

TOBB University of Economics and Technology

# Unleashing the Economic Potential of the Black Sea Region

→ New economic prospects against old political rivalries

Serdar Sayan

---

Istanbul, 24 May 2007

# Framework

- Economic potential of the BSEC
- Observing the steady growth of BSEC economy
- Analyzing the integration of the BSEC member countries to the global economy
- How BSEC failed to establish a free trade area
- Turkey-BSEC economic relations
- Potential cooperation areas

# Economic Potential of the BSEC

## ■ BSEC in figures (2005):

- 335 million total population, 5% of the world population
- 1.62 trillion \$ total GDP (in current US\$), 3.6% of the world GDP
- Per capita GDP is 4,842 \$
- Has a little share in total world trade in commodities compared to the other regional cooperations

---

### The Share in the World Trade Volume (2005)

|       |        |
|-------|--------|
| APEC  | 47.1 % |
| EU-25 | 14.2 % |
| ASEAN | 5.8 %  |
| BSEC  | 4.0 %  |

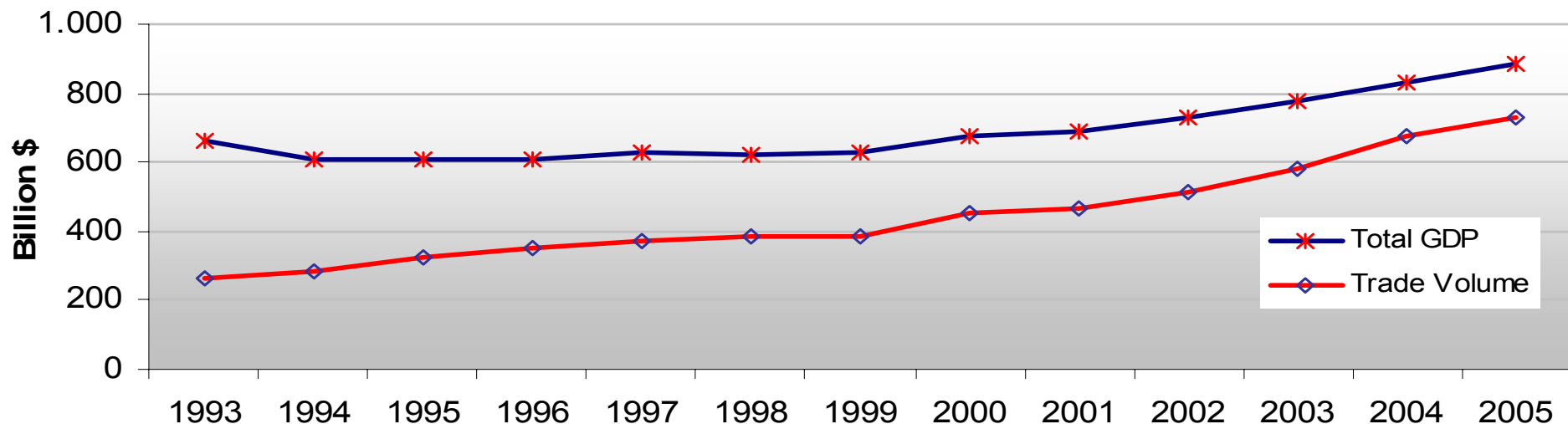
---

Source: United Nations Commodity Trade Statistics Database

# The BSEC achieved steady level of growth

- Transition to the free market economy was difficult for the ex-Socialist Members
  - ➔ After an initial shock of about 8% contraction rate per annum between 1991-1994, the growth rate in BSEC picked up. Still, BSEC economies shrank by 1% over the period 1993-1998 –with 661 billion\$ real GDP falling to 624 billion\$ in 1998
  - ➔ 1999-2005 BSEC countries grew by 5%: 630 billion\$ real GDP increased to 884 billion\$ in 2005

BSEC Countries Real GDP and Foreign Trade Volume



# Integration to the Global Economy: How Far? How Deep? (1)

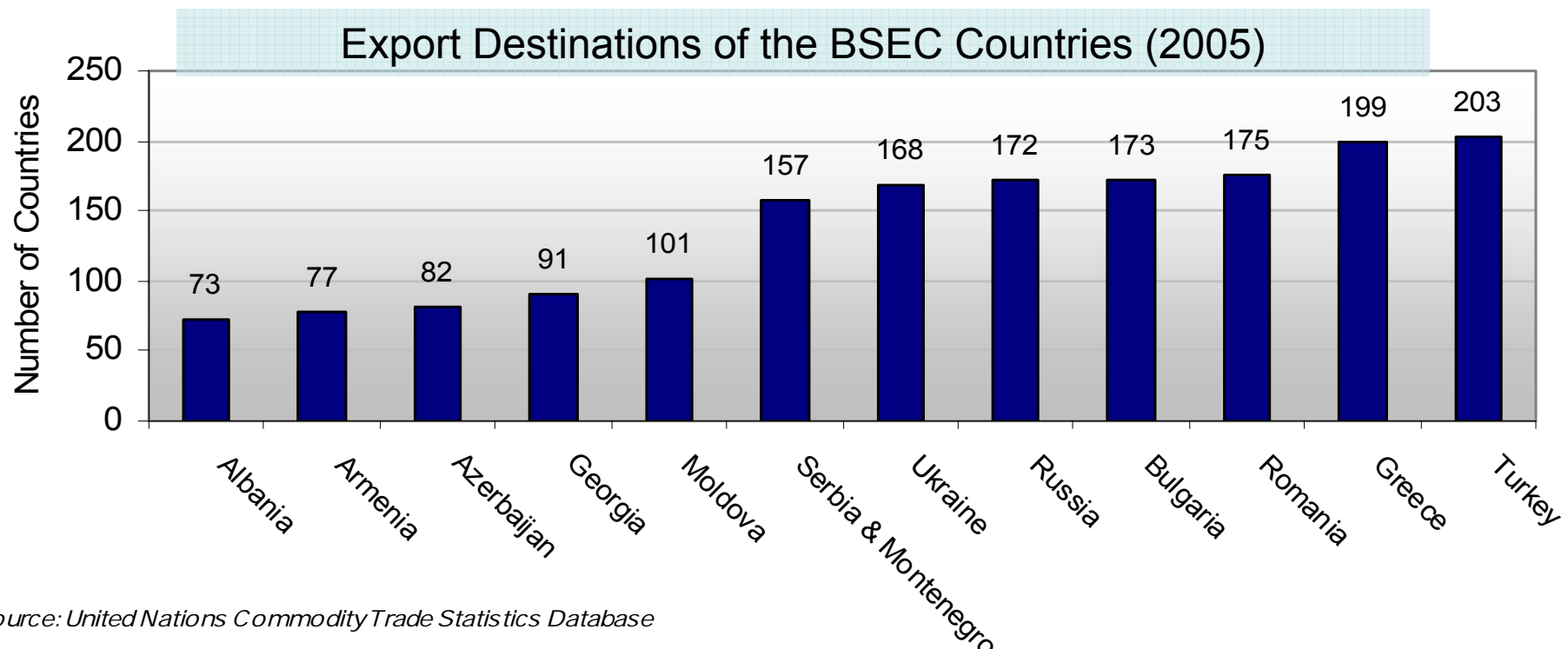
- GDP growth triggered an increase in the trade volume
  - ➔ 467 billion\$ real trade volume in 1993 increased to 1 trillion\$ in 2005 (in current USD)
- Integration to the global markets progressed gradually with steady growth rates experienced in the BSEC countries:
  - ➔ 29% share of the total BSEC exports in total BSEC GDP in 1993 increased to 33% in 2005
  - ➔ 28% share of the total imports in total GDP in 1993 increased to 30% in 2005
- The integration of BSEC is still an unfinished task!

| Foreign Trade (Million, Current US\$) |         |                      |         |                      |         |                     |         |                      |
|---------------------------------------|---------|----------------------|---------|----------------------|---------|---------------------|---------|----------------------|
|                                       | 1993    |                      |         |                      | 2005    |                     |         |                      |
|                                       | Export  | Export Share (GDP %) | Import  | Import Share (GDP %) | Export  | Export Share (GDP%) | Import  | Import Share (GDP %) |
| <b>Total BSEC</b>                     | 238,784 | 29.0                 | 228,127 | 27.7                 | 529,302 | 32.7                | 489,702 | 30.2                 |

*Source: WDI*

# Integration to the Global Economy: How Far? How Deep? (2)

- Diversification of the export destinations reveals the degree of integration into the global economy.
  - ➔ Turkey and Greece's export portfolios are the most diversified ones
  - ➔ Albania, Armenia, Azerbaijan, Georgia and Moldova's export diversification is extremely limited.

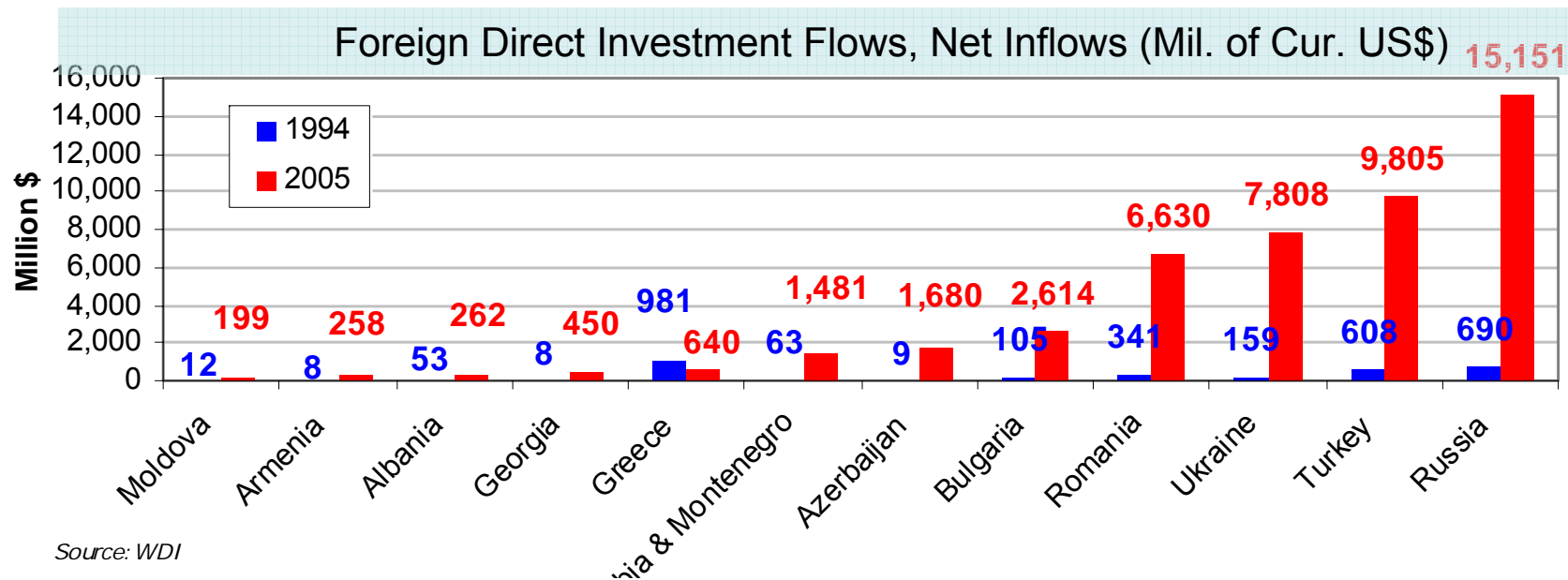


# Integration to the Global Economy: How Far? How Deep? (3)

- The FDI inflow and its share in GDP has increased

| BSEC FDI Inflows (Millions of Current US\$) |             |                     |             |                     |
|---|-------------|---------------------|-------------|---------------------|
|   | 1994        |                     | 2005        |                     |
|   | FDI Inflows | FDI Inflows (% GDP) | FDI Inflows | FDI Inflows (% GDP) |
| Source: WDI                                 |             |                     |             |                     |
| <b>Total FDI</b>                            | 3,037       | 0.4                 | 46,978      | 2.9                 |

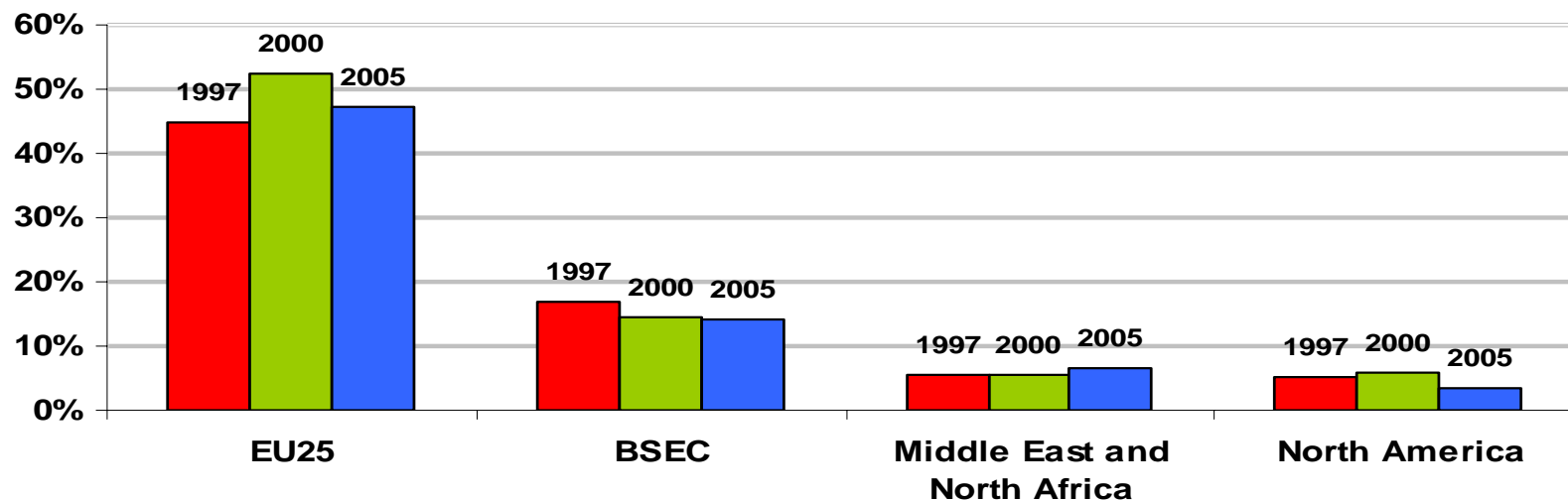
- But the increase is asymmetric and limited with some countries



## Let's admit it: The BSEC failed to become a free trade area

- Greece, Bulgaria and Romania are the members of the EU + Turkey has a Customs Union agreement
  - ➔ This affected economic relations of the EU with BSEC
  - ➔ The EU is the biggest trade partner of BSEC

### The Share of Selected Regions in Total BSEC Exports



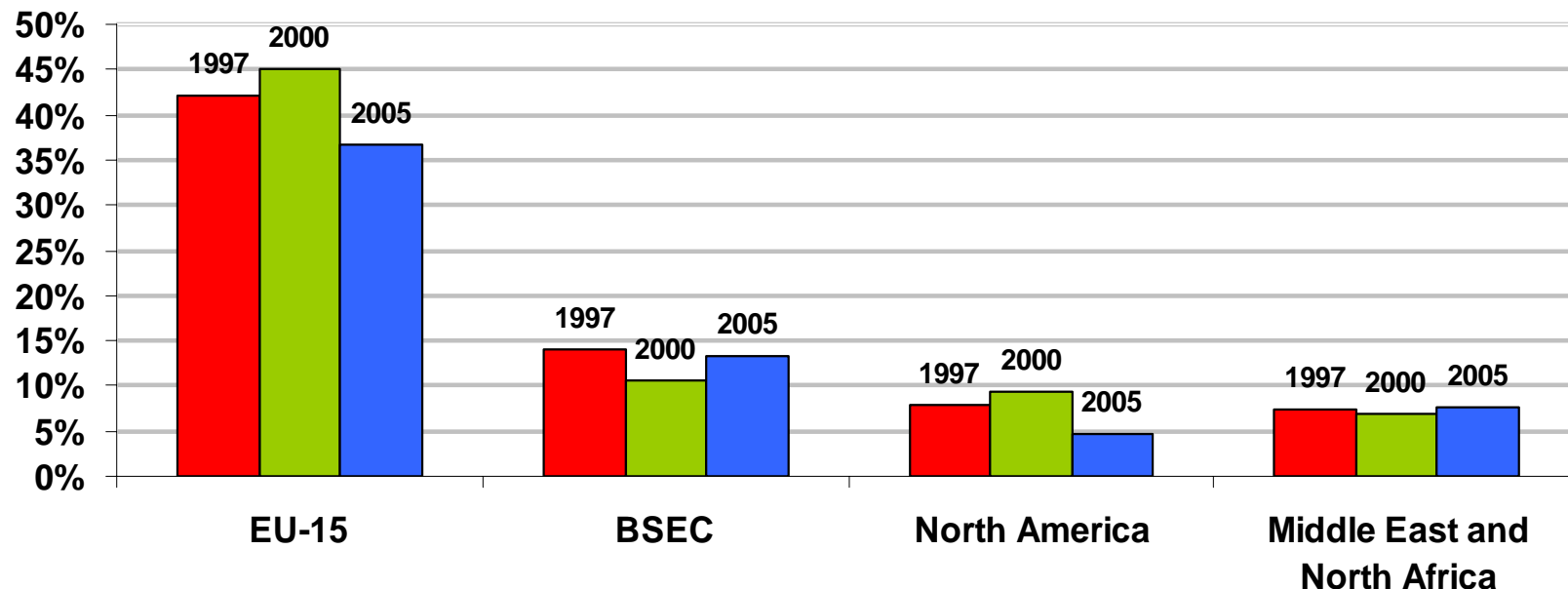
Source: United Nations Commodity Trade Statistics Database



## BSEC's Export Portfolio does not just depend on oil and natural gas

- The BSEC also exports approximately 40% of its total manufacturing exports to the EU

**The Share of Manufacturing Exports to Selected Regions  
in Total BSEC Exports**



# Turkey Strengthens Its Integration with the BSEC Countries (1)

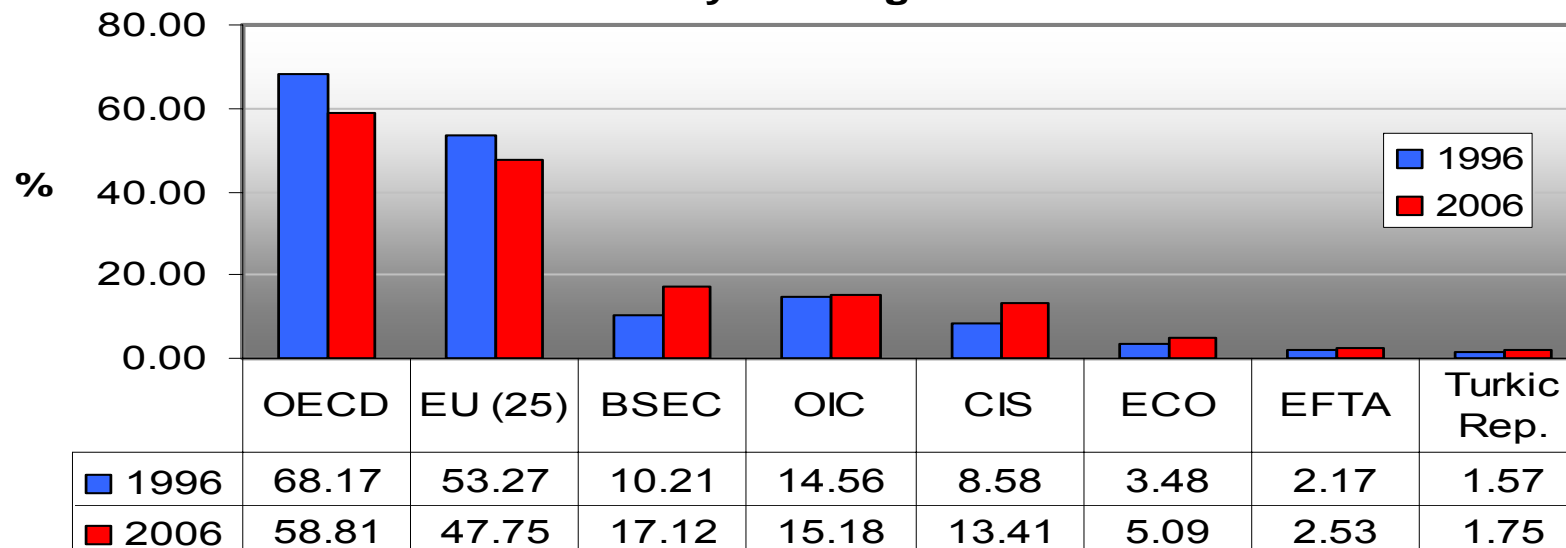
- Trade with the BSEC countries increased

**Turkey's Foreign Trade to the BSEC Countries (Million \$)**

|             | 1996   |        |              | 2006   |        |              |
|-------------|--------|--------|--------------|--------|--------|--------------|
|             | Import | Export | Trade Volume | Import | Export | Trade Volume |
| <b>BSEC</b> | 3,897  | 2,926  | 6,823        | 26,651 | 11,656 | 38,307       |

Source: Foreign Trade Undersecretariat

**The Share of Various Country Groups in Turkey's Foreign Trade**

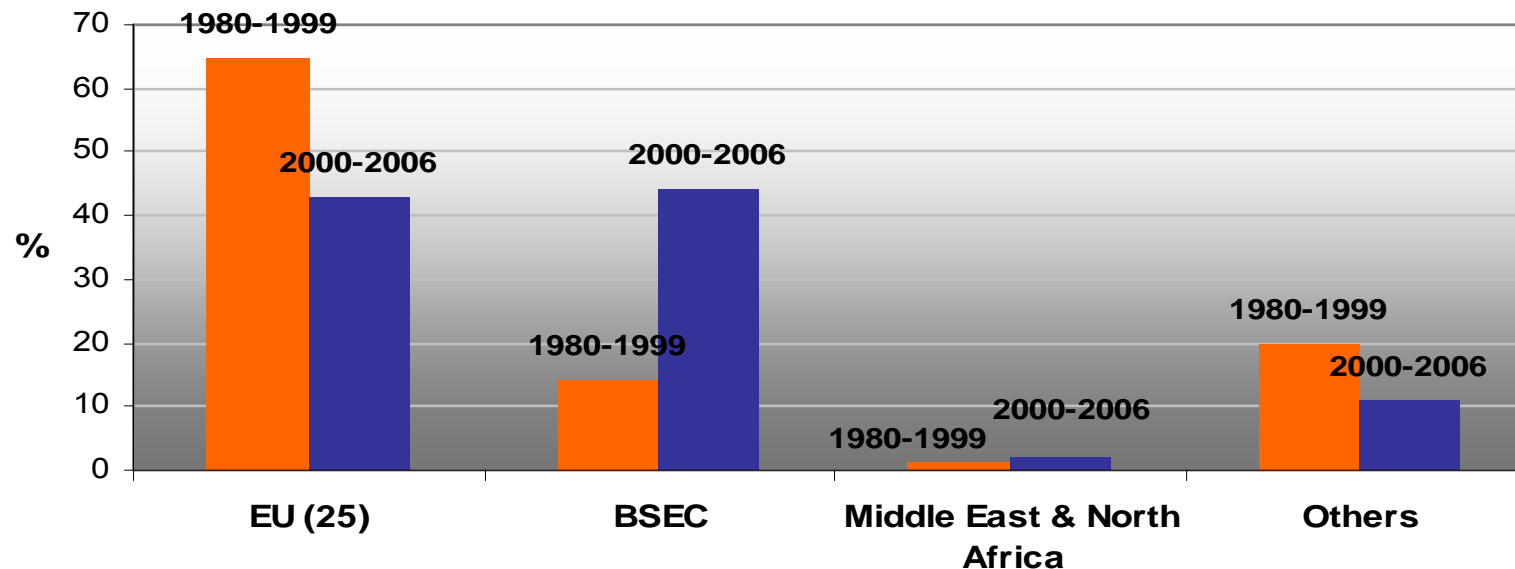


Source: Foreign Trade Undersecretariat

## Turkey Strengthens Its Integration with the BSEC Countries (2)

- Turkish FDI to the region increased
  - ➔ BSEC's share in Turkey's overall FDI increased tremendously in the period 2000-2006, catching the share of the EU
  - ➔ The share of the EU is 43%, whereas the share of BSEC is 44% in Turkey's total FDI

Turkey's Foreign Direct Investment to Various Regions (%)



# Cooperation Areas Under BSEC

## Multilateral Cooperation Areas

- Transportation and communications
- Energy
- Financial resources
  - ➔ Black Sea Trade and Development Bank (BSTDB)
  - ➔ Project Development Fund (PDF)
- Tourism
- Environment

# Cooperation Areas Under BSEC

## Multilateral Cooperation Areas

- Business councils
  - ➔ BSEC Business Council
    - Chambers of Commerce
  - ➔ Union of Black Sea and Caspian Confederations of Enterprises (UBCCE)

# Cooperation Areas Under BSEC

## Bilateral Cooperation Areas

- Small and medium sized enterprises
  - ➔ Turkey's capacity and experience can be a great asset for SME development in the region if the right incentives are provided to allow companies of other BSEC countries to take advantage of
    - Organized industrial zones
    - Government (KOSGEB) subsidies
    - Technology development centers – Technoparks in Turkey.
- Improving the investment climate
  - ➔ Access to the market
  - ➔ Doing business

# Cooperation Areas Under BSEC

## Bilateral Cooperation Areas

- Trade facilitation
  - ➔ Cross border trade
  - ➔ Non-tariff barriers on trade
    - Quotas, licences
    - Laws and regulations
    - Customs procedures
    - Visa issuance
    - Banking problems

*Thank You*

[serdar.sayan@etu.edu.tr](mailto:serdar.sayan@etu.edu.tr)