

## **OSCE ECONOMIC FORUM**

Prague, 31/05-04/06/2004

Theme of the Forum:

“New Challenges for Building up Institutional and Human Capacity for Economic Development and Cooperation”

Main subjects:

- Supporting the development of SME
- Stimulating foreign and domestic investment
- Professional skills needed for developing a market economy

Special session on Integration Processes in the OSCE region (Experiences and perspectives of the Organisation of Black Sea Economic Cooperation /BSEC/)

*Main discussion points:*

### I. Integration processes in the OSCE region:

- When assessing integration processes in the OSCE region and in particular in the Black Sea region and former USSR space, one can identify well over 10 regional organisations, initiatives, programmes aimed at reshaping the regions in the aftermath of the collapse of the former socialist block through fostering cooperation and integration processes. They all have different shapes and composition, different match of interests of member states, different driving forces behind, different pace and degree of progress.
- Of those BSEC is probably one of the most interesting, advanced and dynamic among young regional organisations. It stems from the challenging tasks of the Organisation as well as from the importance of the BSEC region for security and stability in the OSCE area.

### II. Strategic importance of the BSEC region for security and stability in the OSEC area:

- Forming the South-Eastern dimension of Europe, BSEC is at the heart of Eurasia. It immensely important for security and stability in Wider European space in particular in the view of the recent developments both within the BSEC region and around it (EU expansion, developments in the Middle East)
- BSEC is becoming increasingly important for the EU in the context of its expansion and neighbourhood policies. We witness the process of penetration of the EU into BSEC or vice versa with one BSEC member as member of EU, two BSEC members under accession, some having good prospects for integration at a later stage.
- Development of East-West energy and transport corridors crossing the BSEC region provides for Europe access to new alternative sources of energy as well as transportation link to most dynamic and vibrant economies in Central Asia and Far East
- Developments in the BSEC region will gain increasing importance in view of the “Greater Middle East” concept

### III. BSEC as regional organisation

- Since the launch of the initiative in 1992, it has evolved into a full-fledged regional organisation in 1999 with Permanent International Secretariat (PERMIS) based in Istanbul, parliamentary (PABSEC, based in Istanbul), business (Business Council, based in Istanbul), financial (Black Sea Trade & Development Bank /BSTDB/,

- based Thessalonica), academic (International Centre for Black Sea Studies /ICBSS/, based in Athens), statistical and educational dimensions.
- Now it has 12 members – 11 founding members (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine) as well as new member – Serbia & Montenegro joined organisation in 2004. Final internal procedures to join the BSEC are in the process in the FYROM.
  - Among observers are: EU Member States - Austria, Germany, France, Italy, Poland, as well as Egypt, Israel and Tunisia. A number of applicants are awaiting decision on granting them relevant status.
  - All BSEC Member States are members of the OSCE, COE and have special relationships with the EU, NATO.
  - Mechanisms of cooperation: Council of Ministers of Foreign Affairs as a supreme body meeting twice a year, Committee of Senior Officials working in between meetings of the COM, Member States assuming Chairmanship-in-office for a period of 6 months, respective to main areas of activities working groups (WG) being led by countries-coordinators.
  - Areas of cooperation include: energy, transport, trade & investment, agriculture, tourism, banking & finance, SME, emergency situations, science & technology, education, soft-security measures (combating organised crime, illegal trafficking), security & stability and others.
  - Overall long-term objectives: to transform this once divided by Iron Curtain geographic area into zone of economic cooperation, peace and stability; to facilitate integration and regional sustainable development; to utilise opening up opportunities existing within the region and outside, based on the clear advantages, through turning organisation into project-oriented endeavour; being part of Europe ultimate goal is closer cooperation and integration into Europe.

## V. Some activities of the BSEC in the relevant fields under discussion

### A. In the field of supporting SME development

1. Within WG on SME a number of workshops has been hold (with the support of Conrad Adenauer Foundation of Germany), as well as in cooperation with other international organisations;
2. PABSEC – improvement and harmonisation of legislation;
3. Project Development Fund (PDF) has been established separately to help SMEs in preparation of pre-feasibility/feasibility studies;
4. BSTDB together with other institutions (EBRD, IFC, GTZ) developing Micro-crediting facilities in the BSEC Member States to support development of SME sector;
5. Business Council’s activities – network of Chambers of Commerce and Business Associations – dissemination of information about trade and investment opportunities in the BSEC region (see the web-site).

### B. In the field of stimulating investments

1. Joint BC/OECD “Black Sea Investment Initiative” (Ukraine, Armenia, Azerbaijan, Georgia) aimed at improving investment climate through implementation and monitoring of certain commitments taken by the countries;
2. Work is undergoing in a number of BSEC countries with Foreign Investments Advisory Services (FIAS) associated with WB group

### C. In the field of institutional and human capacity development

1. To issue of enhancing institutional and human capacities, enhance coordination and cooperation at national levels as well as to ensure introduction of good-governance in international relations is being jointly addressed through a series of high-level workshops by the ICBSS and Friedrich Ebert Foundation of Germany – “Getting the Act Together Strengthening International Relations Capacities in the BSEC countries”. High level officials responsible for reform in public administration are being nominated by the Governments to ensure the implementation of the recommendations of the work of experts.

## VI. Challenges confronting BSEC region

- Overcome most complex and protracted conflicts in Europe and OSCE area
- Meet MDG, poverty elimination – job creation
- Eliminate regional disparities and ensure economic diversification and sustainable development
- Tackle with problems of economic development of transitional nature
- Institutional weaknesses and poor governance
- Weak SME sector and undeveloped institutional and financial infrastructure
- Lack of needed resources and expertise
- EU expansion. One of the major concerns – different levels of development among the BSEC countries, different levels of capabilities and different levels of engagement with the EU. EU expansion if not balanced, with due account of the interests of the region might lead to further polarisation within BSEC. Synchronisation of activities is needed. All BSEC Member States has bilateral relations with the EU, however establishment of regional framework of cooperation between EU and BSEC is needed to be seriously considered.
- Globalisation and integration into international trade system

## VII. What BSEC as a regional organisation can offer for economic cooperation and development?

1. Developed organisational framework and mechanisms of cooperation
2. Expertise and knowledge of the region
3. Organisational and institutional capacities, resources
4. Network of governmental institutions and their commitment

## VIII. Proposals for cooperation with OSCE and other international

Organisations (*EU, OECD, WTO, WB, EBRD, EIB, UNEP, UNDP and other UN specialised institutions*)

Integration processes – is an essential and significant part of overall development process to address needs and challenges confronted by the countries and regions. Role of regional organisations should not be overlooked and underestimated. They should be looked at as good regional asset and useful instruments to address different challenges of security, cooperation and development. They should be viewed as partners for international organisations and donor community.

Here at the Forum we talked about institutional capacities development in the OSCE countries. However young regional organisations are also in need for support and assistance in these fields – challenges are enormous and capacities – limited.

- However, measures should be undertaken to avoid duplication and repetition, to enhance synergy effects through better coordination and complementarities;

- Expertise, experiences and resources of international organisations and donor community are needed to complement and strengthen our activities;
- Given the importance of the subject of this session and limited time allocated for more substantial discussion, the OSCE should probably try to organise separate forum/event dedicated solely to the issues of integration and regional cooperation to discuss them more substantially.

### Conclusion

Changes in the region and around it are very dynamic and required prompt responses. Responses should be targeted, result-oriented, with consolidated efforts.

BSEC is set for delivering tangible results and bring added value to its members and looking for partners to strengthen integration processes in the region to enhance security, stability, cooperation and development.

NOTE: It is surprising, confusing and disappointing that OBSEC not even mentioned in the overview prepared by the Office of the Coordinator for Economic and Environmental Activities. To get more information I would invite you to visit our web site – [www.bsec-organization.org](http://www.bsec-organization.org)

Thank you for kind attention.