, BSEC initiative was envisaged rapidly by member states. It also attracted attention of developed countries, because it is a realistic initiative. There are two reasons of this, mentioned by Gökyiğit. First reason is Turkey's role and importance for BSEC. He says Turkey had advanced in her transformation to market economy. She has good relation with EC and European Free Trade Association (EFTA). Also, Turkey is the unique state integrated to the world economy by many perspectives. Turkey is a proper country for foreign investment and she is seen as a base or channel for developed countries in developing relations with other states in the region. In short, Turkey undertakes a leader role in the region. Second reason is about the geography covered by BSEC members. Gökyiğit mentions that, member states have huge population and markets. The Black Sea in the middle of these markets provides limitless convenience for transportation with its harbors and airports. He says that BSEC member states could transfer goods and services to each other with little costs. Also, he underlines

⁵⁷ Kanbolat, "Türkiye Karadeniz Ekonomik iş birliği'nin Dönem Başkanlığı'na Hazırlanıyor": p.62

importance of shared values and cultures between BSEC members that is again an encouraging factor for possible successful businesses in the framework of BSEC.⁵⁸

Initial attitudes and expectations also can be mentioned from by looking an interview an interview given by Şükrü Elekdağ on 25th June 1992. When he was asked what BSEC would bring, he had very promising answer. Accordingly, basic role of BSEC is to create atmosphere required for doing business. When limitations over trade are abolished, there will be great economic and commercial wins. Elekdağ also mentions that BSEC member states except Turkey see BSEC as a bridge toward the West. In other words, according to Elekdağ, the member states see BSEC as a tool by which they could integrate with the West.⁵⁹

Also, it is mentioned in a new in Cumhuriyet newspaper that BSEC is expected to be successful because of two reasons. First, BSEC is signed at a time when member states started to transfer system of market economy. In this transformation process states are searching regional cooperation. That makes BSEC functional and important. Second, BSEC emerged when regionalization movement are popular all around the world as a respond to globalization. Since BSEC itself is a kind of regionalization movement, it has chance for success like all others. However, BSEC is not an alternative to any other regionalization movement especially to EC; on the contrary it is seen as a contributing movement to European integrity.⁶⁰

The words of member states' leaders at the meeting are also important, since they show value attributed to BSEC and expectations from it. Albanian Prime Minister Sali Berişha said that long standing conflicts in the region threaten all regional states. They want to have stability and BSEC will be a factor, which can bring stability to the region. Armenian president Levon Ter Petrosyan mentioned that BSEC is an event that could create historical result and he underlined importance of BSEC for Armenia. Also, he mentioned that the other republics in the region should not miss BSEC. Similarly, Azerbaijan's president Ebulföz Elçibey said that the Black Sea region had been closed for a long time, but BSEC will bring a life to the region

⁵⁸ Nihat Gökyiğit, "Karadeniz Ekonomik İş Birliği", *Cumhuriyet*, (26 Haziran 1992):p.7.

⁵⁹ Sibel Güneş, "Şükrü Elekdağ'a Ayıp Ettiler", *Günaydın*,(25 Haziran 1992):p.7.

⁶⁰ "KEİB Türkiye için Yeni Fırsat", *Cumhuriyet*, (24 Haziran 1992):p.8.

and it may help to find solutions for longstanding problems in the region. He also emphasized that they, as Azerbaijan, will correspond all obligations that they signed. President of Bulgaria, Jelyu Jeleu, said that they have problems in transferring to free market economy and they expect that BSEC will be helpful for solving this kind of problems. He also mentions that they support enlargement of BSEC. Eduard Shevardnadze, President of Georgia, talk about BSEC by calling it “Özal’s Plan”. He told that the center of BSEC should be in Istanbul and they should form a secretariat. The Prime Minister of Greece, Konstantin Mitsotakis denoted that Greece, as an EC member state, will assume a bridge role between BSEC and the EC. After rendering thanks to Özal, the President of the Moldova, Mirca Snegur mentioned that they want to benefit from experiences of the region’s state especially those of Turkey. The President of Romania, Ion Iliescu, said that BSEC can contribute to peace and economic development of the region after mentioning that BSEC was suggested and developed by Turkey. Boris Yeltsin, the President of Russian Federation, suggested cooperating firstly in agriculture, telecommunication and transportation and he said Russia will do a lot for realization of aims of BSEC. The president of Ukraine Lenoid Makarovic Kravcuk said that BSEC provides opportunity for acceleration of economic reform process.⁶¹ Lastly, Turkey’s Prime Minister Demirel evaluated BSEC in a press conference and said:

Conflicts always happen. While one finishes, the other starts. If this kind of many people can come together, this means that all of them have good wills. BSEC will help to solve problems between these eleven states signed the agreement.⁶²

To conclude, BSEC was established in 1992 as a result of mentioned origins such as end of the Cold War, regionalization requirement brought by globalization, economic transformation experienced during 1980s, EC’s rejection of Turkey’s membership application, foreign policy understanding of Turgut Özal and omnipotence of the Black Sea region by the Western states and the US. It is understood that BSEC was formed with aspirations of eleven states. They expected that BSEC would help transformation of member state’s economies toward free

⁶¹ Karadeniz’de Lider Türkiye”, *Tercüman*, (26 Haziran 1992):p. 11.

⁶² Karadeniz’de Lider Türkiye”, p. 11.

market economy; it would bring stability to the region; it would provide opportunity to use natural resources of the region efficiently for economic and political gains; it would help to solve conflicts between member states; it would provide commercial, economic, scientific and technologic cooperation among member states; it would be the first platform where former Soviet Union states would enjoy and confirm their independence and capacity to act freely, it would help member states to integrate with the West world. In addition, reflection of BSEC in Turkey was influential. It was evaluated that with BSEC, Turkey would become the leader in the Black Sea region. In short, BSEC is the result of combination of many origins brought big expectations. The Black Sea would be a sea of peace and prosperity.

CHAPTER 3

INSTITUTIONAL STRUCTURE OF BSEC

This chapter analyzes basic official documents of BSEC and institutional structure of it. Declarations released after the Summit Meetings, Istanbul in 1992, Bucharest in 1995, Moscow in 1996, Yalta in 1998, are examined. In the following part of the chapter, institutional structure of BSEC is explored. Institutional structure of BSEC is composed of principal organs and affiliated organs.⁶³ The difference between them is that affiliated organs of BSEC have their own budget and agenda. According to Charter on Organization of Black Sea Economic Cooperation, although they can perform their function separately from BSEC, they have to function according to Summit Declaration on the Black Sea Economic Cooperation that was signed in 25th June 1992 and the Charter.⁶⁴

The aim of this chapter is to underline shortcomings of institutional structure of BSEC, while analyzing it. However, in this thesis although negative effects of institutional problems on cooperation is admitted, it is argued that political problems are the main damaging factor on cooperation.

3.1. Legal Framework

BSEC was initially established as a forum in which participating states would develop relations mainly in economic sphere. To start examining its institutional structure by looking principal documents that has provided the character to BSEC would be beneficial. As it is mentioned in the first chapter, after dissolution of Soviet Union, BSEC member states got chance to meet in a “clearer” atmosphere and signed Declaration on the Black Sea Economic Cooperation and Bosphorus

⁶³ BSEC Organs referred as Affiliated Organs in this thesis, are determined as *Related Bodies* in the Charter of the Organization of Black Sea Economic Cooperation.

⁶⁴ *Charter of the Organization of the Black Sea Economic Cooperation*, [http://www\(.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx](http://www(.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx), accessed on 14.06.2009).

Statement in June 1992. After Istanbul Summit, heads of state or governments met seven times on unregular basis. These Summits have considerable degree importance in history of BSEC since several fundamental decisions were made in those Summits. Some important emphasis and decisions made in the Summits will be given.

In Summit Declaration on Black Sea Economic Cooperation dated 1992 participating states clarify their main aims, by using general words. To develop economic relations, to have peace, stability and prosperity, good neighbor relations in the region are the main objectives determined in Article 8. As it is mentioned before, position of BSEC toward the EC was a subject to discussion. The basic principles on which the cooperation is established determined as Helsinki Final Act, Charter of Paris and CSCE documents in the first article of the Declaration. However, although Turkey's disappointment by the EC at the end of 1980s was an encouraging factor in establishment of BSEC, BSEC has been never reflected as a potential alternative to EC. This situation can be seen in the Declaration. In the articles 2, 5 and 7 position of BSEC towards the Europe and EC is determined. It is said in the Declaration that economic cooperation targeted by BSEC does not prevent promotion of relations with third parties including international organization as well as the EC. Also, cooperation areas are determined in the Declaration as transport and communication, informatics, exchange of economic and commercial information, standardization of products, mining, energy, agriculture, pharmaceuticals, science and technology.⁶⁵ Environmental protection was not counted as a cooperation area in Istanbul Summit, but in the Charter it is determined as an area of cooperation.

In **the Bosphorus Statement** signed in June 1992, participating states mention their focus on freedom, democracy and human rights as main principles on which BSEC would function. Also, there is acknowledgement of member states that the region had serious conflict that has still potential to rise again. They emphasized requirement for peaceful settlement of disputes.⁶⁶

⁶⁵ *Summit Declaration on Black Sea Economic Cooperation*, (Istanbul, 25 June 1992), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

⁶⁶ *The Bosphorus Statement*, (Istanbul, 25 June 1992), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

Three years later, member states gathered in Romania and at the end of the meeting they released **Bucharest Summit Declaration**. The main important point about the Bucharest Summit is that member states calls private sector and business circles for engaging economic activities that would help realization of BSEC's objectives. It is said in the Declaration that, participating states stress the importance of dynamics of private sector for development and diversification of cooperation. They underline requirement for a proper environment in which business community could initiate businesses. In order to reach this aim, it is said in the Declaration that cooperation between small and medium-seized enterprises, investors, entrepreneurs and industrialist on national and international level should be stimulated.⁶⁷

The member states realized **Moscow Summit Meeting** on 25th October 1996 in which they uttered enthusiasm for more active and stronger cooperation as they did in previous summit meetings and as they will in future ones. One of the important features of the Moscow Summit that heads of state or government of BSEC member states, declare their commitment for transformation of BSEC into an international organization. They declared that:

The Heads of State or Government agree that one of the priorities at present is the strengthening of the institutional and legal basis of BSEC which will contribute to enhancing effectiveness of the Black Sea economic cooperation and ensuring better interaction in all its dimensions including intergovernmental, interparliamentary, business, finance, academic and public ones. For this purpose they consider it appropriate that the process of transformation of BSEC into regional economic organization be continued in accordance with mandate given by the Eight Ministers of Foreign Affairs.⁶⁸

Heads of states or governments of member states met in Ukraine in June 1998 and released **Yalta Summit Declaration**, which is a turning point in history of BSEC. In Yalta Summit, BSEC member states actualized transformation of BSEC into a fully-fledged regional economic organization by signing the Charter of the Organization of Black Sea Economic Cooperation. In the first article of the

⁶⁷ *Statement of the High Level Meeting of BSEC Participating States*, (Bucharest, 30 June 1995), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

⁶⁸ *Moscow Summit Declaration*, (Moscow, 25 October 1996), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 16.08.2009).

Declaration it is said that member states all believe and appreciate progress achieved with economic cooperation that also contributes to peace and stability of the region. Time has come to consolidate international personality of BSEC by signing the Charter of the Organization of the Black Sea Economic Cooperation.⁶⁹

Beside these four initial summit meetings, member states authorities met three times in Istanbul in 1999, 2002 and 2007.

3.2. Principal Organs of BSEC

The institutional structure of BSEC, which is a bit complex, can be analyzed in two categories. There are principle and affiliated organs of BSEC.

The Chairman-in-office of BSEC is responsible for coordinating all activities carried out in the framework of BSEC and providing proper conduct of BSEC proceeding. Also, implementation of adopted resolutions or decisions is under responsibility of the chairman-in-office. According to the Charter, the Chairmanship shall rotate every six months according to the English alphabetical order. It seems that, every member states of BSEC define their priorities, according to their capabilities, geographical or political strength or weaknesses. For example, when the chairmanship is belong to Greece between 1st November 2004 and 30th April 2005, their priority was bringing EU and BSEC closer.⁷⁰ Another example can be given from the Armenian chairmanship, which covers between 1st November 2008 and 30th April 2009. Armenia has defined its priority as to develop transportation roads, besides working against global economic crisis.⁷¹

The body conducting secretarial services of BSEC, is **Permanent International Secretariat (PERMIS)**. The PERMIS is located in Istanbul and it is under the authority of the Chairman-in-office. Doing their duties, staffs of the

⁶⁹ *Yalta Summit Declaration*, (Yalta, 5 June 1998), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

⁷⁰ *The Organization of the Black Sea Economic Cooperation (BSEC)*, <http://www.greekembassy.org/embassy/content/en/Article.aspx?office=1&folder=904&article=21032>, (accessed on 14.06.2009).

⁷¹ Speech by Armenian Minister of Foreign Affairs, <http://www.bsec-urta.org/modules.php?op=modload&name=News&file=article&sid=242&mode=thread&order=0&thoId=0>, (accessed on 14.06.2009).

PERMIS do not take instructions from any government or external authority. It should be totally a technical and administrative body.

Troika system was established in 1995. It consists of current Chairman, the former and the next chairman. The main aim of the Troika is to deal with emergence situation and decisions separately from the Council of Ministers of Foreign Affairs and Committee of Senior Officials.⁷² According to the Charter, Troika convenes upon the request of the Chairman-in-Office in order to exchange views on current and prospective activities of BSEC and on its relations with other institutions or organizations.⁷³

In the Charter, it is clarified that heads of state or government of the member states may meet when the need arises.⁷⁴ In this framework eight summit meetings were realized so far. Although, meeting of heads of state or government does not take part in regular decision making structure of BSEC, the meetings have great importance since they reflect the member states intention to further cooperation. Also, it seems that important decisions were made and new dimension was gained to BSEC after these summit meeting. One of the interesting points about summit meetings is that four of the eight meetings were realized in Istanbul, Turkey. It seems that, ownership feelings of Turkey is much more than the others’.

The Council of Ministers of Foreign Affairs is defined in the Charter as the principal regular decision making organ of BSEC. According to the Charter the Council is responsible for deciding on all issues about functioning of BSEC; considering all matters submitted by Subsidiary Organs⁷⁵; taking the decisions on

⁷² Bahadır Şengün, *Karadeniz Havzasının Stratejik Geleceği ve Türkiye*, T.C.Genkur.Bşk.lığı Harp Akademileri Komutanlığı Stratejik Araştırmalar Enstitüsü Uluslararası İlişkiler Ana Bilim Dalına Sunulmuş Yayınlanmamış Yüksek Lisans Tezi (İstanbul, 2006):p.164

⁷³ *Charter of the Organization of the Black Sea Economic Cooperation*, <http://www.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx>, accessed on 14.06.2009.

⁷⁴ *Charter of the Organization of the Black Sea Economic Cooperation*, <http://www.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx>, accessed on 14.06.2009.

⁷⁵ Subsidiary Organs are Working Groups that are established with the mandate of the Council. They usually differentiate with respect to their subject of focus, they submit reports of meeting to the Council.

membership and observer status; adopt and modify the Rules of Procedures⁷⁶; establishing Subsidiary Organs within BSEC and employing and controlling them.⁷⁷

Regularly, the Council meets twice a year. The chairmanship of the Council rotates among member states in English alphabetical order every six months. In the Council, consensus is required for adoption of resolutions, but decisions or recommendations can be adopted by two-thirds majority. The method of consensus is used for substantive issues like admission of new members to BSEC; granting observer status to third countries or international organizations; creation of new organs in the framework of BSEC; defining, changing and terminating the mandates of Subsidiary Organs; adoption and modification on the Rules of Procedures; financial commitments affecting the member states. On specific issues considered as technical matters or functioning of BSEC, the Council decides according to two-thirds majority.⁷⁸

The Council has its own subsidiary organs. These are Working Groups, Committee of Senior officials and Project Development Fund.

a. *The Working Groups:* The Council has almost 20 Working Groups as subsidiary organs. The working groups formed by experts are assigned to explore different components of regional cooperation such as banking, education energy, technology, tourism, and transportation. Working groups form their own agendas and rules. Working groups meet on a non-regular basis in different places depending on which country is willing to host their meeting.

b. *Committee of Senior Officials:* The Committee is created with a decision of Foreign Ministers as a coordinator body between working group and the Council of Foreign Ministers. According to the Charter, the Committee is responsible

⁷⁶ Rules of Procedure is the document approved in 22nd October 1997. All rules and procedures, which the Council function accordingly is determined.

⁷⁷ *Charter of the Organization of Black Sea Economic Cooperation*, <http://www.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx>, (accessed on 14.06.2009).

⁷⁸ Article 11, Article 12 of *Rules of Procedure of the Organization of Black Sea Economic Cooperation*, (22 October 2007), <http://www.bsec-organization.org/documents/LegalDocuments/statutory/rules/Pages/rules.aspx>, (accessed on 24.09.2009).

for reviewing activities of the subsidiary organs and elaborates the recommendations that will be submitted to the Council.⁷⁹

As it can be understood from above, the bodies of BSEC evaluated as in intergovernmental level, are main decision-making bodies of BSEC. Meetings of Council of Ministers of Foreign Affairs and irregular meetings of heads of state are vital components of BSEC decision making function. These two components give political dimension or impetus to BSEC.

However, there are some critics directed toward functioning of components of intergovernmental level. Firstly, when the subject is summit meetings of heads of state, it must be said that the destiny or development of an organization should not be bind to such unregular meetings, which is done for BSEC. As it can be seen, several important decision or steps are negotiated in this unregular meeting whose realization is not easy among the states that have several problems inside and with each other. Secondly, there are some critics about the Council of Ministers of Foreign Affairs as the main decision making body of BSEC. The voting system including consensus principle for a lot of subject is criticized for blocking dynamism of the Organization, because it is hard to provide consensus.⁸⁰ It is said that decision making procedure of BSEC is established on veto system, which operates on the “everybody against everybody principal”. This situation is evaluated also as a power play among the member states challenging efficiency of the Cooperation.⁸¹ Thirdly, there is a critic about working groups that are the subsidiary organs of the Council of Ministers of Foreign Affairs. It is claimed that tasks of the working groups are not always defined accurately, thus there have been overlaps among working groups. The lack of interaction among working groups is subject to criticism. In addition, it is said that realization of working groups’ meetings are not easy, because participating states are often reluctant to host the meetings. Also, experts participating meetings are

⁷⁹ *Charter of the Organization of the Black Sea Economic Cooperation*, <http://www.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx>, (accessed on 14.06.2009).

⁸⁰ Gültekin and Nikolov, “European Union Approaches”, p.122.

⁸¹ Tedo Japaridze, “BSEC: A Road Map To Relevance”, *Turkish Policy Quarterly*, (Vol.5, No.2, 2006):p.5, <http://www.esiweb.org/index.php?lang=tr&id=198>, (accessed on 14.06.2009).

criticized for not being well prepared.⁸² Lastly, there are questions about PERMIS. PERMIS is criticized for not having capability to function as an active promoter of cooperation and coordination body since it has a restricted human format and limited financial resources.⁸³

3.3. Affiliated Organs of BSEC

One of the affiliated organ of BSEC is Parliamentary Assembly of Black Sea Economic Cooperation (PABSEC). The formation of PABSEC was decided on 26th February 1993 in Istanbul by adoption of Declaration on the establishment of PABSEC by parliamentary representatives of nine BSEC members.

It is said in the Declaration that, the speakers of the parliaments of Albania, Armenia, Azerbaijan, Georgia, Republic of Moldova, Romania, Russian Federation, Turkey and Ukraine have agreed to establish a Parliamentary Assembly composed of the parliamentarians of the participating states. They expressed their commitment for pluralistic democracy and determination to make use of all possibilities and opportunities for expanding and diversification cooperation among their countries. The aims of PABSEC are mentioned in the declaration and also clarified in the Rules of Procedures. Accordingly, main aims are to provide legal ground for economic, commercial, social, cultural and political cooperation among member states, to assist national parliaments of the member states for strengthening parliamentary democracy in their states, to provide coordination among national parliaments and governments of member states, to promote cooperation with other international and regional organizations.⁸⁴

Initially PABSEC was formed among the nine BSEC members. However, in June 1995 Greece, in June 1997 Bulgaria and lastly Serbia and Montenegro joined

⁸² Ines Hartwig, "The Black Sea Economic Cooperation Process", EIPASCOPE 1997(1): p.4, www.eipa.nl/cms/repository/eipascope/scop97_1_2.pdf, (accessed on 14.06.2009).

⁸³ Nicolae Ecobescu, "Prospect for the Future Developmet of BSEC", *Southeast European and Black Sea Studies*, (Vol.I, No.3, September 2001): p.172

⁸⁴ *Rules of Procedure*, (June 1993), <http://www.pabsec.org/documents.asp?islem=Detay&ID=1>, (accessed on 14.06.2009).

the Assembly in 2004. Thus all BSEC members became members of the Assembly.⁸⁵ Also, the People's Assembly of Egypt, the French Parliament, the German Bundestag, the Knesset of the State of Israel, the National Council of the Slovak Republic and the National Assembly of the Republic Belarus, have observer status within PABSEC. The observer status was granted to some parliamentary groups such as the Parliamentary Assembly of the Council of Europe, (inter) parliamentary Assembly of the CIS, the Parliamentary Assembly of the Belarus-Russia Union, and the (inter) parliamentary Assembly of the Eurasian Economic Community and European Parliament.⁸⁶

PABSEC works similar to national parliaments. Parliamentarians discuss subjects and prepare recommendations and vote on them. The documents voted in the Assembly are transmitted to the Council of the Ministers of Foreign Affairs, national parliaments and governments of the member countries. In other words, the Assembly is not directly effective in implementation part of the decision or recommendations voted in the Assembly.

The main activity of PABSEC is meetings realized twice a year in the country that has the presidency for six months. In each meeting, parliamentarians discussed subject determined by Standing Committee in the light of studies of Committees. However, all subjects that are discussed in the Assembly should be relevant the subjects or the projects on the agenda of BSEC. Accordingly, it has addressed issues ranging from legislative harmonization among BSEC states to improvement of customs regulations, fight against organized crime or improvement in education. Development of tourism, environmental problems of the Black Sea, transportation, banking and finance are the sample subjects discussed in the Assembly so far.

Generally, voting procedure in platforms like assembly is determined as simple majority or qualified majority depending on subjects. Beside this general voting procedure, for PABSEC there is differentiation between subjects on which everyone has one vote and subject on which each national delegation has one vote.

⁸⁵ When Montenegro declared its independence from Serbia, Serbia started to maintain membership behalf of Montenegro.

⁸⁶ Panagiota Manoli, Stelios Stavridis, *An emerging Euro-Black Sea Parliamentary Dimension? Contributing to the Black Sea Synergy, ICBSS Policy Brief 9*, (December 2008):p.7

PABSEC tries to insert itself more effectively into the decision making process of BSEC. However, power of the Assembly is limited clearly by the Charter. In the Charter of BSEC, PABSEC is categorized under the title of related bodies. The Article 20 of the Charter shortly clarifies relations between BSEC and PABSEC. Accordingly, PABSEC formed by national parliament of the member states, provides consistent support to Black Sea cooperation process on consultative basis. It is also mentioned in the Article that relations between BSEC and PABSEC should be based on principles determined in the Summit Declaration signed in 1992 and Declaration on the establishment of PABSEC.⁸⁷ In short, inclusion of PABSEC in decision-making function of BSEC is on consultative basis.

The establishment of PABSEC is evaluated as a result of cooperation on strengthening democracy and democratic institutions in the framework of BSEC. In other words, existence of such an assembly brings democratic dimension and pluralistic perspective to BSEC. According to Aybak, BSEC countries have different political traditions and cultures with different level of democratization. Despite these differences among member states, PABSEC provides a platform for opinion exchange. Also, Aybak gives importance to existence of PABSEC since it provides regular contacts among member states. He says that bilateral contacts can be frustrated by conflicts and problems between states, but multilateral forums play an important role in maintaining social and political engagement. In other words, multilateral forums like PABSEC represent an alternative channel of communication. In addition, PABSEC is seen as a respond to challenges of globalization. According to Aybak, globalization somehow undermines democracy at the nation state level as a result of creating trans-governmental decision making systems that are nor under control of a single nation state. In such a situation, formation of a parliament at international level provides effectiveness of citizens in decision making process. Thus, essence of PABSEC provides both harmonization with globalization and elimination of questions about democratic legitimacy of BSEC.⁸⁸

⁸⁷ *Charter of the Organization of the Black Sea Economic Cooperation*, <http://www.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx>, (accessed on 14.06.2009).

⁸⁸ Aybak, "Interregional Cooperation", p. 32.

However, there are three critics mentioned about PABSEC. Firstly, PABSEC as an assembly do not have any executive power. To realize recommendations of PABSEC in the framework of BSEC remained authority to Council of Ministers of Foreign Affairs, which is the main decision making body of BSEC. In addition, accepted recommendations are transmitted to national parliaments of the member states, but adaptation or application remains national authorities of the state. Shortly, lack of executive power causes critics about functionality of PABSEC. Secondly, voting procedure applied in PABSEC is subject to criticism. As it is mentioned before, votes on subject matters are realized on the national delegation basis. It is advocated by some parties inside PABSEC that this procedure ignores different size of delegation and violates to act and vote individually.⁸⁹

Establishment of the **Black Sea Trade and Development Bank (BSTDB)**, defined in the Charter as a BSEC related body, was first mentioned in the Istanbul Summit in 1992. However, signing of agreement realized in June 1994 and the Bank could be operational just in 1999. The Bank is located in Thessaloniki, Greece. According to Establishing Agreement, purpose of the Bank is contributing to transition process of BSEC member states towards economic prosperity of the region; financing and promoting regional projects; providing other banking services to projects of the public and private sectors in the member states and trade activities among the member states.⁹⁰ The Bank supports sustainable development and regional integration by providing financial and technical assistance to eligible projects, programs and trade transactions initiated by private sector as well as public sector. In practice the Bank is established to serve medium sized companies that are very common in most of BSEC member states such as Albania, Armenia, Georgia and Moldova. Generally, it is not difficult for large-scale projects having government support to find financial source from local commercial banks or international financial institutions. Therefore, the BSTDB aiming to fill this vacuum undertakes role of providing support for small-and medium-seized enterprises.

⁸⁹ Hartwig, "The Black Sea", p.6.

⁹⁰ *Agreement Establishing The Black Sea Trade and Development Bank*, <http://www.bstdb.org/statutes.htm> , (accessed on 14.06.2009).

The Bank realizes its function by two mainstream lines of business. It provides either finance for projects, programs or for commercial activities. Initially BSTDB began financing trade for short term revolving facilities. Financing long-term works started later. Also, the Bank has been involved project financing activity. However, it must be mentioned that before giving financial support any project or trade activity the Bank applies a multi-stage approval process. Also, there is monitoring mechanism in the framework of the Bank questioning eligibility of the projects or trade activities and consequences of them.

The Bank's authorized capital is approximately USD 4,5 billion, and the eleven member states are shareholders of the Bank. The shares as of 5th October 2008 are such: Armenia 1%; Albania 2%; Azerbaijan 5%; Georgia 0,5%; Bulgaria 13,5%; Ukraine 13,5%; Romania 14%; Moldova 1%; Turkey 16,5%; Russia 16,5%; Greece 16,5 %.⁹¹

When the latest released annual report of the Bank belonging 2007 is looked, type of project financed and sectoral distribution can be seen. Accordingly, the BSTDB extended USD 36 million corporate loans to Seventh Continent, a Russian super market chain for modernization of market networks and upgrading information technology and store equipment. Similarly, the Bank gave USD 5 million to JSC Lomisi, a Georgian beer manufacturer, for financing its investment program including expanding production capacity and having better quality. Also, in 2007 the Bank contributed USD 21 million to Turkey for transport system. The loan would be used for expansion of metro and light rail transport system in Istanbul. These are some examples from 83 operations signed in 2007. When sectoral distribution of financial support is observed, the highest rate belongs to manufacturing sector and financial institutions. The Bank's loan portfolio for 2007 is such: telecommunication 7,55%; transport and public utilities 11,85%; Agriculture, forestry and fishing 1%; energy 15,78%; manufacturing 31,43%; financial institution 32,39%. Also it must be said that for 2007 Ukraine (27,44%), Russia (21,55) and Turkey (17,44) are the first three states getting the highest rate of the Bank's loans.⁹²

⁹¹ *BSTDB in Brief*, <http://www.bstdb.org/bank.htm>, (accessed on 14.06.2009).

⁹² *Black Sea Trade and Development Bank Annual Report 2007*, <http://www.bstdb.org/annual.htm>, (accessed on 14.06.2009).

In sum, it can be said that target of the Bank is to generate additional economic development in each shareholder countries, thus to contribute economic development in whole region by stimulating trade and investment.

There is a fact that, investment focuses of the Black Sea states are different from each other due to their different economic structure, sectoral characteristic and different economic development level. In such a situation, arrangement of the Bank's activities has not been so easy. However, the Bank embraces a flexible approach towards the member states. The Bank provides conveniences while it contributing financing of projects, programs or trade activities in member states. The Bank has the principle of Preferred Creditor Status for BSEC member states. Economic conditions of each state are taken into consideration by the Bank while arranging financing of a project or back payment of loans.

The philosophy of the Bank is similar to that of BSEC. Both of them carry the consideration that economic cooperation, trade relations and development throughout the region would help providing stability peace and prosperity to the region. However, BSEC member states has benefited differently from the opportunities offered by the Bank. Rather than investment having capacity to increase intra regional relations and cooperation, they focus on domestic projects. Some of the BSTDB's shareholder countries have engaged cross-border activities. They are Romania, Greece and also Turkey who has ties with the EU. However, intra regional investment remains below the potential suggested by the vast opportunities of the region. The reasons of that situation are different development level of the member states making cooperation hard and political problems complicating the situation.⁹³

In sum, the BSTDB is the only multilateral regional financial institution established to meet financial needs of the Black Sea region that is an opportunity for the region. However, it seems that the member states cannot have optimum benefit from the Bank.

⁹³ Ahmet Imre, "Financial Cooperation within the Black Sea Region: The Experience of the Black Sea Trade and Development Bank", *Southeast European and Black Sea Studies*, (Vol.6, No.2, June 2006):p.253.

BSEC Business Council (BSEC BC) defined in the Charter as another related body, is an international non-governmental organization consists of representatives of the business communities of BSEC member states.⁹⁴

The point that is targeted by establishment of the Business Council is similar to that of BSTDB. The Bank was established in order to contribute small and medium size companies' initiatives in the region, and to foster economic cooperation in this manner throughout the region. The Business Council which is a kind of platform formed by business cycles of the region aims to promote business cooperation, foreign investments, regional economic development and to distribute business information, to help SMEs for gaining competitiveness and to improve business climate in the region.⁹⁵

In the Business Council, each of the twelve member states have their own business cooperation platform that are also non-governmental organizations. The type of the organization can change from country to country. Some examples can be given. When the subject is Turkey, the Foreign Economic Relations Board, DEIK, realizes the role of the country business cooperation platform. Greece is represented by Hellenic Business Council in BSEC BC. Russia has Russian National Committee in BSEC BC.⁹⁶

There is Board of Directors of the Business Council formed by one representative from each organization of the member states. The Board has a chairman rotating among the members synchronously with BSEC.

As it is mentioned before, BSEC Charter contains a reference to "international non-governmental organization" in describing BSEC BC. Although, some business communities have observer status in BSEC, the Charter defines the Council as a related body making the Council unique.

⁹⁴ *Charter of the Organization of the Black Sea Economic Cooperation*, <http://www.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx>, (accessed on 14.06.2009).

⁹⁵ Costas Masmanidis, "The Role of BSEC Business Council" *Black Sea Economic Cooperation: Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007): p.78-80 http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (accessed on 16.08.2009).

⁹⁶ Masmanidis, "The Role of BSEC Business Council", p. 77.

It is mentioned in several resources that the Black Sea region has important investment opportunities with its huge population, growing economies, strategic position in the middle of the energy transportation roads, and proper nature for tourism. In such a region, to have a business community aiming to help member states' small and medium sized enterprises for being aware of investment opportunities and for gaining know how, is certainly important. When the notion of BSEC BC is thought with that of the BSTDB an optimistic picture emerges. While one of them encourages making business in the region, the other provides financial conveniences to the enterprises.

However, problems and so critics source from implementation phase. Especially bureaucratic obstacles, complex taxation system and legislative problems block possible success of these bodies. Also, political problems inside the member states and between some of the member states are another discouraging factor preventing establishment of atmosphere of trust.

The International Centre for Black Sea Studies (ICBSS) was founded in Athens in 1998 as a non-profit organization. Initially in 1998, it was recognized as a think tank and in the Charter the emphasis was made with the Article 23 saying BSEC would promote cooperation among academic communities, scholars and scientists of the member states. Later in April 2002, the ICBSS was recognized by the Council of Ministers of Foreign Affairs as a related body facilitating of academic cooperation. In the Charter, it is defined as an organization of international character acting as the think-tank of BSEC. The ICBSS is governed by a Board of Directors whose members are national of BSEC member states. The role of the ICBSS is defined in the same article. Accordingly, the main goals of the ICBSS are to study practical ways of widening and deepening regional cooperation among the member states of the BEC. The ICBSS is expected to develop cooperation among BSEC member states in the field of science and technology. Also, the ICBSS was responsible for establishing and deepening relations between EU and BSEC. In

principle, the activities of the ICBSS should be according to the Charter and priorities determined by Council of Ministers of Foreign Affairs.⁹⁷

To sum up, institutional structure of BSEC is formed on the basis of five different levels. There is Council of Ministers of Foreign Affairs, besides Chairman in Office and Troika, at intergovernmental level as principle organs; Parliamentary Assembly of the Black Sea Economic Cooperation (PABSEC) at interparliamentary level as a related body; BSEC Business Council (BSEC BC) at interbusiness level as a related body, International Center for Black Sea Studies (ICBSS) at academic level as a related body; Black Sea Trade and Development Bank at financial level as a related body. Although, existence of such organs presents opportunity for cooperation with different levels, budgetary problems, lack of implementation power, decision making process weakens the institutional structure of BSEC. However, main reasons preventing development cooperation at different level are about the member states. Their different foreign policy priorities, lacks of trust among them caused by security and political conflicts, different bureaucratic application make the institutional structure of BSEC obstructed. In other words, if member states show sufficient political might they can use BSEC BC and BSTDB for regional development. If mutual trust and cooperation soul is developed among member states, they would not resist on consensus rule for a lot of subjects. It is clear that national states determine authority or lack of authority of BSEC's institutions. As intergovernmentalism argues there is no room for loyalty transfer or elite socialization in BSEC.

⁹⁷ *Charter of the Organization of the Black Sea Economic Cooperation*, <http://www.bsec-organization.org/documents/LegalDocuments/statutory/charter/Pages/charter.aspx>, (accessed on 14.06.2009).

CHAPTER 4

ISSUE AREAS OF BSEC

In several studies and articles, initial thing mentioned about the Black Sea region, is its potentials. The geographic area that BSEC covers is approximately 20 million square kilometers. The population of the region is almost 330 million. There are considerable amount natural resources including gas and oil reserves in the region. Also, geographical proximity of the region provides transportation conveniences are all opportunities for a successful cooperation, which would bring prosperity to the region.

In the Istanbul Summit Declaration, it was stated that participating states affirms their determination to make use of all possibilities and opportunities for expanding and multiplying cooperation in the field of economics including trade and industrial cooperation, of science and technology and of the environment. Also, it is mentioned that participating states will take concrete steps for projects of common interest in the areas of transport and communication; informatics; exchange of economic and commercial information; standardization and certification of products; energy; mining of raw materials; tourism; agriculture; science and technology; pharmaceuticals.⁹⁸

It seems that the region supplies opportunities for cooperation. Also initial commitments of the member state is another factor providing expectations for realization of cooperation. In this framework, this chapter analyzes basic issue areas of BSEC, which are trade and investment, transportation and communication, energy, environment and security and stability. The aim is to analyze performance of BSEC in providing expected cooperation in those areas and to underline factors challenging possible cooperation among member states.

⁹⁸ *Summit Declaration on Black Sea Economic Cooperation*, (Istanbul, 25 June 1992), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

4.1. Trade & Investment

Among several areas of cooperation, trade is the basic one in which cooperation seems simple to practice. When some basic economic indicators of BSEC member states are observed, one might naturally think that increase in trade relations could be ensured easily and that would be sake of member states whose economies are mostly in transition period.

Table 1: Pop & GDP values of member states

	Population	GDP(Billion Dollar)	GDP PPP(Dollar)	GDP Growth Rate
Albania	3.619.778	23,07	6.400	6%
Armenia	2.968.586	19,6	6.600	9,4%
Azerbaijan	8.177.717	77,97	9.500	15,6%
Bulgaria	7.262.675	95,88	13.200	6%
Georgia	4.630.841	22,93	5.000	6,7%
Greece	10.722.816	351,3	32.800	2,8%
Moldova	4.324.450	10,76	2.500	7,3%
Romania	22.246.862	278,4	12.500	8%
Russia	140.702.096	2,225(Trillion Dollar)	15.800	6%
Serbia	10.159.046	83,14	8.200	5,6%
Turkey	71.892.808	930,9	12.900	4,5%
Ukraine	45.994.288	359,9	6.900	2,1%
BSEC	332.701.963			

(Source:CIA World Fact Book)

As it can be seen from the table the total population of BSEC region is 332 million in 2009 according to *World Fact Book* data. The population of the region is much more than those of EU and US. The population rate of the states is important with respect to reflecting how many human resources the region has. When the table is observed, it is clear that the poorest country in BSEC region is Albania, while the richest one is Russia. However, the GDP PPP's of BSEC member states are still very small compared to developed economies. (i.e; France's GDP PPP is 32,700\$, or that of Italy 31,000\$ as of 2008)

Despite of these numbers, all economies in BSEC members generate an importance in the scale of the region.

It is obvious for the Russian economy that the main asset of it is natural gas and oil reserves. Russia has approximately 10% of world's oil and 30% of natural gas. In the ranking of its export commodities, oil and natural gas take the first two arrays. Russia exports 60% of its oil production and 26% of its natural gas production. The main export commodities of Russia are petroleum, petroleum products while vehicles, machinery and equipment, plastics, medicines are the import commodities of Russia. When sectoral distribution of Russian economy is observed, according to 2007 data, service sector has the share with the rate of 54.8% while industry sector does 41.1% and agriculture 4.1%.

On the other hand, Turkish economy is among the a few BSEC economies that had accomplished its transition to market economy. The basic export commodity of Turkey is textile (both work in progress and finished) and foodstuff while machinery, chemicals and fuel represent Turkey's main import commodities. It must be mentioned that Turkey meets her more than half of oil needs by import. This makes Turkey an inevitable trading partner for energy exporting countries. 62.9% of the GDP is made up of the service sector while agriculture has the share of 8.5% and industry does 28.6%.

Economy of Greece who is a member of the EU since 1985 is evaluated as the richest one among BSEC members. However, with respect to EU's criteria, Greece is one of those who cannot provide basic development indicator.⁹⁹ Agriculture sector covers 3.5%, industry sector does 23.4% while service sector covers 73.1% of the Greek economy. Main imported commodity of Greece is oil similar to Turkey, besides machinery, transport equipments and chemicals. Main export commodities are textiles, manufactured goods and foods again similar to Turkey.

Another prominent economy of BSEC is Ukraine. The country is just like Turkey in its position as a bridge among Central Europe, Central Asia, Russian Federation and the Middle East. According to 2008 data, agriculture sector has share

⁹⁹ Greece violated the EU's Growth and Stability Pact budget deficit criteria of no more than 3% of GDP from 2001 to 2006.

with the rate of 9.3%, industry sector has 31.7% and service sector 58.9%. Main asset of Ukrainian economy having vast natural resources such as steel and coal. Also, it has fertile land allowing production of meat, sugar, grain and vegetables. Main export commodities are ferrous and nonferrous metals, fuel and petroleum products, chemicals, machinery and transport equipment, food products while energy, machinery and equipment represent Ukraine's import goods. Ukrainian economy that is evaluated as one of those, which are in transition period, suffers a lot from inappropriate bureaucracy and corruption.

Romanian economy, which had troublesome terms during 1990s, showed signs of improvement during 2000s especially after being an EU member. Agriculture sector forms 29.7% of the Romanian economy while industry sector covers 23.2% and service sector does 47.1%. The import and export commodities of Romania are similar to each other. Machinery, equipment and textile take place in two groups, but Romania like many other BSEC states meet its energy need mostly by import.

Bulgarian economy has been showing growth thanks to foreign investment since the middle of 1990s. While export commodities of Bulgarian economy are clothing and footwear at the first glance, machinery and energy are the main import commodities of it. Like in all other BSEC states, service sector has the largest share in the economy with the rate of 6.7%.

The main asset of Azerbaijan economy is oil and natural gas reserves, which are also main export commodities. Unlike many other BSEC states industry sector cover the largest place of Azerbaijan's economy with the rate of 66.2%. In addition, agriculture has large place in economies of Georgia and that of Moldova that is known as one of the poorest state of EU.

Serbian and especially Albanian economies show weak profiles. They have corruption and organized crime problems damaging their economy. While Serbia managed to establish market economy, Albania has important problems in the process because of communist terms.¹⁰⁰

¹⁰⁰ These basic economic informatin about the member states are taken from cia world fact book website.

When afore mentioned characteristic of economies of BSEC states are reviewed, some generalization can be made. Firstly, while some poorest economies still depend on agriculture, economies of BSEC states mostly depend on service sector. Secondly, while Russia and Azerbaijan have important natural gas and oil reserves the other states of BSEC meet their energy need by import, which should make them trade partners to each other. Thirdly, with the exception of Turkey and Greece, all BSEC states had to adopt their economies to market economy since they had different regulations during the Cold War. Especially, at the time of formation of BSEC, only Greece and Turkey has market economies, whereas the other nine had centrally planned economies with practically almost no private sector inclusion in economic activities. Fourthly, as a result of necessary transition period most of the states have had troublesome terms. Fifthly, while geography suggests transportation convenience, it also becomes magnet for organized crime that damages economies of many BSEC states.

Nature of trade fostered under the umbrella of BSEC is analyzed in detail by some scholars like Serdar Sayan, Osman Zaim and Mehmet Dikkaya. They compare BSEC trade with a common conventional trade theory. According to conventional trade theory, the fundamental motivation behind regional arrangements is to increase welfare of participating states by decreasing or eliminating barriers to trade within a region. The members of regional arrangements would take advantage of welfare gains by means of trade creation and trade diversification effects. Trade creation occurs and increases when domestic production in a certain sector of a member country is replaced by imports from another member country. The comparative advantage here rises from the consideration that production cost is high in the former country whereas it is lower in the latter one. On the other hand, trade diversification occurs when barriers on imports are eliminated providing lower cost for trade. The conventional trade theory based on trade creation and trade diversification effects is the standard framework for analyzing the potential welfare effects of the regional arrangement formed to facilitate trade between market economies.¹⁰¹

¹⁰¹ Serdar Sayan, "The Contribution of the Black Sea Economic Co-operation Organization to Regional Development", *South-East Europe Review*, (No.2, 2002):p.26,27.

However, according to Sayan, BSEC has not required strong commitment for harmonization of commercial policy or reduction in tariff or non-tariff measures. Basically in other words, BSEC member states has commitment neither for preferring import any good whose production cost is higher than it is in other member states nor reducing tariff for trade with member states. Rather than these, BSEC which is evaluated as a loose form of regional cooperation includes commitments like increasing trade and economic cooperation among members and encouraging transition to market economy.

Naturally, increasing trade would be possible with reduction in barriers to trade among states, but for BSEC case, barriers are not like those that could be abolished instantaneously by decisions. Barriers for trade for BSEC states are structural barriers, whose elimination is much more difficult than elimination of conventional ones. What is meant by structural barriers is lack of or inefficiency of trade channel and ideological differences. During the Cold War, trade in BSEC region was mostly realized on the basis of blocs. Trade relations were conducted inside blocks. The other type of trade happened only at insignificant volumes.¹⁰²

BSEC was established after the end of Cold War, in other words after ideological component of the structural barriers was eliminated. In the new atmosphere, newly independent states and former East Bloc states show tendency and they yearn for appearing in the international arena independently from the Soviet Union. However, absence of private sector, private capital accumulation, poor infrastructure for transportation and lack of dependable communication tools have represented problems in front of close economic relations after the end of the Cold War.¹⁰³

However, these should not be evaluated as reasons of being unsuccessful with BSEC. BSEC should be evaluated from different perspective. When member states signed the Declaration in 1992, they all knew these problems. They did not sign despite of these facts, but rather they signed in order to overcome these problems via BSEC. BSEC has taken several steps in order to deal with these structural problems.

¹⁰² Sayan, "The Contribution of the Black Sea Economic Co-operation":p.28

¹⁰³ Sayan, "The Contribution of the Black Sea Economic Co-operation":p.30

Efforts realized throughout BSEC can be explicitly seen from its organizational structure whose details are examined in the third chapter. Establishment of the Business Council, by which regular interaction among business communities of member states is targeted, is the basic indicator of it. In addition, working groups, which are subsidiary organs functioning under the authority of Council of Ministers of Foreign Affairs, also serves for this aim by concentrating on specific area of cooperation. Also, functions of the Black Sea Trade and Development Bank can be evaluated in this manner. As it is known, the Bank provides financial convenience for sake of private sectors in member states and increase cooperation among them. However, on the other hand BSEC expects that member states should harmonize their trade regulations and adopt legislation according to aims of BSEC.

Being aware of these problems, BSEC member states have negotiated issues related to trade and problems in several platforms. In the initial years after establishment of BSEC, it must be said that they were more optimistic than they are in 2000s. In order to have proper conditions for trade relations in BSEC geography, head of state and government uttered their intention to create a free trade area in the Black Sea in Moscow Summit in 1996. It is said in the Summit Declaration, "Member states should accelerate introducing the regime of mutual trade preferences between BSEC States and examine in 1997 the possibilities for creation in BSEC region of a free-trade area."¹⁰⁴ In the light of the Summit Meeting working group on trade and economic development took the issue on its agenda and they formed plan of action in order to create necessary conditions for free trade area.

In the short term, they planned to create the legal and economic framework for the establishment of BSEC Free Trade Area, to establish close cooperation among institutions of statistic of the member countries, to improve border crossing and facilitate movement of commercial goods and services over the borders, to develop the necessary mechanism for the creation of trans frontier trade and coastal free zones. For the medium terms aims were to initiate and conclude membership process of BSEC states to the World Trade Organization (WTO), to promote effective mechanism to facilitate transfer of technology to gradually harmonize the customs

¹⁰⁴ *Moscow Summit Declaration*, (Moscow, 25 October 1996), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 16.08.2009).

and foreign trade legislation of Participating states, to promote and conclude bilateral agreements between BSEC member states on encouragement and protection of foreign investment and avoidance of double taxation. Lastly, for the long terms they aimed to reduce and progressively eliminate the existing tariff and non tariff barriers, to bring national legislation in conformity with the Uruguay Round of GATT in trade and measures related to services, to reform and modernize economic and social structures giving priority to the adoption and the implementation of technical support programmes for the SMEs in order to fully enjoy the facilities emerging from the free trade area.¹⁰⁵

However, when the history of BSEC is observed from today, no free trade area could be established so far. In the working group report of the meeting in December 2000, it is said that establishment of BSEC Free trade area should remain as a long term objective and trade liberalization should be their focus which serves gradually establishment of free trade area.¹⁰⁶

Two evaluations can be made about establishment of the free trade area. First, member states have been reluctant to commit themselves such an agreement. Second, their economic structures and capacities have not enable establishment of free trade area. It seems that both factors are effective in this situation. As it will be discussed, member states do not embrace BSEC totally. Especially those who are member of the EU, spend their energy about European project while some of the others have struggled for EU membership. In short, priority of member states have always been belonged to some thing else. Beside this political reason, there is another one about the EU. Commitments of EU member states to the EU has been something that should be always observed while engaging agreement with third parties. In principle, the EU accepts a general trade liberalization which is compatible with the multilateral trade regime and which takes into account existing trade commitments to

¹⁰⁵ *Report of the Meeting of the Working Group on Trade and Economic Development, plan of Action for the Establishment of BSEC Free Trade Area*, (Yeravan 1998), <http://www.bsec-organization.org/aoc/TradeEconomic/Pages/Reports.aspx>, (accessed on 14.06.2009).

¹⁰⁶ *Report of the Meeting of the Working Group on Trade and Economic Development*, (Thessaloniki, 2000), <http://www.bsec-organization.org/aoc/TradeEconomic/Pages/Reports.aspx>, (accessed on 14.06.2009).

the EU.¹⁰⁷ In 1998 when free trade area was discussed intensively, only Greece was a member of the EU, while Turkey had the Custom Union agreement with the EU. Greece who was the only EU member in 1998 uttered its reservations and mentions it would participate implementation of Action Plan for the establishment of BSEC free trade area unless it contradicts the obligations deriving from its membership to the EU. Turkey who has Custom Union trade also is included in that condition.¹⁰⁸ However, this does not mean that, EU is an obstacle in front of BSEC free trade area, but rather agreement among the EU member state should be bared in mind while engaging trade agreements. Any possible agreement should not violate commitments of states to the EU.

About the economic structures of BSEC members, Aybak advocates that creation of regional free trade area remains a difficult task. The economies of the states are transition economies. They could not eliminate ties of centrally planned economies immediately that makes trade liberalization and of course establishment of free trade area difficult. Aybak mentions that in order to have trade liberalization, WTO is the appropriate framework for BSEC member states. This point has been also accepted by BSEC members. It is mentioned in several platforms that membership to WTO should be completed by all BSEC member states. It is mentioned in the report of working group belonging to 2001; completion of the process of accession to the WTO for those BSEC member states who had not done so far would help the process of trade liberalization in BSEC region.¹⁰⁹ As of 1998 only Bulgaria, Greece, Turkey and Romania were the members of World Trade Organization Albania became WTO member in 2003, Armenia in 2003, Moldova in 2001, Georgia in 2000, and Ukraine in 2008. Russia, Azerbaijan and Serbia are not members of WTO yet.

To sum up, the initial aim of BSEC member states about trade and economic development was to create free trade area in the region. However, because of the

¹⁰⁷ Aybak, "Black Sea Economic Cooperation":p.38-39.

¹⁰⁸ Moldova became a member in 2004 while Bulgaria and Romania joined the EU in 2007.

¹⁰⁹ *Report of the Meeting of the Working Group on Trade and Economic Development*, (Istanbul 2001), <http://www.bsec-organization.org/aoc/TradeEconomic/Pages/Reports.aspx>, (accessed on 14.06.2009).

premature economic structures of BSEC member states and reluctance of member states to such an obligation and different priorities of member states prevent them to commit themselves such an agreement.

The issue of trade liberalization which was preferred in place of free trade area is another topic for discussion. However, it seems that the members cannot reach a conclusion so far. Also, unfortunately, after free trade area the concept of trade liberalization disturbed the members and in the last meeting realized in February 2008, they agreed to give up focus on trade liberalization. They agreed to focus on trade facilitation in BSEC area, which is more reasonable for them.¹¹⁰

Another point understood from the working group report is Turkey's aspiration and leading role. Turkey who is accomplished its economic transformation earlier than the other BSEC member states, except Greece, always try to share its experiences with the member states. To have success with its creation organization is a natural desire of Turkey. Especially since 2007 when chairmanship passes Turkey for six months very promising words have been heard about BSEC in general and also about trade and economic development issue. Turkey was the chairman between May 2007 and November 2007. Also Turkey became the coordinator state of trade and economic development working group in November 2007 until October 2009. The important development about trade issue in that term is initiative for establishment of a trade centre in Bursa, a city of Turkey. Turkish public met the initiation of Turkey positively. The idea was evaluated as very logical. Hasan Kanbolat mentions that the decision to establish trade centre in a city renowned for its industrial development is very logical. He advocates that trade centre in Bursa representing a common identity with historical and cultural dimensions, may make BSEC more effective and influential while establishment of trade centre would also serve development of the Bursa.¹¹¹ However, no development about this issue is observed so far.

¹¹⁰ Information tab, <http://www.bsec-organization.org/aoc/TradeEconomic/Pages/Information.aspx>, (accessed on 14.06.2009).

¹¹¹ Hasan Kanbolat, *KEI Yeniden Yapilandiriliyor*, (23 Ocak 2007), <http://www.asam.org.tr/tr/yazigoster.asp?kat1=4&ID=1373>, (accessed on 14.06. 2009).

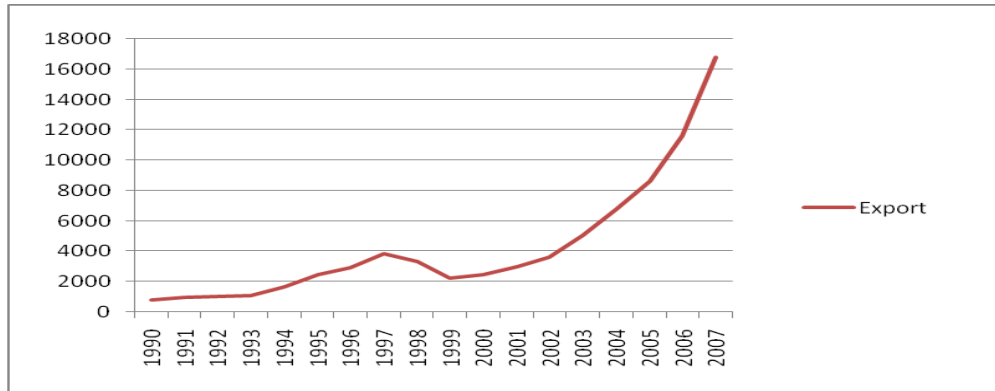
After these information, in order to see the picture better some numerical data should be used. It is not possible to give all trade data of all member countries, but Turkey's trade with BSEC members can be examined.

Table 2: Export of Turkey in general and to BSEC

Year	Export (Million dollar)	General Export Of Turkey	%
1990	770	13000	5,923076923
1991	957	13600	7,036764706
1992	1007	14715	6,843357119
1993	1045	15345	6,810035842
1994	1636	18106	9,035678781
1995	2417	21636	11,17119615
1996	2926	23224	12,59903548
1997	3825	26262	14,56477039
1998	3290	26974	12,19693038
1999	2232	26587	8,395080302
2000	2467	27775	8,882088209
2001	2932	31334	9,357247718
2002	3599	36059	9,980864694
2003	5044	47253	10,67445453
2004	6779	63167	10,73186949
2005	8620	73476	11,73172192
2006	11584	85535	13,5429941
2007	16784	107272	15,64620777

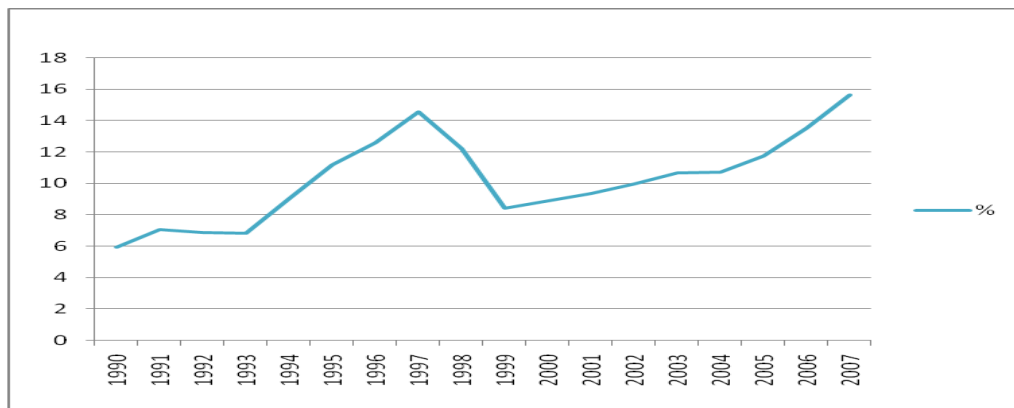
(Source: Undersecretariat of the Prime Ministry for Foreign Trade)

Table 3: Turkey's export to BSEC



(Source: Undersecretariat of the Prime Ministry for Foreign Trade)

Table 4: Rate between Turkey's export to BSEC and Its General Export



(Source: Undersecretariat of the Prime Ministry for Foreign Trade)

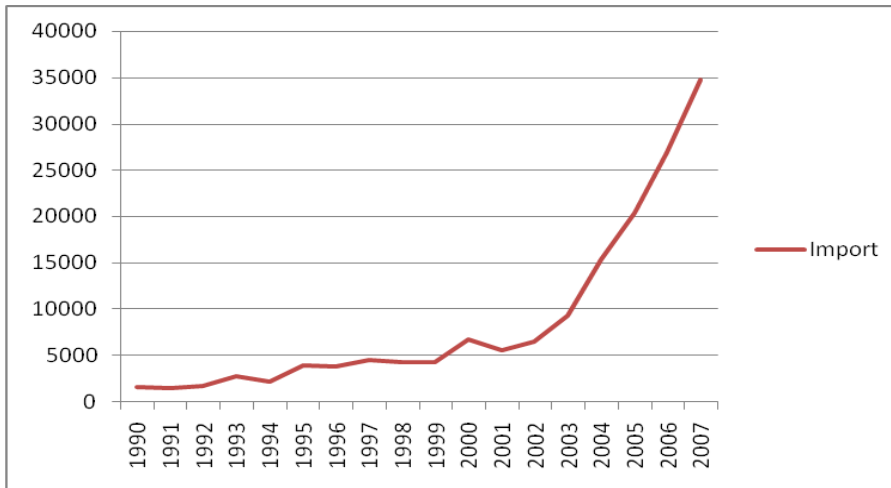
In the table one, Turkey's export with BSEC members, its general trade and rate of them between 1990 and 2007 can be seen. It must be mentioned that to look rate of BSEC export to Turkey's general export is better way to understand real course of export, because simple export amount has increased naturally throughout the years. However, when data in the last column of the table is looked, value of increase or decrease can be better seen. In this framework, the most evident feature in export is that until 1998 there had been increase while after 1998 an important decrease showed. After 1998 the export rate could not catch the value of 1997 until 2007.

Table 5: Import of Turkey in General and from BSEC

Year	Import	General import of Turkey	%
1990	1612	22600	7,13274336
1991	1513	21000	7,2047619
1992	1744	22870	7,62571054
1993	2766	29428	9,39921164
1994	2167	23270	9,31241942
1995	3998	35709	11,196057
1996	3897	43627	8,93254177
1997	4495	48449	9,27779727
1998	4358	45921	9,49021145
1999	4308	40671	10,5923139
2000	6746	54503	12,3773003
2001	5553	41399	13,4133675
2002	6588	51554	12,7788338
2003	9298	69340	13,4092876
2004	15368	97540	15,7555875
2005	20480	116774	17,5381506
2006	27021	139576	19,3593454
2007	34809	170063	20,468297

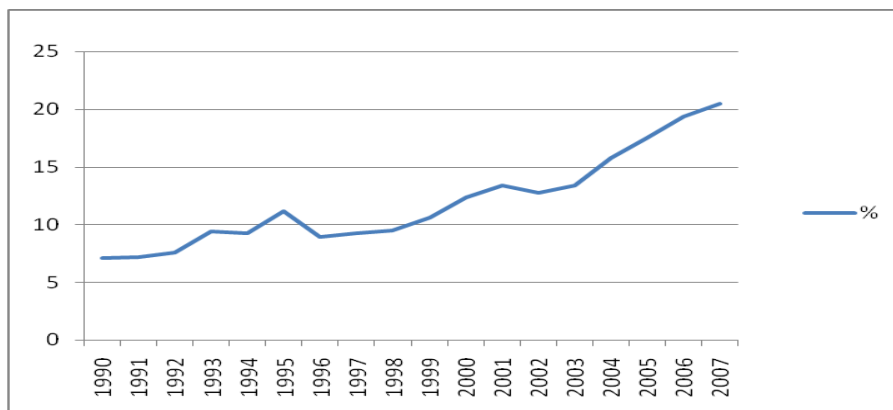
(Source: Undersecretariat of the Prime Ministry for Foreign Trade)

Table 6: Turkey's Import to BSEC



(Source: Undersecretariat of the Prime Ministry for Foreign Trade)

Table 7: Rate between Turkey's import from BSEC and Its General Import



(Source: Undersecretariat of the Prime Ministry for Foreign Trade)

When the subject is import, there is a relatively stable picture. Although there are negative fluctuations in rate values, there is no sharp decrease. Turkey's export to BSEC member states increase from 5% to 15% while import increases from 7% to 20%. So, it can be said that Turkey is a more trade partner to BSEC members than they are for Turkey.

However, to evaluate these numbers is hard since there can be a lot of factors effecting Turkey's trade with BSEC. Although it is said that rate of export to BSEC or import from BSEC, to Turkey's general export or import is more confidential numbers, these numbers could be effected, for example, by a simple increase in

Turkey's export or import with third parties. However, the aim here is to see BSEC have not been serving trade relations of the members as it was expected before. Member states have been discussing ways of encouragement of trade relations among members either with free trade area, trade liberalization or trade facilitation. Although, no conclusion can be reached so far, stability or continues increase in trade values are expected. As far as it can be seen, there is no much promising values in trade.

It is known that by the method and perspective of this study, to reach a 100% correct understanding and evaluation of trade is hard. To see trade preferences of the member states the biggest trade partner of the member states can be given. The biggest trade partner (including export and import) of Albania, Bulgaria and Romania is Italy. That of Greece and Russia is Germany. Ukraine does trade mostly with Russia while Georgia's main export goes to Turkey and imports come from Russia. When Turkey's trade partners are observed, there is a similar situation for Turkey. Turkey's main export partner is Germany while its import partner is Russia. In addition, Turkey has agreement for preventing double taxation with Bulgaria (1994), Azerbaijan (1994), Moldova (1998), Russia (1997), Ukraine(1996), Greece (2003). Also, Turkey has free trade agreement with Romania (1997) and Georgia (2008).¹¹²

4.2. Transport and Communication

BSEC has commitment to lay the basis for a regional infrastructure in order to establish interdependence and to accelerate regional economic, energy and social flows. During the Cold War BSEC many of member states did not engage with each other directly. Ideology dominating the relations and poor regional infrastructure had prevented BSEC members from horizontal social and economic engagement.¹¹³

In order to have proper infrastructure for social and especially economic cooperation, BSEC have dealt with communication and transportation projects. Also, it has working group on these subjects. Transportation and communication can be considered in which BSEC has been successful since there are some projects already

¹¹² Data are taken from www.dtm.gov.tr.

¹¹³ Aybak, "Politics of the Black Sea", p.42

became operational. In other words, this area is one of the unique ones in which BSEC could reach concrete results.

The first projects in this area are ITUR and KAFOS fibre optic cable system projects that were completed in 1996. The ITUR links Italy, Turkey, Ukraine and Russia by a submarine fibre optical cable system of 3200 km, with its lading points in Palermo, Istanbul, Odessa and Novorossijsk. The KAFOS providing a telecommunication link from Moldova to Istanbul trough Bulgaria and Romania. The third project Trans Balkan Line linking Italy, Macedonia, Albania and Turkey. The main feature of this project is that each member state finances its own section.¹¹⁴ Also there are some other projects, which were also completed like TAE, BSFOCS, TET, DOKAP.

Transportation sector is another area of cooperation. The strategic aim in transportation cooperation is to create a trans-European transport network to the east extending as far as Central Asia. The Working Group on transportation adopted three important Pan-European transportation network projects. These are; the Baltic Sea in the North to the Black Sea via Central Russia and the Azov Sea (Pan Europe 9th Corridor), an East-West link between the Adriatic Sea and Central Asia (pan Europe 8th Corridor), a transportation corridor linking Danube, Don and Volga regions (Pan Europe 7th Corridor).¹¹⁵

4.3. Energy

There are a lot of energy sources in BSEC region. Transportation of sources is an important issue not only for the region but also for the Europe. However, dealing with energy issues in the framework of BSEC unfortunately remain at the technical level. Energy cooperation or agreements are realized with different impetus that has not been about cooperation atmosphere that is aimed via BSEC.

Russia is the most important energy actor in BSEC region, having 27 per cent of exploitable world gas reserves and 6.2 per cent of world oil reserves. After Saudi

¹¹⁴ Aybak, "Politics of the Black Sea", p.43

¹¹⁵ Ferhan Erkmenoğlu, *Karadeniz Ekonomik İşbirliği-Örgütünün Dünü, Bugünü ve Geleceği*, (2000), <http://www.diplomatikgozlem.com/briefing.asp?id=106> , (accessed on 16.08.2009).

Arabia, it is the second biggest oil producing country. Such potential inevitably makes Russia a primary actor in the energy game not only in the region, but also on a global scale. The policies and strategies followed by Russia significantly affect the Black Sea countries economically and politically. Most of the countries in the region are highly dependent on Russian oil and, on its gas exports. At the same time, Europe is dependent on Russian gas. This situation makes relations critical. Azerbaijan is a littoral state of the Caspian Sea. It plays a vital role as an energy supplier and serves as a potential source of diversification for the Black Sea region and mainly for the EU. Romania, Bulgaria Albania and Moldova are all net oil importers, depending primarily on Russia for most of their supply. These countries located on the western coast of the Black Sea are trying to promote pipeline projects to transport Caspian and Russian oil to European countries. Greece has modest oil and almost no gas reserves and is a net energy importer. Greece relies on Russia for 80 per cent of its gas imports. Turkey is also a net oil and gas importer. Some 92 per cent of its oil demand and almost all of its gas demand is met through imports. Main import partner of Turkey is Russia with the rate of 65 per cent.¹¹⁶

While the end of the Cold war opened a new era for Turkey and Black Sea states for cooperation being released from the previous ties, it also provided a proper floor for competition for some states in some issues. Energy is one of those issues. As it is mentioned above, Russia holds a big piece of energy resources of the world's energy resources cake. Not only having resources is an important opportunity for Russia, but also transferring of these resources to the rest of the world strengthening Russia's position in energy issues. The basic actor that Russia has been trying to bypass is Turkey. In such a situation there is no need to abstain for saying there is no real cooperation with respect to energy subject between BSEC members. In many articles it is said that energy issue is one of the contested and political issue.

Turkey wanted to be effective in its region after the end of the cold war and to initiative establishment of BSEC is the main proof of this target. Similar to this situation, Turkey want to be active in transportation oil and gas reserved of the region including Caspian Sea. Most of the current pipelines use Black Sea and

¹¹⁶ Nejdert Pamir, "The Black Sea: A Gateway to Energy Security and Diversification", *Southeast European and Black Sea Studies*, (Vol.7, No.2, June 2007):p. 10-11

Turkish straits as a transit route to the Europe. However, since this situation has been creating a security risk for Turkish straits and with the effect of some strategic and economic gains Turkey advocating different pipelines route bypassing Turkish Straits, but passing Turkey's territories. This situation has created a rivalry between Turkey and Russia. However, it should be mentioned that both European World and US support Turkey in this case since they have lived troubles because of being dependent on Russia in energy. There are some active pipelines and proposed ones given below.

Baku-Tbilisi-Ceyhan: It transports Azerbaijani oil produced from the Azeri-Chirag-Guneshli (ACG) fields via Georgia and Turkey to the Mediterranean port of Ceyhan. The project has become operational since July 2006 with a significant delay and cost over-run.

Baku-Supsa: The so-called early oil pipeline transporting the initial productions (of modest volumes) of the ACG fields to the Georgian Black Sea port of Supsa.

Baku-Novorossisk: The other early oil pipeline, which transports the ACG oil via Russia to the Russian Black Sea port of Novorossisk. Oil flow is frequently interrupted due to problems between international shareholder companies and Azerbaijan or Russia.

Baku-Batumi: A rail plus pipeline route with modest capacity, but still being used by Exxon and Azpetrol.

South Caucasus Gas Pipeline: This pipeline was constructed to transport the gas produced from the Shah Deniz field of Azerbaijan by a parallel gas pipeline to BTC.

Turkey-Greece Pipeline: It is expected to be finalized in July 2007. Initial volumes are 750 million cubic meters a year with the peak rate of 3 bcm to Greece. For Italy, an additional 8 bcm a year is needed.

Caspian Pipeline Consortium (CPC): The bulk of Russia's oil is shipped to the Mediterranean and further to European and Asian markets via tankers in the Black Sea. CPC is an ambitious oil pipeline constructed after the dissolution of the Soviet Union to bring Kazakh oil via the Russian territory to its Black Sea port of

Novorossisk. The existing capacity is 540,000 bpd. There are efforts to increase this capacity to 1.4 million bpd, but the existing problems between Russia and the oil shippers weakens its expansion potential.

Blue Stream Gas Pipeline: This pipeline became operational in early 2003 and transports Russian gas directly to Turkey with a sub sea pipeline crossing the 2,150 meter deep floor of the Black Sea. The current infrastructure reaches Ankara, but plans are underway to extend the line to Ceyhan and expand its capacity towards supplying Israel as well.

In addition to the above-mentioned existing pipelines, in parallel with the growing oil and gas demand and the relevant increases in supply, new and alternative pipeline projects are proposed by different countries and companies.¹¹⁷

Constanta-Trieste(-Omisalj): This proposed line aims to connect the existing Black Sea port of Constanta, Romania, to Italy's Adriatic port of Trieste. The project is also known as the Pan-European Oil Pipeline and includes several short extensions to Serbia and other neighboring countries.

Burgas-Alexandroupolis: In 1997, Bulgaria, Greece and Russia agreed to build a 178 miles oil pipeline linking Burgas, Bulgaria, and Alexandroupolis, the Mediterranean port of Greece. On 15 March 2007, Russia, Bulgaria and Greece signed an agreement to construct this pipeline.

Kiyikoy-Saros: This 1.2 million bpd pipeline is backed from several angles pressing to include both Turkish and international companies. The pipeline would come as a solution to the increasing oil tanker load on the Straits. Russia has also supported this pipeline for its own needs. However, Turkey preferred another bypass option (Samsun-Ceyhan) due to several factors that include environmental and military concerns.

Samsun-Ceyhan: Turkey is trying to reduce the oil tanker traffic load and the consequential environmental risks on the Straits. Therefore, Turkey is trying to develop a north-south corridor for oil flows from the Black Sea. This 1.4 million bpd pipeline is expected to be backed by Turkish and international energy companies

¹¹⁷ Pamir, "The Black Sea", p. 15-17

(Calik, ENI, Shell, Indian Oil), but needs throughput guarantees from relevant suppliers.

Brody-Odessa: The already functional Brody-Odessa pipeline was completed in 2001 with the initial intention of transporting Caspian oil coming from the Black Sea terminal of Pivdenniy (Yuzhniy) and carrying it via Ukrainian pipeline system to Europe. However, since Ukraine was unable to secure oil from the Caspian suppliers, Russia is currently using this pipeline in the reverse direction and transporting its Urals basin oil to the Black Sea for shipment to international markets. European consumers and Caspian producers are still looking towards reversing this pipeline so it can serve its original purpose.

Adria Pipeline (Reversal): Reversal of the Adria Pipeline, which runs between Croatia's port of Omisalj on the Adriatic Sea and Hungary, has been under consideration since the 1990s. The pipeline was completed in 1974 and originally designed to transport Middle Eastern oil to Omisalj, then pipe it northward to the then Yugoslavia and further to Hungary. However, since the pipeline is connected to the Russian export system and Russian oil needs new routes of export, the pipeline's operators, transit states and oil-dependent countries hope for the reversal of the pipeline. The realization of the project requires regional cooperation and mutual understanding between six countries that are Russia, Belarus, Ukraine, Slovakia, Hungary and Croatia.

Nabucco Pipeline: The Nabucco pipeline has been proposed for the transport of Caspian and or Middle Eastern gas via Turkey in order to supply the growing demand for gas in Bulgaria, Romania, Hungary and Austria. The project is supported by the EU.

South Stream Pipeline: It is a proposed gas pipeline to transport Russian natural gas to the Black Sea to Bulgaria and further to Italy and Austria. The project would partly replace the planned extension of Blue Stream from Turkey through Bulgaria and Serbia to Hungary and Austria, and is seen as rival to the planned Nabucco pipeline. The completion time of the pipeline is planned as 2015.

Similar to other cooperation areas BSEC also has a working group for energy issues realizing meetings to discuss energy issues surrounding the Black Sea. When

reports of the working group or ministerial declaration are observed, a lot of correct words and sentences can be seen. For example in Statement of Ministers of Energy of the Member States of BSEC dated September 2006, there is an emphasis on importance of diversification of both sources of energy and their supply routes and its effect on security of energy supply and on mitigating risks.¹¹⁸ In BSEC Declaration On Cooperation With The EU In The Field Of Energy dated 2008, it is mentioned that issue of stability and security of energy supplies is an immediate priority for BSEC Member States. The member states are aware of their interdependency on energy, which makes a regional approach to the issue essential. Therefore, they acknowledged that, the necessity for more committed, consolidated, coordinated and result-oriented efforts in development of energy cooperation.¹¹⁹

However, it seems that concrete and real energy cooperation under the framework of BSEC seems as a wishful thinking since energy is a big trump in the hands its owners. In sum, agreement with respect to energy realized outside of BSEC. Furthermore, not only there is no energy cooperation among member states motive by the BSEC, but also there is rivalry between some members in transportation of resources to the West. Since there is national interests of the states are on stake energy issues are not usually discussed under the umbrella of BSEC.

4.4 Environment

One of the issue areas of BSEC is environmental protection. BSEC responded environmental problems of the Black Sea by realizing regular working group meetings and providing an action plan for the environmental protection. However, firstly the physical features of the Black Sea and its pollution problems should be given.

The Black Sea is a semi-enclosed and anoxic sea. It has a surface area of 461000 square kilometers and its average dept is of 1240 meters. It is linked to the Mediterranean by the Dardanelles, which is a very shallow and very narrow strait.

¹¹⁸ *Statement of Ministers of Energy of the Member States of BSEC*, (Sochi 27 September 2006), <http://www.bsec-organization.org/documents/declaration/ministerial/Pages/ministerial.aspx>, (accessed on 14.06.2009).

¹¹⁹ *BSEC Declaration On Cooperation With The EU in The Field Of Energy*, (Kyiv Ukraine, 9 April 2008), <http://www.bsec-organization.org/documents/declaration/ministerial/Pages/ministerial.aspx>, (accessed on 14.06.2009).

Although there are six littoral states including Turkey, Georgia, Russia, Ukraine, Romania and Bulgaria, almost 30 rivers, including Danube, Dniester, Dnieper, Don and Kuban discharge to the Black Sea. When the situation is thought in this manner, it should be known that drainage basin of the Black Sea is 2000 000 square kilometers covering 16 states which makes 5 times of its normal surface area. Beside the coastal states, Austria, Bosnia-Herzegovina, Croatia, Czech Republic, Germany, Hungary, Moldova, Slovakia, Slovenia and Yugoslavia are in the drainage basin¹²⁰.

Anoxic structure of the Black Sea, its limited connection to the oceans and width of its drainage basin make the Black Sea vulnerable to pollution. It should be known that the Black Sea is already evaluated as the most polluted regional sea of the world.¹²¹

The sources of pollution problem of the Black Sea are myriad. First and the most important type of pollution valid for the Black Sea is land based pollution. As it is mentioned before, there are almost 30 rivers discharging the Black Sea. Industrial, agricultural and sometimes nuclear wastes of the states in the drainage basin discharge to Black Sea. Danube River alone discharges up to 280 tons of cadmium, 60 tons of mercury, 900 tons of cooper, 4500 tons of lead, 6000 tons of zinc, 1000 tons of chromium and 50,000tons of oil annually. The other main rivers that flow into the Black Sea (the Dnieper, Dniester, Don, Kuban, Yuzhnyy and Beleya), deposit another 87 tons of cadmium, 1500 tons of copper, 825 tons of lead and 2600 tons of zinc annually.¹²² This situation brings the problem of *eutrophication* of the Black Sea. Eutrophication means increase the amount of nutrients in the water, which result in increase the amount of organic matter especially algae. Increase of algae prevents reflection of the light in the water, which of course threaten the other alive in the water. Shortly, it can be said that eutrophication has harmful effect on the biodiversity causing extinction of species.

¹²⁰ Şule Güneş, "Karadeniz' de Çevresel İş Birliği, 1992 Bükreş Sözleşmesi", *ODTÜ Gelişme Dergisi*, (No.28, Vol.(3-4), 2001): p.60-61.

¹²¹ Güneş, "Karadeniz' de Çevresel İş Birliği", p.60.

¹²² Report of Committee on the Environment, Agriculture and local and Regional Affairs: *The fight Against harm o the Environment in the Black Sea*, (13 June 2008):p.2.

The eutrophication has been the case for the Black Sea since 1960s when green revolution happened, leading the over consumption of fertilizers.¹²³

Beside the nutrients problem, it must be said that insufficiently treated sewages from the coastal states discharging into the Black Sea is another factor causing eutrophication. Many of the Black Sea coastal states' economies are in the transition. Most of them either do not have treatment plants or existing ones are insufficient in solving problems. This lack of developed treatment system of the coastal states contributes pollution potential of the Black Sea.

Secondly, beside the land based pollution, oil pollution is another type of pollution for the Black Sea. There are important oil and gas reserves of the Central Asia and Caucasus. These reserves have special importance for the West since they meet their energy need by import. In addition, especially after the 9/11 events, Central Asian oil resources gain special importance since they represent alternative to the Middle East oil. The Black Sea is the main route used in transportation of Central Asian and Caucasus oil to the West. Oil discharging the sea during general sail of oil tankers and especially in accidents is ecological and also security problem for the Black Sea. According to values of 1995, 4900 tankers pass from the Turkish straits in a year and if the Central Asian oil is added to this it seems that 8776 tankers can pass through the straits.¹²⁴

Thirdly, irrational exploitation of fish stocks is another environmental problem of the Black Sea. Black sea was originally a fish rich region. However, its fish resources started to decrease in 1980s. Expansion in the fish industry and widely application of technological fish finding techniques, in addition to water pollution and increase the amount of nutrients in the water have damaged to fish species.

¹²³ Yu P. Zaitsev, "Black Sea Pollution Assessment", *The Black Sea Environmental Series*, ed. Laurence D. Mee and Graham Topping (Vol. 10, UN Publications, New York, 1998):p.66 Cited in Alara İstemil, *The Black Sea Environmental Regime*, An Unpublished Thesis Submitted to the Graduate School of Social Sciences of the Middle East Technical University, In Partial Fulfillment of the Requirements for the Degree of Master of Science in the Department of International Relations,(Ankara July 2004): p.58.

¹²⁴ Şule Güneş, "Birleşmiş Milletler Bölgesel Deniz Programları; Karadeniz Çevre Rejimi", *Türkiye'nin Kıyı ve Deniz Alanları II. Ulusal Konferansı Bildiriler Kitabı*, (1998). p.4.

While there were 26 species in 1960s, today it is said that there are 6 species in the Black Sea.¹²⁵

Fourthly, beside exploitation of the fisheries and water pollution, special exotic specie has badly affected the fish resources of the black sea. It is mnemiopsi leidyi. Mnemiopsi leidyi were accidentally introduced to the Black Sea in the early 1980s with the ballast water of the ships from the east shores of the America. This specie feeds with small fishes and fishing worms, which are the basic nutrient of the fishes in the black sea. In a very short time, the amount of them raised to 900 billion tones, which was more than the world annual fish harvest. Beside this situation effect the fish species in the black sea it had negative effect on the economy especially in 1980s and 1990s.¹²⁶

In sum, the Black Sea has been suffering from environmental problems coming from rivers discharging the Black Sea, untreated sewage of the coastal states, oil tanker traffic, irrational exploration of fish stocks and species consuming basic nutrients of alive in the Black Sea. How these problems of the Black Sea are taken into consideration within BSEC should be answered.

Environmental protection is an area of cooperation since the establishment of BSEC. As it is in other issue areas, there is working group for environment and they have realized meetings since 1994. Since environment can be considered as low politics, member states do not hesitate to negotiate on environmental problems of the region directly.

BSEC established an Action Plan for Cooperation in the Field of Environmental Protection, as a general framework to promote cooperation among member states. Objectives are determined in the Action Plan as to sustain the efforts of BSEC Member States in achieving a clean and healthy environment; to strengthen solidarity among BSEC Member States in preserving their common heritage; to promote integration of environmental protection into the economic and social policies of member states; to protect the environment in line with principles of sustainable development. With respect to implementation, in the Action Plan it is

¹²⁵ İstemil, *The Black Sea Environmental Regime* ,p.63.

¹²⁶ Güneş, “Birleşmiş Milletler Bölgesel Deniz Programları”, p. 4

determined that the working group on environmental protection as a permanent subsidiary organ of BSEC, shall monitor implementation of the Action Plan and submit regular reports. In addition, working group will engage on regular bases and ad-hoc meeting can be realized upon the initiative of country coordinator who is responsible for preparing a work program for the each next meeting of the working group.¹²⁷

In addition BSEC has signed the Agreement on Cooperation Between the Organization of the Black Sea Economic Cooperation (BSEC) and the United Nations Environment Programme (UNEP) in 2002. By the Agreement BSEC and the UNEP agreed cooperate with a view to preserving and enhancing environment in BSEC region. Need to make voluntary contributions to the UNEP Environment Fund, development of environmental monitoring systems, exchange of information are the basic points underlined by the Agreement.¹²⁸

However, apart from initiatives of BSEC, the Black Sea environmental regime is considered as composition of Bucharest Convention and Odessa Declaration. Bucharest Convention adopted in 1992 among the Black Sea Coastal States namely Bulgaria, Romania, Turkey, Georgia, Russia and Ukraine. Application are of the Bucharest Convention excludes the Turkish straits and also there is no legal obligation of the drainage basin states although they are also responsible for pollution of the Black Sea. While Bucharest process was lasting, there were initiatives at the international institutional level. With the support of UN Global Environment Facility (GEF) and World Bank, Odessa declaration was formulated in 1993. It covers policies along with time-bounded targets for each sets of policy, which is absent in Bucharest Convention. Also, it introduces new policies that are not subject of Bucharest Convention like protection of biodiversity and natural resources.

¹²⁷ *BSEC Action Plan For Cooperation in the Field of Environmental Protection* (Bucharest, 3 March 2006), <http://www.bsec-organization.org/aoc/enviroprotect/Pages/aPlan.aspx>, (accessed on 16.08.2009).

¹²⁸ *Agreement on Cooperation Between the Organization of the Black Sea Economic Cooperation (BSEC) and the United Nations Environment Programme (UNEP)*, (İstanbul 2 February 2002), <http://www.bsec-organization.org/documents/LegalDocuments/agreementmous/m5/Pages/m5.aspx>, (accessed on 16.08.2009).

In this sense Odessa Declaration is a kind of interim action plan. Three years later in 1996 this document turned into Black Sea Strategic Action Plan.

In sum, the Black Sea considered as the most polluted regional sea of the world has attracted attention of regional states. However, constraint coming from the Cold War affected the environmental regime of the Black Sea. The important agreements could be signed in the beginning of the 1990s. BSEC, as it is mentioned considers environment as one of the issue areas and realizes regular meetings. However, formation of an Action Plan can be realized just in 2006. As it is in other issue areas, implementation phase of the agreed documents is a question for the issue of environment. Significant activities about environmental protection of the Black Sea grew up outside BSEC's institutional framework.

4.5. Security & Stability and Frozen Conflicts

Security and stability is fragile subjects for BSEC. Most of the member states started their life as independent states in 1990. As a result of their weakness with respect to both economics and politics, not much thing was expected from them in new international area and also in BSEC. Also, to help their transformation is one the basic aims of BSEC. Not only their economic and political inexperience makes things hard, but also their bilateral problem that are security matters requires sensitivity while engaging in the framework of BSEC.

As it is known the main aim of BSEC is economic cooperation. Even for the economic cooperation BSEC has not been compelling. In such a situation, bilateral problems of member states should not halt the economic cooperation. For that reason security issues has not been primarily focus of BSEC. However, this does not mean that BSEC remains indifference to security problems. However, the method envisaged by BSEC about security issues is to contribute resolution of problems of the region by increasing cooperation especially in economic terms and creating confidence atmosphere.

Theoretically, regional cooperation is considered as one of the most effective confidence building measures. Through economic cooperation, betterment of economic conditions and life standards in member countries is provided by fostering an awareness of mutual benefits and interdependence. It is expected that these efforts

increase, in the words of Ercan Özer butters, domestic and regional stability while accelerate the process of political and economic reform for transition to democratic regimes and market economy. Consequently, regional economic cooperation serves as confidence building measure creating peaceful atmosphere for solving current problems and preventing new ones.¹²⁹ In case of BSEC, the same method and hope is envisaged. Economic and social progress of participating states that would be reached by BSEC, would serve stability and security of the region. It is undeniable that successful cooperation among BSEC nations in the economic field is likely to bring a more favorable political climate in which acceptable solutions to outstanding issues could be more easily reached.¹³⁰

Besides bilateral problems between some of BSEC members, there is another security problem around BSEC region, which is organized crime. Existence of organized crime is not restricted to BSEC region, but since the geography covered by BSEC is a transit route from Middle East and Central Asia to Europe, it becomes one the proper region for organized crime. Although combating with organized crime takes its place on BSEC agenda, priority is not given to that subject.

In sum, reference to security and stability inside BSEC seems via either confidence building effect of economic cooperation or combating with organized crime. In this framework, BSEC reference and means for security and stability of the region can be examined.

There were two tendencies or policies of BSEC while approaching the security and stability issues of its region until the end of 1990s. First, as it is mentioned there is a method of BSEC for security issues, which is not to be directly involved, but rather to contribute security by economic cooperation. Second, BSEC prefers to leave security issues to the Organization for Security and Cooperation in Europe (OSCE). These tendencies of BSEC can be understood from basic documents.

¹²⁹ Ercan Özer, "The Black Sea Economic Cooperation and Regional Security", *Perceptions*, (Vol.II, September-November 1997):p.2-3.

¹³⁰ Nicolae Micu, "Black Sea Economic Cooperation As A Confidence Building Measure", *Perceptions*, (Vol.I, December 1996-February 1997):p. 2

The first legal document providing establishment of BSEC, Istanbul Summit Declaration dated 1992, does not include any reference to either security problems. Also, according to determined areas for cooperation, which are transportation, informatics, energy, mining, tourism, agriculture, science and technology, security is not determined as a cooperation area. However, in Article 8 of Istanbul Summit Declaration it is mentioned that participating states aim to ensure that Black Sea becomes a sea of peace, stability and prosperity, striving to promote friendly and good-neighborly relations, which is BSEC method.¹³¹ This reference of member states was repeated in Bosphorus statement. It is said in the Statement that heads of state and governments acknowledge that the region is already faced by serious conflicts. There is need for peaceful settlement of all disputes by means and in accordance with the principle set out in the CSCE document.¹³² In the Moscow Declaration, regional stability is one of the titles. It is mentioned in the Declaration that economic cooperation and partnership is the cornerstone of lasting regional stability and is a practical mechanism of reducing the political risk and preventing destabilization.¹³³ In the Istanbul Summit Declaration of 1999 the role of OSCE and its activities for European Security is underlined and it is mentioned that enhanced cooperation between BSEC and the OSCE in the respective fields of competence will serve the goals of stable peace and prosperity in the whole of the OSCE area, which covers BSEC region.¹³⁴

However, despite these references security issues were not focus of BSEC especially in practical terms. This point is underlined by Ioannis Stribis. He advocates that all these pronouncements at the level of heads of state and government

¹³¹ *Summit Declaration on Black Sea Economic Cooperation*, (Istanbul, 25 June 1992), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

¹³² *The Bosphorus Statement*, (Istanbul, 25 June 1992), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

¹³³ *Moscow Summit Declaration*, (Moscow, 25 October 1996), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 16.08.2009).

¹³⁴ *Istanbul Summit Declaration*, (17 November 1999), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 16.08.2009).

have not been implemented. When resolutions and recommendation of regular decision making body of BSEC that is Council of Ministers of Foreign Affairs are observed, it becomes clear that security concern have never been an issue of the regular business of BSEC.¹³⁵ There is one point that could be considered as a deviation of BSEC on its general path towards the security issues. BSEC became a partner to the Stability Pact for South Eastern Europe launched in 1999. The Stability Pact is the first comprehensive conflict prevention strategy for countries of South Eastern Europe. According to Stribis, BSEC's contribution to the implementation of the Stability Pact brought security concerns among its regular business.¹³⁶ However, BSEC's contribution to the Stability Pact's activities would be according to BSEC's own goals and framework. According to Stribis, while the issue of Stability Pact revealed how security issues are complex in the framework of BSEC, it also created opportunity for a wider consideration of security issues. Regular decision making body of BSEC, Council of Ministers of Foreign Affairs, started to consider security issues.

Not only with the effect of the Stability Pact, but also necessity of region's new realities made BSEC focusing on the security issues from a new perspective which is organized crime and terrorism. During the Cold war main worries of the parties were power struggle of the two super powers and security threats were coming from the sides. However, toward the end of 1990s, BSEC region as well as whole world started to consider about organized crime namely human, drug or weapon trafficking, which bring us to the second policy of BSEC for the security issues.

While BSEC chooses not to be involved conflict of its member states, organized crime found its place in the framework of BSEC. The Agreement Among the Governments of the Black Sea Economic Cooperation Participating states on Cooperation In Combating Crime, in Particular its Organized Forms was signed in 1998. However, this does not mean that there were no reference to organized crime before 1998, but this agreement gave absolute priority to organized crime, which is a

¹³⁵ Ioannis Stribis, "The Evolving Security Concern in the Black Sea Economic Cooperation", *Southeast European and Black Sea Studies*, (Vol 3, 2003):p.132.

¹³⁶ Stribis, "The Evolving Security Concern": p. 136.

common threat for the all states of BSEC. In the Agreement areas of cooperation like act of terrorism, organized crime, illicit cultivation, illicit manufacture, criminal activities elated to migration, ecological crime, corruption, kidnapping, maritime crime; form of cooperation like exchange of information, planning and adoption of coordinated actions against criminal networks, assistance in detecting suspicious economic and banking transaction, exchange of experience on use of scientific and technological methods for criminological researches and exchange of information in many related areas are all determined. As a result of this agreement, to form a working group in order to examine the ways of implementation cooperation was decided. Also, there is another point in the agreement that should not be omitted since it shows nature of the Agreement that is not compulsive and BSEC's loose formation in general. It is said in the agreement that the implementation of the Agreement will be subject to national legislation of the member states and the agreement shall not hinder the fulfillment of other international obligations of the member states.¹³⁷ Although the agreement signed in 1998, its entry into force shows differences from state to state. The Agreement entered into force in 1999 in Turkey, Ukraine, Bulgaria, and Moldova; in 2000 in Russia, Georgia, Romania and Armenia; in 2002 in Azerbaijan and Greece; in 2008 in Albania; and Serbia just signed the Agreement in 2008.

Apart from the Agreement Among the Governments of the Black Sea Economic Cooperation Participating states on Cooperation In Combating Crime, in Particular its Organized Forms, BSEC had to focus on security issues more intensively after 9/11 events in 2001. In other words, BSEC found itself in an atmosphere in which everybody is talking about security, terrorism and global effect of terrorism. In such an atmosphere BSEC had to make some security pronounciation. This situation is reflected decennial summit meeting of BSEC that was done in Istanbul in 2002. In the summit Declaration, it is mentioned;

“The political, economic and security developments in Europe clearly indicate that peace on the continent depends on the stability and prosperity of its regions. We (Heads of State or Government) also demonstrate that the Black Sea region is in need of further efforts towards

¹³⁷ *The Agreement Among the Governments of the Black Sea Economic Cooperation Participating states on Cooperation In Combating Crime, in Particular its Organized Forms*, (1998), Article 1, 2,6,9, <http://www.bsec-organization.org/documents/LegalDocuments/agreementmous/agree/Pages/agree.aspx>, (accessed on 14.06.2009).

security and stability. We (Heads of state or Government) encourage BSEC Council of Ministers of Foreign Affairs to consider ways and means of enhancing contribution of BSEC to strengthening security and stability in the region.

We (Heads of state or Government) firmly condemn terrorism in all its forms and manifestations as a profound challenge to peace and security and a highly dangerous threat to political, economic and social stability of States and the international community as a whole, adversely affecting the market economies and the development of multilateral and bilateral cooperation. We (Heads of state or Government) deem it imperative that the relevant BSEC organs and national competent authorities enhance the implementation of BSEC Agreement on Cooperation in Combating Crime, in particular in its organized forms and, furthermore, consider new means of cooperation within the mandate of BSEC.”¹³⁸

According to Stribis, in the framework of BSEC, the Decennial Summit is the first time that security is perceived as an autonomous concept without a necessary linkage with economic cooperation. Also, as it can be seen above that regional dimension of security issues is underlined and it is clearly mentioned that the Black Sea region needs more security and stability and BSEC should focus on the regional approach of these issues.¹³⁹

After heads of state and government gives mandate for engaging security issues, Council of Ministers of Foreign Affairs met and they considered ways and means of enhancing contribution of BSEC to strengthening security and stability of the region. In the meeting, the Council invited the member states and BSEC related bodies to send through the PERMIS their comments on the issue of security and stability in BSEC region. Also, it is accepted that the ICBSS would organize an ad hoc Study Group with participants from the member states and international organizations, to produce a working paper concerning the implementation of mandate given for studying on security issues.¹⁴⁰ According to Stribis, it is a progress for BSEC to consider security issues, but it is clear that the proposed ways to do it is

¹³⁸ *Istanbul Decennial Summit Declaration Looking Beyond Ten Years of Cooperation and Progress*, (2002), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

¹³⁹ Stribis, “The Evolving Security Concern”, p. 158.

¹⁴⁰ *Report of the Seventh Meeting of the Council of Ministers of Foreign Affairs of BSEC Member States*, (Tirana, 25 October 2002), <http://www.bsec-organization.org/COMOFA/Pages/Reports.aspx>, (accessed on 14.06.2009).

a bit weak since government officials of the member states are not included. In such a situation to have concrete steps seems not to be possible.¹⁴¹

To sum up, there is a common view that BSEC who initially did not have commitment for security and stability of its region, inevitable became a subject of criticism with respect to its capacity to engage security issues. In the framework of BSEC, security or stability is targeted by confidence building effect of economic cooperation. In other words, internal or bilateral problems of the member states have not been uttered openly in BSEC, but rather their solution is searched in indirect effect of cooperation. However, as a result of realities of the new era after the Cold War and with the effect of geographic position of the Black Sea, BSEC had to consider at least organized crime and terrorism as security problems especially after 2001. Although, there is working group dealing with organized crime and ad hoc group, the implementation problem has remained as a defect of BSEC.

As a result of this reason, a common view is formed that BSEC remain blank security issues of the region. According to Emel Oktay, security cooperation remained blank by BSEC is filled with other initiatives of again the Black Sea states like Blackseafor and Blacksea Harmony.¹⁴² Black Sea Harmony is a naval operation initiated by Turkey in March 2004. The aim is deterring terrorism and asymmetric threats worldwide and also ensuring the security of the Turkish Straits. The Blackseafor is established in 2001. Its responsibility subjects are Search and Rescue (SAR) operations, Humanitarian assistance, Mine counter measures, Environmental protection throughout the Black Sea. Bulgaria, Romania, Russia, Georgia, Ukraine, Turkey are the members of the Blackseafor.

However, although it is difficult to say that BSEC contribute stability and security of the region directly, its indirect effect, to a certain extent, cannot be ignored. There is an optimistic evaluation of BSEC with respect to its contribution security and stability of the region. Ercan Özer advocates that stability and security in the Black Sea region could be expressed with a functional formula, which is security and stability can be provided by dialogue, development, democracy,

¹⁴¹ Stribis, "The Evolving Security Concern", p.158.

¹⁴² Emel Oktay, "Türkiye'nin Avrasya'da Çok Taraflı Girişimlerine Bir Örnek", p.167.

diplomacy, disarmament, and demography. (S+S=f(6D)). Although, it is hard to claim existence of disarmament, demography and diplomacy issues in the framework of BSEC, it has a good structure for dialog at different levels ranging from heads of state or government to the man in the street. Also, as it is known development is the main target of BSEC. According to Özer, BSEC has opened a new and special chapter in the Black Sea regional history. It has an importance, because it has proved itself to be a forum where the participating states put aside their differences and problems when Balkans and Caucasus were facing great unrest and difficulties. BSEC is the main proof of how economic motives transcended political conflicts. Özer says that security situation of the region should not require creation of a new security system for BSEC since there are other platforms directly engaging security issues like OSCE, NATO or EU and since security interest of BSEC members are different from each other. That is also why BSEC members reserved to develop an approach to regional security.¹⁴³

When subject is security for BSEC it should not be forgotten that BSEC does not have direct commitment for security. Although, toward the end of 1999, it developed a vision of organized crime its main target for this issue is to cooperate. Therefore, in the opinion of this study, BSEC should not be blamed for being insufficient to deal with security problems of the region or organized crime or for not having necessary tolls to do these. However, the question about the security that should be asked is that how much BSEC indirectly contributes to security and stability of the region by its economic cooperation and prosperity that would provide by economic cooperation. In order to have a better understanding about security problems in the Black Sea region, main conflicts can be given.

The conflict over Nagorno-Karabakh between Azerbaijan and Armenia is one of the most serious conflicts destabilizing the region and frustrating cooperation efforts around the region. After Armenia occupied the 20 per cent of Azerbaijan territories and the war in 1992, there are no economic relations and transportation links between Armenia and Azerbaijan. Also, Nagorno Karabakh conflict has drawn the two black Sea powers, Turkey and Russia, counter positions. Azerbaijan has received substantial military support and training from Turkey and signed a military

¹⁴³ Özer, “The Black Sea Economic Cooperation”: p.9-14.

cooperation treaty with Ankara in May 1997. On the other hand, a Treaty of Friendship, Cooperation and Mutual Assistance was signed by Russia and Armenia. Direct, Russian-Turkish military tension over Karabakh, which surfaced earlier in 1990s, was eliminated. After that although there have been positive relations in several areas like energy, economy, Karabakh conflict remained unsolved among sides. In addition, since 1992 Turkey has no economic and diplomatic relations with Armenia.¹⁴⁴ However, as of April 2009 the region has been witnessing important developments. Details of the developments will not be given, but it can be said that as a result of changed balances Turkey has initiated to solve the problems between herself and Armenia, which disturbing Azerbaijan.

Similar to Karabakh problem, Transnistria problem is another challenge to stability of the region and spirit of BSEC. After a civil war in 1992 with the support of Russia, Transnistria separated from Moldova. As a result of cease-fire, a security zone on both sides of the river Dniester was established. The regime in Transnistria entrenched its rule in Tiraspol, but formed substantial armed forces, interior troops and border forces. There are also Russian soldier in the region whose existence should be terminated at the end of 2002. However, Russia still has soldiers with the excuse of protecting Russian ammunition dumps. In short, feature of the Transnistria's status is still vague.

In the Balkan side of the Black Sea, there is Kosovo problem between Albania and Serbia, which is resulted in independence declaration of Kosovo. After independence declaration Serbia backed by Russia, threatened the states that has recognized Kosovo including Turkey by withdrawing its ambassadors. However, this was an initial reaction of Serbia having no capacity to drive relations into dilemma.

Also, there is problem of feature of Black Sea Fleet in the Crimea. Although, Black Sea Fleet is supposed to leave in 2017, Russia has been trying to extend this duration. Relations of Russia and Ukraine also has deteriorated by two energy crisis occurred as a result of Russian energy cut to Ukraine in 2006 and 2008.

¹⁴⁴ Roy Allison, "The Unresolved Conflicts in the Black Sea Region", *The Black Sea Region Cooperation and Security Building*, ed. Oleksandr Pavliuk and Ivanna Klympush-Tsintsadze, (East West Institute New York, 2004):p.89-90

Lastly, Abkhazia and South Ossetia problem of Georgia should be mentioned. The two region backed by Russia do not accept Georgian rule since 1991 and 1992. The recent Russia and Georgia conflict armed conflict in August 2008 are the biggest proof of unresolved and dangerous potential of these problems.

There are different problems between different states and their roots are strong. Also, there is a problem who support whom. Security is the main high politic. States do not want to give up their interests on those issues. Although, BSEC does not have any direct commitment, its confidence building effect does not function since seventeen years. States can meet in order to discuss some economic or environmental issues under the framework of BSEC, but neither they have negotiated these high politics matters in the BSEC, nor BSEC creates positive atmosphere towards solutions of those matters. In direct contradiction, security matters cause lack of trust which halted cooperation efforts in other areas. In short, performance of BSEC challenged by frozen conflicts in the region.

Briefly, trade and investment, transportation, energy, environment and security and stability are the main cooperation areas examined in this chapter. Although, generally trade is accepted as the basic area in which cooperation can be provided, under the umbrella of BSEC targets with respect to trade has been downgraded, mainly because of reluctance of member states to commit themselves binding agreements. Also, Turkey's trade amounts with BSEC shows that there is no continues or stable increase, which is upsetting. Although, the region is rich with its oil and gas reserves, energy has been never became an area of cooperation, since there is conflicting interest of the member states. When the subject is security, it must be said that the aim of BSEC for creating confidence building effect with cooperation in other areas cannot be provided, because of frozen conflicts of the region. In sum, BSEC cannot be successful in providing sufficient level of cooperation in areas determined by its legal framework mainly because of lack of political will and frozen conflicts in the region.

CHAPTER 5

ACHIEVEMENTS AND PROBLEMS OF BSEC

The subject of this chapter is BSEC's achievements and problems of cooperation. Also, points made in 15th anniversary of BSEC in order to make BSEC more efficient will be given.

Although BSEC is evaluated as unsuccessful in fulfillment of its objectives, BSEC is a result of opening of new era in international arena and also in Turkish foreign policy. There is a value presented by BSEC even according to academicians criticizing BSEC for its insufficiency. In this framework, what is meant by achievement is significance of BSEC in itself and for Turkey without questioning its practical results. In other words, when question of how much cooperation is provided through BSEC and how much it reaches its target are left aside; it is possible to mention significance of BSEC.

The aim of this chapter is to underline the problems of BSEC in order to provide better understanding of sources of its insufficiency in providing cooperation in issue areas.

5.1. Achievement of BSEC

There is a common view among the academicians dealing with BSEC is that despite its all insufficiencies, BSEC is important and this importance comes just from its existence. The geography covered by BSEC's member states is filled with several problems. In the words of the Gamze Kona, the region represents a kind of boiling cattle.¹⁴⁵ In such a situation, a lot of academicians appreciate the founders of BSEC and its participants. In this framework, Berdal Aral mentions:

¹⁴⁵ Kona, "The Black Sea Economic Cooperation", p. 46

BSEC experience shows that states, which share common frontiers or are part of the same geographical basin may consider mutual or multilateral controversies and disputes as cause for action, rather than as excuse for keeping relations at a minimum.¹⁴⁶

Also, Panagiota Manoli mentions that BSEC is important since it demonstrates that the states who are diverse in terms of size, power, level of economic and social development, international affiliation and even system of governance come together in order to reach a common point for some issues.¹⁴⁷ Similarly Emel Oktay explains in her article that when the idea of establishment of BSEC emerged, the borders between Soviet Union and Turkey was closed, Moldova and Georgia was fighting against separatist movements, there was war between Armenia and Azerbaijan. Despite of all these pessimistic and complex web of relations, the Black Sea states could realize to establish BSEC in a very short time period.¹⁴⁸ Also, Erhan Büyükakıncı mentions this point in his article. He advocates that given the uncertainties to democratic rule and market economy, and chaotic situation and conflicts that ensued in the first a few years after the collapse of the Soviet Union, BSEC's development can already be considered a political success.¹⁴⁹

Beside BSEC is seen as a success since its creation is a matter of success in the atmosphere of 1990s, secondly, BSEC is important since it is the unique organization including all states of the region. Also, BSEC is the only international forum in the region where member states participate on their own free will without any outside interference.¹⁵⁰ As Mustafa Aydın says, it is the most institutionalized homegrown organization in the region. The membership of BSEC is not limited to just riparian states of the Black Sea. BSEC embraces an inclusive approach for membership. Mustafa Aydın and Ömer Fazlıoğlu also focus on this point and they

¹⁴⁶ Berdal Aral, "The Black Sea Economic Co-operation after Ten years: What Went Wrong?", *Alternatives*, (Vol 1, No.4, Winter 2002):p.74

¹⁴⁷ Manoli, "Reflecting on BSEC": p.4

¹⁴⁸ Oktay, "Türkiyenin Avrasyada Çok Taraflı Girişimlerine Bir Örnek", p.160

¹⁴⁹ Büyükakıncı, "Security Issues and Patterns of Cooperation", p.33

¹⁵⁰ Nurver Nures, *Black Sea Economic Cooperation: Vision and Opportunities*, (Speech delivered at the NATO Colloque in May 2001):p.57, <http://www.nato.int/docu/colloq/2001/colloq01.htm>, (accessed on 14.06.2009).

mention that BSEC was one of the earliest initiatives intended at establishing cooperation between NATO members who are Turkey and Greece and former members of the Warsaw Pact. It is a locally-owned and developed idea.¹⁵¹ This point of local ownership is mentioned also by Manoli. She says BSEC has a strong sense of local ownership, as a cooperative initiative reflecting the priorities of its member states and the needs of the region on a collective basis.

However, it must be mentioned that while inclusive membership of BSEC is mentioned as a factor making BSEC important and valuable, it is also evaluated as a factor limiting and complicating success of BSEC. Also, although existence of local ownership is mentioned by some academicians, by some others absence of it is mentioned again as a problem inside BSEC.

Apart from the atmosphere and membership of BSEC, which are appreciated by several academicians, BSEC presents some advantageous with respect to security, economy and society. In the previous chapter the functions of BSEC and how much BSEC reached its aims are examined. There is not an optimistic picture. However, Gamze Kona mentions in her article some points as advantageous by leaving aside practical results. As a result, she argues BSEC is important with respect to its potentials. Accordingly, after the Cold War, security understanding of the states, in fact security threats and ways to ensure has changed. Peace and security building measures become important. BSEC which is neither security provider nor a security building measure is important with respect to its potential for confidence building through intensifying good-neighborly relations and multilateral agreements and motivating member states for pluralistic democracy and developing multilevel economic relations. In short, BSEC is in harmony with neo-security perception of the world after the end of the Cold War. This point made by Kona also supported by Nurver Nures. He says despite of all problems that BSEC faces, it has developed a regular structured working relationship and brought member states closer. This provides opportunity to improve their mutual familiarization and understanding. Although Nures admits that the negative effects and prolongations of the past conflicts are still felt and there area lot of work to be done, he advocates trust is staring to build slowly which could soften political climate in the region and BSEC

¹⁵¹ Aydın and Fazlıoğlu, "The Turkish Foreign Policy Towards the Wider Black Sea Region", p. 131

serves as a confidence building measure which is a remarkable achievement in itself.
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With respect to economy, BSEC means a lot since it encourage transition to liberal economies. Lastly, about the society and culture BSEC represents a unique case, since it shows states having different culture and religious can come together under umbrella of an international organization. According to Kona, it is evident that the differences between Christian and Islamic cultures have always caused problems not only in the Black Sea region but in the world. BSEC having member states from different cultural and religious background paves the way to the removal of the strict dividing lines between Christianity and Islam and motives the participant states to show respect for cultural and religious differences. BSEC proves itself to be one of the multi-cultural regional groupings different from most of the available regional grouping in today's international system.¹⁵³

In the fist chapter, dynamics behind the establishment of BSEC are given. As mentioned, Turkey's geographic and cultural closeness to the most of BSEC member states and proper atmosphere (end of Cold War and lack of dominant power in the region) were opportunities for Turkey in initiating such cooperation. The basic and main importance of BSEC for Turkey is that BSEC is established by just Turkey's initiation in other words it is child of Turkey. However, there are some other points making BSEC substantial for Turkey. Ömer Faruk Gençkaya clearly summarizes meanings of BSEC for Turkey in other words Turkey's interest in BSEC. Accordingly, for one thing, Turkey's leading role in establishment of BSEC facilitates its new policy initiatives regarding the newly created Turkish Republic in Caucasus and Central Asia. During the Cold War, Turkey followed calm foreign policy towards the Turkish nations in the Caucasus and the Central Asia with the aim of not disturbing Soviet Union. However, with Gorbachev and after the end of Cold War this situation changed. Turkey started to emphasize common cultural, religious and linguistic ties with the newly independent states and Turkey's brotherhood role to them. Although this silver term does not last long, Turkey started to have close

¹⁵² Nurver Nures, *Black Sea Economic Cooperation*, p.50.

¹⁵³ Kona, "The Black Sea Economic Cooperation": p. 49-50

relations with her new neighbors. BSEC in this manner is a tool for Turkey in order to have close relations with newly independent states and be a powerful actor in its region.

Moreover, according to Gençkaya, some Western and Turkish politicians share the idea that Turkey will emerge as an economic powerhouse in the region, channeling Western capital and technology to former Eastern Bloc countries and making a profit in the process. In other words, “What Germany is to Europe, Turkey will be for the Asian republics”. Furthermore, BSEC is important for Turkey since it fits “in nicely” with the long-standing Turkish hope to play a strategic role in international politics. During the Cold war, a lot of people, academicians and especially politicians mention that Turkey has a strategic importance with respect to its geography. Literally, Turkey had long been representing a strategic state locating at the border of the Eastern Bloc. Therefore, Turkey’s partaking in the West Block was important. However, when all these blocs disappeared, Turkey searched a proper role in new international system. Turkey always wants to be important for the West. In this framework, BSEC would provide a kind of strategic role for Turkey when it combines Balkan cooperation in the West, the Economic Cooperation Organization (ECO) with Iran and Pakistan in the East. In short, Turkey aimed to develop ties with Central Asia as well as Middle East, Balkans and Western Europe without turning its back on the EC. Gençkaya says “In other words, Turkey is now discovering a new geopolitical role for itself within the framework of the New World Order”¹⁵⁴

5.2. Problems of BSEC

Although BSEC is important for the region and for Turkey since its establishment is a success in itself, it has not lived a successful history for seventeen years. As it is analyzed in the fourth chapter, intra regional trade has remained below expectations, energy issue does not taken as point of discussion since relative gain absolute gain problem are on the stake and it seems that confidence building effect of BSEC does not work well. In general there are two types of problems that BSEC encounters. First one is, problems sourced from very nature of BSEC as an international organization. Second one is, political problems coming from member

¹⁵⁴ Ömer Faruk Gençkaya, “The Black Sea Economic Co-operation project: A Regional Challenge to European Integraation, *International Social Science Journal*, (Cit 45, No.4, 1993) p. 551

states. As it is mentioned this thesis argues that contrary to scholars viewing institutional weakness of BSEC as the reason of its failure in providing sufficient level of cooperation, BSEC's potential is challenged by problems coming from member states. While the former refers lack of implementation mechanism, time consuming decision making process, lack of professionalism and budgetary problems, the latter represents lack of political will to create healthy political cooperation and bilateral problems of the member states.

As it is detail analyzed in the third chapter, BSEC has a complex institutional structure. BSEC is evaluated as *over-bureaucratized* organization or *over institutionalized* whose efficiency and effectiveness of its activities is diminished because of this situation. Some academicians and also member states' authorities underline institutional problems of BSEC as the source of BSEC's failure in providing cooperation in issue areas. However, although negative contribution of institutional problems of BSEC to BSEC's insufficiency is admitted, this thesis argues that problems coming from member states are the main reason of BSEC's failure.

When the subject is institutional problems of BSEC, first thing that is underlined by scholars is decision making process of BSEC. Dynamism of Council of Ministers of Foreign Affairs, the main decision making body of BSEC, suffers from voting procedure. The Council makes its decision on consensus principle and unless it is determined decisions are not obligatory. Since it is hard to provide consensus usually, dynamism of the organization is blocked and sometimes consensus requirement provides room for power play.¹⁵⁵ In short, decision making procedure in BSEC is criticized for being cumbersome and time consuming. In this subject Tedo Japaridze says:

Members need to re-think the entire decision- making process in BSEC that is based on a veto system, euphemistically known as the consensus rule that frequently offers a Faustian bargain and operates on the everybody against everybody principle.¹⁵⁶

¹⁵⁵Gültekin and Nikolov, "European Union Approaches", p.122.

¹⁵⁶Japaridze, "BSEC: A Road Map To Relevance", p.5.

In addition, lack of implementation power is focused as another institutional weakness of BSEC damaging cooperative efforts. As it is mentioned decisions made by the Council is not obligatory. In the case of PABSEC providing democratic dimension to BSEC, situation is worse. Decisions or recommendations made in PABSEC are transmitted to the Council and adoption remains national legislation of the member states. Since there is no monitoring mechanism, a lot of studies and discussions remain in flux for BSEC. Panagiota Manoli says:

BSEC need to enhance its operational capacities and to make a breakthrough on implementation. The Organization at the moment lacking mechanisms of speedy coordination and communication among its member states, as well as its institutions and related bodies. At the same time, the issues of project selection and the replenishment of the resources allocated to projects as well as the monitoring of the implementation of the Council's decisions have become critical.¹⁵⁷

Budgetary problem is another factor viewed as source of BSEC's insufficiency. According to the Charter, the budget of BSEC is composed of the financial contributions from member states determined according to relevant resolutions of the Council. However, although there are certain quotas for each participating state, application of these quotas became possible in 1998. For the previous years Turkey paid unproportionally large share. Also, Turkey met the expenses of establishment. Limited budget mostly affects PERMIS executing secretarial works of BSEC. As it is mentioned in the third chapter, PERMIS suffering from limited financial resources and lack of professional staff, has been criticized for not functioning as an active promoter of cooperation since it functions with the efforts of civil servants.¹⁵⁸

In sum, there are problems hardening functioning of BSEC mainly like cumbersome decision making procedure, lack of implementation and monitoring power and limited financial resources. However, although these problems are effective in insufficiency of BSEC in providing sufficient level of cooperation in issue areas determined by legal framework of BSEC, BSEC's potential is frustrated by problems sourced from member states given below.

¹⁵⁷ Manoli, "Reflecting on BSEC", p.6.

¹⁵⁸ Hartwig, "The Black Sea Economic Cooperation Process", p.4

Among many challenges, success of BSEC is mostly halted by lack of political will to create healthy cooperation. In order to have a better understanding about lack of political will, firstly reasons of the member states in participating BSEC can be given. To begin with, Russia losing its sovereignty and control over the region after the dissolution of the USSR, aimed to use BSEC as a tool for increasing its influence in the region. As a matter of fact, Russia has to be satisfied with much more shorter coasts to the Black Sea after dissolution of the USSR. In this subject, Oktay says:

If the importance of the territories around the Black Sea for the Russian history and the fact that there were Russian soldiers in the former East Bloc states is considered, it is understood that, such platforms gathering region states represented opportunity for Russia to express its desires.¹⁵⁹

Similar to Oktay, Aral draws attention to that point and he argues that since the demise of the Soviet Union, it has been seeking restore special economic ties with the Slavic members of the ex-Soviet republics and Russia seeks to use BSEC as a platform to achieve other, perhaps hierarchically superior objectives.¹⁶⁰

For Ukraine and the other former East Bloc states, participating a regional or international organization means to enjoy their independence and to diversify their international ties. While Azerbaijan, Armenia, Georgia and Moldova view BSEC as a way of strengthening their independence and security, especially for Ukraine, Bulgaria and Romania BSEC represented a contributor factor for their strategy of integrating with the Europe. Although, BSEC emerged as a regionalization movement, regional development was not priority of any of member states.¹⁶¹

With respect to Greece, motive to attend BSEC was different which also halts the potential of BSEC. Although, Greece does not have borders in the Black Sea, it is counted as one of the Black Sea states because of cultural, economic and historical reasons. At the beginning of the 1990s when Turkey initiated for establishment of such an organization, Greece watched the inception of BSEC with suspicion. Greece regarded BSEC as a tool for Turkey, which would be used to establish Turkish

¹⁵⁹ Oktay, "Türkiye'nin Avrasya'da Çok Taraflı Girişimlerine Örnek", p.161.

¹⁶⁰ Aral, "The Black Sea Economic Cooperation", p.77.

¹⁶¹ Oktay, "Türkiye'nin Avrasya'da Çok Taraflı Girişimlerine Örnek", p.162.

hegemony in the region. Therefore, Greece participated BSEC in order to balance Turkey's weight in BSEC. In this subject Aybak says,

Greece's desire to participate in BSEC as a founder member resulted from an intention to counterbalance Turkey's political influence in the Black Sea area. Greek attitudes towards BSEC in its formative years can be characterized by the mistrust and suspicion of Turkish motivations.¹⁶²

Lastly for Albania, it is said that Albania was invited by considering future projects by which Caspian gas would be transferred to Adriatic Sea. Aybak clearly summarizes the member states' reasons to participate BSEC which makes BSEC as a loose cooperation. He says:

Despite the initial optimism, for the most part of the 1990s BSEC remained a loose cooperation process. Greece, for instance joined BSEC to counter balance Turkey's weight, and the initial optimism of Russia has given way to southern frontier. For Ukraine, a key Black Sea country, the Black Sea cooperation was secondary to its European aspirations. Indeed, the Black Sea as a loose framework of cooperation was regarded secondary to the overwhelming European orientations and ambitious of most Black Sea counties.¹⁶³

Membership understanding in BSEC has been subject to critics since its establishment. Although, some scholars underline inclusiveness of BSEC as a merit, it is clear that such a wide openness with respect to membership is one of the main reasons of lack of political will to create a functioning and fruitful organization. Especially, acceptance of Greece as a member was criticized even in 1990s. Şükrü Elekdağ evaluates permission of the president Turgut Özal for Greece membership as a big mistake since Athens has blocked Turkey's interest in BSEC.¹⁶⁴ In addition, Ahmet Davutoğlu makes a general evaluation about membership philosophy of BSEC. According to Davutoğlu, BSEC embraced both unrestricted enlargement and ambitious deepening tendency. BSEC tends to include almost all Balkans and Caucasus states rather than following gradual membership strategy. This situation prevents formation of common political will and also as a result of this, problems of the member states are brought into the organization. Although, the states having

¹⁶² Aybak, "Black Sea Economic Cooperation", p.50

¹⁶³ Aybak, "Interregional Cooperation Between The EU and BSEC", p.28.

¹⁶⁴ Şükrü Elekdağ, *KEİ'nin Zaaflıyetleri*, <http://www.milliyet.com.tr/1997/05/05/yazar/elekdag.html>, (accessed on 10.08.2009).

problems with each other find opportunity to communicate thanks to BSEC, this does not turn into a proper level for cooperation.¹⁶⁵

After underlying motives of member states in participating BSEC, reluctance of member states to consider BSEC as a dynamic and active organization based on solid foundations becomes clearer. In other words, there is lack of determination or insufficient commitment of member states to implement the numberless resolutions, decisions or recommendation adopted by institutions of BSEC. One of the basic indicators of this situation is that the member states' parliaments did not sign BSEC declaration. That is why BSEC cannot be an international organization until 1999. Elekdağ expresses this situation in 1997 as identity weakness of BSEC which prevented international legitimacy of BSEC.¹⁶⁶ Also, member states always send unauthorized people to the meetings of the working groups, where main discussions about the concrete issues are performed. As a result of this situation, many of the discussions and plans made under the framework of BSEC remain in words. There is no political authority to realize plans that would develop BSEC. In this subject Nicolae Ecobescu says:

Some of the documents, if not completely ignored, are most probably simply forgotten just after their adoption. It is a said reality that member states frequently have competing interests and even conflicting ones. This explains their different concerns, priorities and positions, leading to ambiguously worded statements resolutions, decisions and recommendations, which are eventually adopted, but unfortunately amount to as many empty words of little consequence.¹⁶⁷

According to İlhan Uzgel, the reason lying behind this indifference of the member states is not only they have different priorities but also they do not think possibility of success with BSEC. However, in order not to be excluded from such a regional organization, they preferred BSEC's maintaining although it is not effective.¹⁶⁸

¹⁶⁵ Ahmet Davutoğlu, *Stratejik Derinlik*, (Kure Yayınları, İstanbul, 2007) :p.278

¹⁶⁶ Elekdağ, KEİ'nin Zaafiyetleri, , <http://www.milliyet.com.tr/1997/05/05/yazar/elekdag.html>, (accessed on 09.08.2009).

¹⁶⁷ Ecobescu, "BSEC at Fifteen", p.3.

¹⁶⁸ Uzgel, "Balkanlarla İlişkiler", p.522.

Further more, there is a reality that member states have tended to see BSEC as a second-rate partnership designated to satisfy certain conjectural needs. Most of them see BSEC as *trump card* that might be beneficial for acquiring membership of other organization. Particularly, according to Berdal Aral, Bulgaria, Romania and Albania have consistently played down the significance of BSEC out of fear of to be excluded by the Western world. A major characteristic of the foreign policy strategy pursued by BSEC's Balkan members is their Westward-orientation with special emphasis to membership of the EU and NATO. The EU and NATO are together considered as the guarantor of their economic, financial, political and military safety and wellbeing. Russia seems to have different focus. Russia seeks for having influence and control over them. With such an aim, Russia does not prioritize BSEC; at best it wants to use BSEC for its superior objectives.¹⁶⁹

The other problem sourced from the member states is their security problems in other words frozen conflicts of the region. The Black Sea region has a great number of different ethnic and religious groups. Therefore interethnic relations constitute one of the main causes of friction. Historic enmities between and within countries hinders cooperation. As it is mentioned in the fourth chapter ethnic conflicts and territorial disputes have already led to armed conflicts in Transnistria, Nargorno-Karabakh, Abkhazia, South Osetia. Most of these conflicts remain unresolved and frozen ready to break up again.¹⁷⁰ This situation makes security basic priority of Black Sea states. Concentrating on economic cooperation becomes difficult for them. In other words, security problems restrict focusing on BSEC process. In this subject Erhan Büyükakıncı says:

The development of economic relations should not be considered as a final goal, because each country in the region aims to guarantee its own security interests and to use economic relations as an instrument of foreign policy.¹⁷¹

¹⁶⁹ Aral, "The Black Sea Economic Cooperation", p.76-77.

¹⁷⁰ Ivanna Klympush-Tsintsadze, "Cooperative Efforts in the Black Sea Region", *The Black Sea Region Cooperation and Security Building*, ed.Oleksandr Pavliuk and Ivanna Klympush-Tsintsadze, (East West Institute, New York, 2004):p.36.

¹⁷¹ Büyükakıncı, "Security Issues and Patterns of Cooperation": p. 18

Another impact of security weakness of the region is that culture of dialogue and cooperation remain alien to the region. Lack of sufficient trust among members, often reproduced via past grievances, has apparently aborted the possibility of extensive co-operation through joint projects and an expanding trade within BSEC.¹⁷² Also, instability in the region negatively effect foreign direct investment (FDI) to the region which slows economic development of the region and indirectly decrease level of economic cooperation.¹⁷³

5.3. 15th Anniversary of BSEC

BSEC's insufficiency and problems are admitted not only by those studying on BSEC, but also member states' authorities admit weakness of BSEC. There are some suggestions for betterment of BSEC. The ministers of foreign affairs of the member states wrote for the 15th anniversary of BSEC. They touch some points representing suggestions for BSEC. Firstly, the point made by Ministers of Foreign Affairs, then Declaration on 15th anniversary of BSEC can be given.

Elmar Mammadyarov who is Azerbaijan Minister of Foreign Affairs underlines requirement for reform in BSEC to make it more responsive and relevant to new opportunities and challenges of the today's world. He mentions a consistent process of reform and restructuring is crucial to enhance cooperation in the framework of BSEC and remains relevant. As Azerbaijan they support reforms, but they think that the measures undertaken so far are more of a reactive nature rather than responses based on analysis of organizational deficiencies and weakness of BSEC. He said there is need to bring the whole organizational setup of BSEC in accordance with the needs, demands and challenges that member states and the region are facing. To that end, organizational design and procedures have to be charged and supported with adequate resources and more importantly with strong political will and commitment. There is need for having clearer vision and understanding of mission in order to make BSEC efficient.¹⁷⁴

¹⁷² Aral, "The Black Sea Economic Cooperation": p.75

¹⁷³ Nures, "Black Sea Economic Cooperation": p.50.

¹⁷⁴ Elmar Mammadyarov, "BSEC: Towards New Horizons of Coperation: Aview from Azerbaijan", *Black Sea Economic Cooperation: Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007):p.31, http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (accessed on 16.08.2009).

Armenian Minister of Foreign Affairs, Vartan Oskanian mentions the importance of BSEC by underlying that BSEC process started and continues since there is a vision and requirement for that vision. The main thing that should be done within BSEC is to embrace project-based approach in order to make BSEC more functional and to have peace, stability and prosperity in the region.¹⁷⁵

Albanian Minister of Foreign Affairs, Lulzim Basha has some evaluation appreciating BSEC and he underlines that the membership of BSEC was the first experience in regional cooperation for Albania, after half a century of self-imposed isolation. He admits need for reform process in order for BSEC to become more operational and effective for project implementation in various fields, but he does not mention any concrete points.¹⁷⁶

Romanian Minister of Foreign Affairs, Adrian Ciorolanu, underline that there are shortcomings in BSEC impeding the development potential of the region such as lack of fast and flexible response to particular political and security issues. According to him, 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. Mainly, he focus on some structural reforms like enhancing authority of the Secretary General as a political representative of the organization, extending the majority vote since target to reach consensus blocks going ahead within BSEC.¹⁷⁷

¹⁷⁵ Vartan Oskanian, "The Republic of Armania and BSEC", *Black Sea Economic Cooperation:Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007):p.25-26, http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (accessed on 16.08.2009).

¹⁷⁶ Lulzim Basha, "Albania: A Co-founder of BSEC", *Black Sea Economic Cooperation:Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007):p.19-20, http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (accessed on 16.08.2009).

¹⁷⁷ Adrin Ciorolanu, "BSEC at Its Fifteenth Anniversary", *Black Sea Economic Cooperation:Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007):p.52, http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (accessed on 16.08.2009).

Georgian Minister of Foreign Affairs, Gela Bezhuashvili, writes more realistic article for the 15th anniversary of BSEC. He mentions that BSEC has acquired a rigorous institutional base and has fostered a culture of dialogue among its members. According to him, despite its significant achievement, BSEC must reinvent itself to remain relevant and to live up to its own expectations. First and foremost, BSEC ability to promote the economic and political interest of its member states, especially in expanding exports to foreign markets, facilitating the flow of labor and services and attracting foreign direct investment to BSEC region should be developed. Bezhuashvili admit that FDI into BSEC area is low in comparison to other regions. FDI is hampered by the existence of frozen conflicts in the region that also undermines prospects for peace and stability. As a result, Black Sea region as whole loses jobs and economic opportunities. Minister of Foreign Affairs of the Georgia also underlines the shortcomings of the Charter. He mentions that there is disparity between the principles articulated in the Charter and the real state of regional cooperation. This situation negatively affects prestige and credibility of the organization. In bilateral settings, member states do not feel obligated to respect the underling values and principles of the organization and as a result, they feel free to expose partners to unwarranted economic and transport blockades. He says as long as BSEC's principles and objectives articulated in the Charter do not serve as the foundation of how member states conduct relations with each other, it will be difficult for BSEC to maintain its standing. For BSEC to realize its full potential, its member states must respect principles of cooperation each other's interest. In sum, he criticizes the loose formation of BSEC permitting not to adopt decisions or suggestions made within BSEC and calls for correction of this handicap. Lastly, he underlines the requirement for BSEC to have international identity, which could be provided by participating in global economic networks.¹⁷⁸

Greek Minister of Foreign Affairs, Dora Bakoyannis, mainly mentions Greece's contribution to BSEC. He says although Greece is not a Black Sea littoral state, it has displayed a strong commitment to BSEC, on the basis of their historical

¹⁷⁸ Gela Bezhuashvili, "Georgia and BSEC", *Black Sea Economic Cooperation: Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007):p.37, 40, http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (accessed on 16.08.2009).

and close relationship with the peoples of the region. According to him main priority should be given to modernization of BSEC's budget. The future of BSEC lies with the capacity of it to implement various concrete projects. Also, he advises that the projects should carry three aims. First, they should seek to enhance the spirit of cooperation. Second, they should contribute to the economic and social development of the region. Third, they should aim to deepen the EU-BSEC interaction.¹⁷⁹

Abdullah Gül, Minister of Foreign Affairs of Turkey who is father of BSEC generally mentions the idea and principles adapted in BSEC. He mentions that BSEC was established on the idea that stronger economic cooperation among the Black Sea countries would enhance peace and stability in the region. He says that Turkey has been pursuing a constructive and balanced policy in the Black Sea with the principles of 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 there were had in the past.

According to Gül, main problem of the region and obstacle in front of BSEC is frozen conflicts. However, in BSEC there is a deliberate separation between economic and security domains created for practical reasons. Since economy, politics and security issues are related; at least informal exchange of views on political issues should be done under the framework of BSEC. It seems that Minister of Foreign Affairs of Turkey refers the very roots of the problems.¹⁸⁰

When the subject is Russia, there is need for examining its relations with BSEC from a different point of view. In fact, apart from Turkey all of the member states's attitudes about BSEC and their evaluation can be analyzed with the same understanding, but Russia is something else. Except Russia, the rest of the member states aim for integration with the Western World, but Russia is somehow a rival to

¹⁷⁹ Dora Bakoyannis, "Greece and BSEC Organization: Commitment for a Better Future", *Black Sea Economic Cooperation: Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007): p.45, http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (access on 16.08.2009).

¹⁸⁰ Abdullah Gül, "The Black Sea Economic Cooperation: a Straightforward assessment of the Past 15 years and a Vision for the Future from the Turkish Perspective", *Black Sea Economic Cooperation: Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007): p.7,11, http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (access on 16.08.2009).

West. While academicians and a lot of people studying on BSEC can blame the member states for not giving sufficient priority to BSEC, Russia is usually blamed for having different calculations about the region. In such a situation, naturally the interpretation of the Russian Minister of Foreign Affairs Sergey Lavrov is different from the rest of the member states.

Accordingly, Russian Minister of Foreign Affairs mentions that BSEC's fifteenth anniversary provides a suitable opportunity to draw interim conclusions and make plans for the future by building on what has been achieved.

The 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 BSEC.¹⁸¹

Although what is really meant is not totally clear (to me), it seems that Suggestions of Russian Minister of Foreign Affairs for betterment of BSEC, is not to give permission to other organizations for being active in the Black Sea which decrease the importance of BSEC. Also, it can be said that Russian Minister of Foreign Affairs criticizes those members who substitute BSEC for Western origin organizations.

Lastly, Bulgarian and Moldovan Minister of Foreign Affairs whose countries are too much EU oriented suggest more closeness to the EU for BSEC. While Serbian Minister of Foreign Affairs does not make any suggestion for BSEC as the most recent member of the organization, he determines organized crime as a main problem of the region and call for cooperation in this issue.

A summit meeting on 25th June 2007 in Istanbul is realized in which reform required would have been discussed. There are some decisions in fact points that are mentioned with the phrase of "should be".

¹⁸¹ Sergey Lavrov, "Russia-BSEC: Forward Looking Cooperation", *Black Sea Economic Cooperation: Fifteen Years of Regional Activity (1992-2007)*, (ICBSS, 2007): p.59 http://icbss.org/index.php?option=com_content&task=view&id=30&Itemid=44, (accessed on 16.08.2009).

Accordingly, it is mentioned in the Summit Declaration that the common objective should be to further promote BSEC as a project oriented organization which will best represent its member states and peoples and encourage cooperation and joint development. Improved economic outlook will enable BSEC to set more ambitious goals and to undertake and effectively implement major regional projects of strategic importance.

Also, it is aid that the Council of Ministers of Foreign Affairs is encouraged to consider further steps toward enlarging the contractual foundation of BSEC with new legal instruments, especially in the specified priority areas, without prejudice to other international obligations of the member states.

In addition, budgetary problem which will last in the project oriented BSEC, is underlined. Progress on projects in the cooperation areas will require innovative solutions for financing, including a more active involvement of the Black Sea Trade and Development should have active involvement in major regional projects. They underline the importance of the role of the private sector, including small and medium sized enterprises, and public-private partnership as the driving force for the consolidation of economic cooperation. It is mentioned that private sector's participation in the development and implementation of concrete projects of common interest for BSEC Member States. ¹⁸²

To conclude, although BSEC is evaluated as failed in fulfillment of its objectives, it is not totally null. The establishment of BSEC in the first a few years after the collapse of the Soviet Union is considered as a political success in the chaotic situation of the region at that time. With respect to Turkey, BSEC represent an important change in Turkish foreign policy followed during the Cold War and creation of it is totally fit the new perspective of the Turkey, which was to follow activist policy toward its new neighbors.

BSEC suffers from two groups of problems that are institutional weaknesses of BSEC and political problems sourced from member states. However, problems sourced from the member states, which are lack of political, will and frozen conflicts

¹⁸² *Declaration On The Occasion Of the Fifteenth Anniversary Summit Of The Black Sea Economic Cooperation* (Istanbul, 25 June 2007). <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

are the main challenges to BSEC's success. Many of initiatives of BSEC remained unfinished, because member states were reluctant to commit themselves to binding agreements since they have different foreign policy priorities. Many important issues like energy are not practically discussed under the umbrella of BSEC since they have conflicting interests. Also, their political and security problems caused trivialization of cooperative efforts of BSEC.

Insufficiency of BSEC in achievement its original goals are admitted by member states authorities. While they underlying institutional weakness of BSEC, they also admit lack of clear vision towards BSEC and damaging effect of frozen conflicts. As a result of current state of affairs of BSEC, state authorities mostly suggest embracement of project based approach in BSEC, since they could not commit themselves to long standing or binding agreements.

CHAPTER 6

CONCLUSION

Throughout this thesis, it is aimed to examine factors preventing developing sufficient level of cooperation under the framework of BSEC. While focusing on damaging factors on BSEC, its establishment process, institutional structure and issue areas are captured.

In the second chapter, factors leading establishment of BSEC and Turkey's role in its establishment are underlined in order to have a better understanding. BSEC was established in 1992 as a result of combination of different impacts felt by Turkey at the same time. Turkey was used to define itself as a strategically important state against to USSR threat. After the end of Cold War, Turkey started to search a new place for itself in the new international atmosphere. While the European states and US did not prioritize the Black Sea region in their foreign policy, they also encouraged Turkey in establishing close ties with the region. Turkey could be a model for them with respect to its economic and political structure. In addition, to ignore globalization and economic behavior insisted by globalization was not possible by 1990s. The EU is thought to be at the core of globalization. When it was not possible to take a place at the core of globalization, the basic way to be harmonized with globalization became regionalization by which states could establish similar intensive economic relations. In short, BSEC was established in the new international era as a regionalization movement. Not only end of Cold War or globalization were effective in establishment of BSEC, but also Turkey's disappointment by the EC and economic oriented foreign policy understanding of Turgut Özal who was the President were the other origins of BSEC.

As it is clear that BSEC membership was not restricted to riparian state of the Black Sea. Turkey, Greece, Albania, Romania, Bulgaria, Ukraine, Moldova, Russia, Georgia, Armenia, Azerbaijan and later Serbia became the members of BSEC. According to Summit Declaration on BSEC, the main objective of BSEC is to

develop and diversify both bilateral and multilateral cooperation among member states as well as with other interested third parties in order to foster their economic, technological, social progress and to encourage free enterprise. Also, they aim to ensure that the Black Sea becomes a sea of peace, stability and prosperity, striving to promote friendly and good-neighborly relations.¹⁸³

BSEC, with its establishment for economic cooperation and its objective that the cooperative efforts provide prosperity and peace in the region, has a kind of neo-functional understanding. Neo-functionalists who aimed to analyze European integration in 1950s and 1960s, argue that economic cooperation among state would lead to establishment of political cooperation and political community at the end. They see this process as an automatic process by effect of spillover, elite socialization and supranational institutions. However, relying on realist critique of neo-functionalism, during this thesis it is aimed to show how arguments of intergovernmentalism become real for BSEC cooperation.

In the third chapter a detail analysis on institutional structure is made. Although BSEC has a complex institutional structure, it also carries opportunity for cooperation at different levels like intergovernmental level, parliamentary level, financial level, and academic level. However, it is evaluated that this opportunity cannot be used. The principal regular decision making organ of BSEC is Council of Ministers of Foreign Affairs. The Council is responsible for deciding on all issues about functioning of BSEC. Working groups in BSEC's cooperation areas like trade, energy, transportation, agriculture are the subsidiary organs of the Council. Although, the Council is at the core of BSEC, its dynamism is blocked by the voting procedure including consensus procedure for a lot of subjects. Also, working groups formed by experts on each subject whose recommendations are brought to the Council do not function efficiently. They suffer from lack of volunteer host state and insufficient experts. In addition, PABSEC which provides democratic dimension and pluralistic perspective to BSEC is responsible to discuss relevant subjects or projects on the agenda of BSEC. However, recommendations voted in PABSEC are

¹⁸³ *Summit Declaration on Black Sea Economic Cooperation*, (Istanbul, 25 June 1992), <http://www.bsec-organization.org/documents/declaration/summit/Pages/summit.aspx>, (accessed on 14.06.2009).

transmitted to the Council. All in all, to apply any recommendations adopted depends on national authorities of the member states. Therefore, the works of PABSEC lacking of executive power, remains in flux. The BSTDB is another important body of BSEC. It should be mentioned that existence of such a bank is an opportunity for the member states. The BSTDB provides flexible approach for each member by observing different economic conditions of the member states, and supervises small and medium size enterprisers that are common in the region. However, there is a reality that the loans and funds of the Bank are used for mostly national investment. In other words, increase of intra regional investment cannot be provided. BSEC BC represents a platform formed by business cycles of the member states aims to stimulate cooperation among business communities of the region. BSEC BC presents opportunity to business cycles of the region for information exchange about the investment opportunities in the region. However, because of lack of trust, and also because of bureaucratic obstacles, complex taxation systems and legislative problems, inter business cooperation cannot be provided sufficiently as it was targeted.

In short, institutions of BSEC suffer from lack of professional participants, financial support and monitoring mechanism. Unlike neo-functionalism arguments, in institutions of BSEC elite socialization or establishment of supranational institutions independently from national states cannot occur. In line with the argument of intergovernmentalists, implementation of decisions or recommendations made in BSEC institutions depends on national states. Authorities of participants of the institutions are not more than those of civil servants.

Throughout this chapter, it is aimed to underline although there are institutional shortcomings of BSEC, attitudes of member states prevent overcoming these problems. Their reluctance to change consensus principle in the voting system of the Council, their neglecting about implementation of decisions or recommendation made in the institutional of BSEC and their hesitation to get use of opportunities suggested by the Bank and Business Council are all factors supporting the argument of this thesis.

More importantly, performance of BSEC is questioned in its cooperation areas in the fourth chapter. Generally trade is the basic area in which cooperation can be realized. Generally, states increase their trade relation by harmonizing their commercial policies or reduction in tariff or non-tariff measures. However, BSEC does not insist these kinds of methods in order to develop trade relations by considering member states different level of economic development and their different applications. The main expectation from the member states is harmonization of trade regulations with the objectives of BSEC. In this framework, the idea of creating free trade area mentioned in Moscow Summit in 1996 was firstly downgraded to trade liberalization in 2000, and then in 2008 was downgraded to trade facilitation. What is more, BSEC member states cannot be the biggest trade partner to each other during these seventeen years. In this issue, it is observed that old habits continue to be effective. For example, the biggest trade partner of the Albania and Romania is Italy and that of Greece is Germany. Also, when Turkey's trade values with BSEC is examined, it appears that there has been no continues increase which is the smallest expectation from BSEC with respect to economic cooperation.

Success of BSEC with respect to energy cooperation is more pessimistic than it is for trade and investment. Although, there are huge oil and gas reserves in the Black Sea region, energy has become a foreign policy tool for owners. Although, there are existing oil and gas pipelines like Baku-Tbilisi-Ceyhan and Blue Stream or there are proposed pipelines like Burgas-Alexandroupolis pipeline and Nabucco, no one of them projected with motives of BSEC. All in all, there has been competition between some BSEC members in transferring oil and gas reserves of the region to the Europe and also in finding alternative energy sources. For example, while that BTC and Nabucco carries aim of diversification of Russian sources, South Stream carries aim of bypassing Blue Stream and Nabucco pipelines passing Turkey's territories. In short, energy remains as a hot issue since there are clashing interests of the member states in energy issue.

With respect to security and stability, although BSEC does not have a direct commitment to provide security o stability to the region, it is aimed to provide confidence among member states via cooperation atmosphere assured by BSEC.

However, frozen conflicts of the region shadow BSEC and its target to have confidence building effect through cooperation.

In the cooperation areas of BSEC, intergovernmentalist arguments like difference between high politics and low politics, relative gain absolute gain problem and effectiveness of diversities are clearly seen. As it is analyzed, member states do not hesitate to engage in economic, environment and transportation areas that can be considered as low politics. However, because of diversities with respect to level of economic development, legislation, practices and old habits, and lack of political will sufficient level of cooperation cannot be provided even in those low politics areas. For the area like energy and security those can be considered as high politic, member states show reluctance to discuss these subjects under the umbrella of BSEC since their national interest and problem of relative gain absolute gain are on stake. In short, intra regional trade has remained below expectations, the energy issues does not taken as point of discussion since it is a hot issue and it seems that confidence building effect of BSEC does not work well.

In the fifth chapter, problems challenging performance of BSEC are separately examined. Institutional weaknesses of BSEC and political problems sourced from the member states are the main challenges to BSEC's success. However, the latter one including lack of political will to create a healthy organization and security problems of the member states are the main frustrating factors of BSEC's success. There are national states at the core of BSEC. Neither institutions of BSEC nor members of these institutions can act independently from their national states. National states determine the power or weakness of BSEC's institutional structure. Their attitude towards BSEC which is not so promising prevents effective functioning of the Organization. It is generally accepted for BSEC that, member states have tended to see BSEC as a second-rate partnership designated to satisfy certain conjectural needs. Most of the member states regard the EU and NATO as the guarantor of their economic, financial, political and military safety and well being and do not care about BSEC. Also, Russia who is a critical member of BSEC has different focuses like having influence and control over former USSR region, which prevented success of BSEC. In other words, if member states prioritize BSEC in their foreign policy or if they did not substitute BSEC to their European

aspirations or the other superior objectives, institutional weakness of BSEC would not be so important and even these problems could be easily overcome. On the other hand, political and security problems of the members hinder cooperative efforts in proper atmosphere. In addition, some BSEC member states have political and security problems with each other. In such a situation, their high politics militate to BSEC and cooperation targeted through BSEC.

In sum, BSEC represents a rational conduct of its member states at the beginning of 1990s. Although, BSEC covers a geography filled with great opportunities from transportation convenience, to human and natural resources, it has failed to reach sufficient level of cooperation in its issue areas. Among many challenges to BSEC, its potential success is frustrated by political problems emanating from member states including lack of political will of the member states, and frozen conflicts of the region.

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