

## INSTITUTIONAL AND BUSINESS INTERACTION OF THE BLACK SEA COASTAL STATES

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***Abstract:** 01 July 2016 Russia has taken over the Chairmanship of the Organization of the Black Sea Economic Cooperation (BSEO). Geo-strategic position of Russia frontier and coastal regions, their activity in the BSEC are competitive advantages of assistance to growth, positive foreign trade turnover, expansion of logistical and forwarding communications. Russian Federation active participation in the BSEC is impossible without inclusion of business subjects in investment and trade cooperation. Without joint investment projects and trade the Black Sea cooperation will remain at the level of state “pushing through” for national strategic projects, not promoting expansion of international interaction and economic prosperity in coastal regions of the BSEO states.*

***Keywords:** Organization of the Black Sea Economic Cooperation, BSEO, foreign trade, small and medium business subjects, investment cooperation, institutions, coastal regions, strategic projects.*

01<sup>th</sup> July 2016 Russia has taken over the Chairmanship of the Organization of the Black Sea Economic Cooperation (BSEO). The Black Sea region is considered as geographical mega-association of the countries with sea borders at the coast of the Black Sea (the Black Sea Coast), including Russia, Bulgaria, Georgia, Romania, Turkey and Ukraine (in territory aspect), and in political & economical aspects as the Black Sea cooperation area. There are states located outside the coastal zone of the Black Sea considering the region as a zone of their political and economic influence and interests - Azerbaijan, Albania, Armenia, Greece, Moldova and Serbia. They are also included into the Black Sea Economic Cooperation (BSEC).

Strategic inter-state and inter-blocks relations and problems regarding geostrategic position of the Black Sea as a key transit area for energy resources transportation from extraction regions (Central Asia, Azerbaijan, Russia) to consumption ones (East and Middle Europe, the Balkans) are dominated objects of domestic and foreign scientific publications re: the

Black Sea aspects<sup>1</sup>. Political, cultural, national-ethnic and economic research are also incorporated into this topic.

The role of the Black Sea as a region of economic & social cooperation and interaction is significant, and should be considered in the context of *inter-regional and frontier cooperation* of seaside regions.

The Black Sea basin as an object of strategic attention of a pool of the interested states acts as a subject of formation mechanisms for cooperation of international, European and regional organizations and associations. It assumes an intensive dialogue at the level of the government officials representing political, economic, ecological and other aspects of the international activity. Such relations have a long-term history (since the BSEC setting up in 1992), conducted at consultations and nation-wide problems decisions level. The dominating tendency of the last decade is considered the necessity of inclusion of business and its local represents (associations, business clubs, est.) into the Black Sea actions and programs.

Program documents of EU characterize the Black Sea „The Black Sea basin faces considerable economic, social and ecological challenges. Frozen conflicts in the Southern Caucasus and wider regional security concerns continue to impede the social and economic development of these transition economies. Nevertheless, the Black Sea region, and its links with the Caspian, play key role in the energy sector”<sup>2</sup>.

The brief analysis of Russia and Ukraine regional strategies, particularly for the regions, marked by the international organizations as participants of the Black Sea coastal interactions, testifies, that practically for all regions the activity in the Black Sea area is not the factor of regional development acceleration, but with a mission of national interests and initiatives translation: the Black Sea vector is purely expressed in regional development of the Russian and Ukraine Black Sea coastal regions.

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<sup>1</sup> Harvard Black Sea security program. 2006. 134 p. <http://www.eucom.mil/english/FullStory.asp?article=Harvard-program-promotes-Black-Sea-regional>; Problems and prospects of cooperation between the countries of South-Eastern Europe within the context of Black Sea economic cooperation and GUUAM. Sc. ed. V.1. / Svishtov-Donetsk-Mariupol, 2004. 407 P.; Problems and prospects of cooperation between the countries of South-Eastern Europe within the context of Black Sea economic cooperation and GUAM / Sevastopol-Donetsk, 2009.429 P.; the Big Black Sea Coast: Calls of XXI century and search of strategic decisions. The international conference // [www.ieras.ru/grsredcher-1.htm](http://www.ieras.ru/grsredcher-1.htm), Schulz L., Dr. Durkop C. A mechanism for integration of the Black Sea economic cooperation (BSEC). 2014. Nov. 11 p. // <http://www.kas.de/tuerkei/en/publications/39457>.

<sup>2</sup> „Cross-Border Cooperation” Strategy Paper 2007-2013. Indicative Program 2007-2010. P. 9.

Let's outline briefly the structure of infrastructural parts for multi- and bilateral economic cooperation and their functions as well as they define the policy and organizational measures. Such organizations can be defined as *operators of the Black Sea cooperation*.

*The Black Sea cooperation: International and National institutions*

Authors of the strategic report „The Black Sea region: horizon 2020. The report of the Black Sea commission (3)“ characterize the inconsistent condition of the institutional maintenance of the Black Sea cooperation: «The Black Sea region is full of numerous regional structures and programs, which have arisen after a „cold war“. It includes political and economic organizations, such as the BSEC, GUAM, CDC (Commonwealth of Democratic Choice) and the Black Sea forum. There are also programs under EU direction or initiated by it: transport corridor the Europe-Caucasus-Asia (TRACEKA), Danube-Black Sea target group (DABLAS) and Interstate Transportation of oil and gas to Europe (INOGATE), which include transport, water supply and power, accordingly.

Besides, there are wider EU doctrines, such as European neighborhood policy, „the Black Sea synergy“ and „East partnership“.

Actually, this fast growth of organizations number should be considered on the background of programs duplicating each other, regional rivalry and intense mutual relations in combination with institutional potential, insufficient for realization of large regional projects. The BSEC is a vivid example of it. Despite constant structures, such as secretary, development bank, parliamentary assembly, business council, research center and working groups, it suffers from problems - slow decision-making process, shortage of finance, shortage of qualified experts and limited representatives of private sector and civil society<sup>3</sup>. Authors emphasize and prove lack of numerous international and intergovernmental structures coordination, insufficient involving and interest of regional authorities in business cooperation, lack of financing.

*National institutes* of CIS countries in the Black Sea cooperation assistance include a number of the authorized regional operators. The active noncommercial operator is the International Black Sea Club (IBSC), which was created on December, 5th, 1992 on the First Assembly in Odessa. IBSC – the Regional nongovernmental and noncommercial organization having the observer status in the Black Sea and Economic Cooperation Organization (BSEC) and consultative state at the Economic and Social Council of the United Nations Organization (ESC the UN). IBSC is also a

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<sup>3</sup> <http://www.blackseanews.Net/read/16>, p. 5-6.

member of the International Union of municipals and the European Small Business Council. The club is created for strengthening and business cooperation development between cities-ports of the Black Sea basin countries. The structure of the International Black Sea Club includes 30 cities of nine states of the Black Sea basin<sup>4</sup>. The purposes of the IBSC creation are achievement of a high level of integration between the Black Sea region countries, social and economic, ecological, cultural-educational development coordination in the Black Sea region<sup>5</sup>.

The CIS countries regional representation in the IBSC is carried out by Noncommercial Partnership (NP) of business development «the International Black Sea Club Business Council». This is international nongovernmental noncommercial organization created by the IBSC and Chambers of Commerce of the IBSC cities-members. One of the purposes of the IBSC BC is assistance to economy development in regions of the IBSC activity.

Participants of the NP IBSC BC are worried by the insufficient activity of business, the opportunity of competition for enterprises and organizations for regions of the NP IBSC activity<sup>6</sup>.

There are a lot of meetings and conferences for regional business-community members in the international trade turnover growth and development in the Black Sea region, however, practice shows a weak interest of Russian and Ukrainian businessmen in such actions, and reasons are: 1) middle size and small business is limited in resources, knowledge and experience of perspective international contacts; 2) the majority of businessmen do not know foreign languages, and are not keen in work via interpreters; 3) information support of the majority of actions is conducted in English; 4) information support from the responsible Russian organizations in promotion of BSEC international cooperation is insufficient.

The Black Sea region is the mega-system, including depressive and weak economic systems, with prevalence of not innovative national development strategies, relatively low rates of GDP growth, significant import share of energy, low share of innovative goods in the export structure (fig. 1-4)<sup>7</sup>. Only self-sufficiency of region food stuffs is positive.

Radical change of situation in inter-regional communications “reanimation” by inclusion of businessmen in trade relations of the Black Sea

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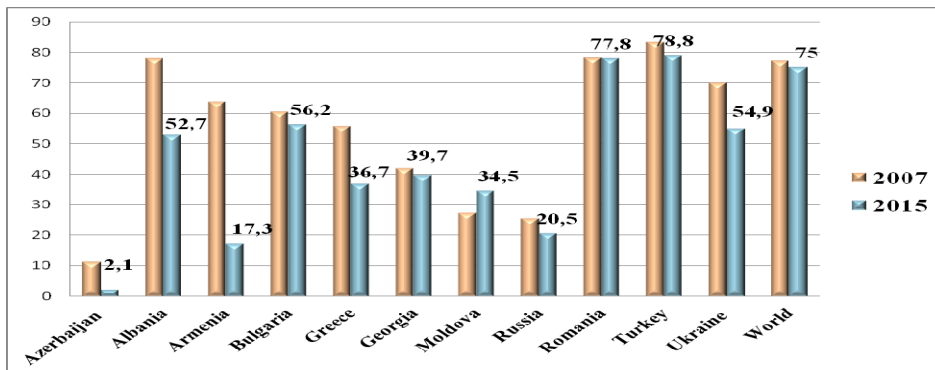
<sup>4</sup> International Black Sea Club/ <https://tagancity.ru/page/miezhdunarodnyi-chiernomorskii-klub>.

<sup>5</sup> [www.odessa.ua/cooperation/4913](http://www.odessa.ua/cooperation/4913).

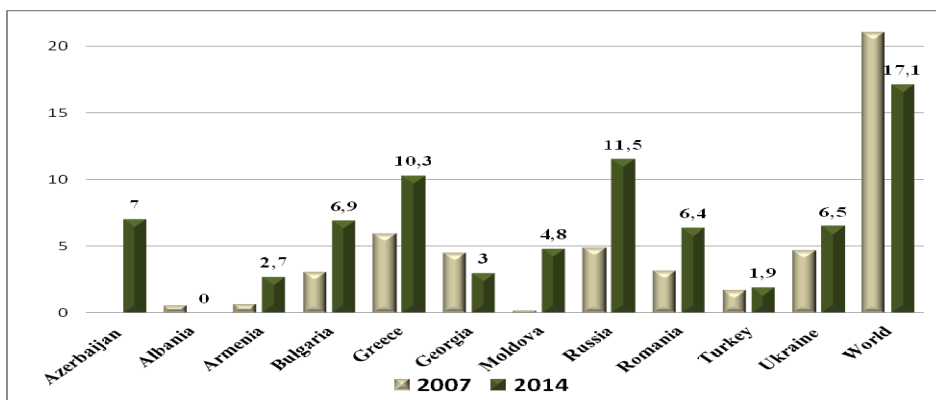
<sup>6</sup> [www.ibscbc.org/index.php?option=com\\_content&view=article&id=88%3A-xxi-7-&catid=1%3Aibscbc-news&Itemid=44&lang=ru](http://www.ibscbc.org/index.php?option=com_content&view=article&id=88%3A-xxi-7-&catid=1%3Aibscbc-news&Itemid=44&lang=ru).

<sup>7</sup> [www.worldbank.org](http://www.worldbank.org).

coastal cooperation is impossible without new working mechanisms of *economic interest and cooperation* in the BSEC at the regional level (subjects of Federation), and also formations of the mega-region in future.



**Fig. 1.** Processed goods share in Export, in total, 2007-2015, %.



**Fig. 2.** High-tech goods share in Export, 2007-2014, %.

The key to the prosperity and development strategy should become a system, generating joint investment projects in order to bring the Black Sea region to a new level of economic growth. It is necessary to accept, that sessions and assemblies of municipalities and regions heads (with their advantages of mutual international dialogue and common problems discussions) do not generate workplaces, cannot change current complex economic situation in the BSEC states. Hopes for financing of large investment projects via EU programs, as well as by states-members (ring highway and energy ring) in time of crisis period are practically settled. It is necessary to search for other inter-regional interactional mechanisms.

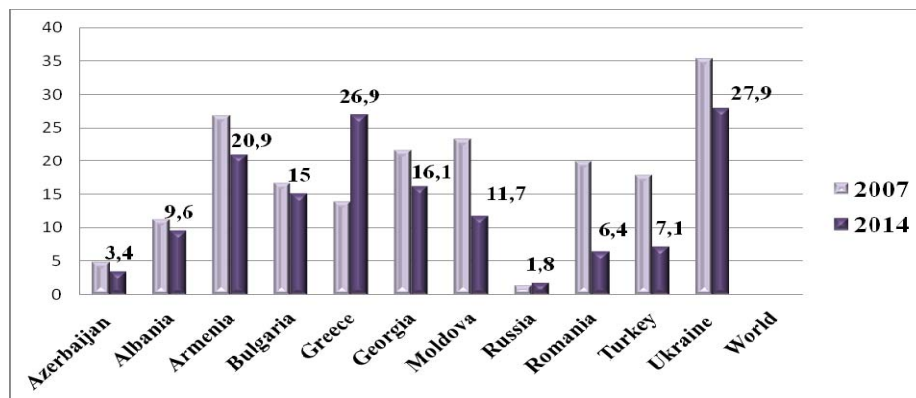


Fig. 3. Oil and Gas share in Import, 2007-2014, %.

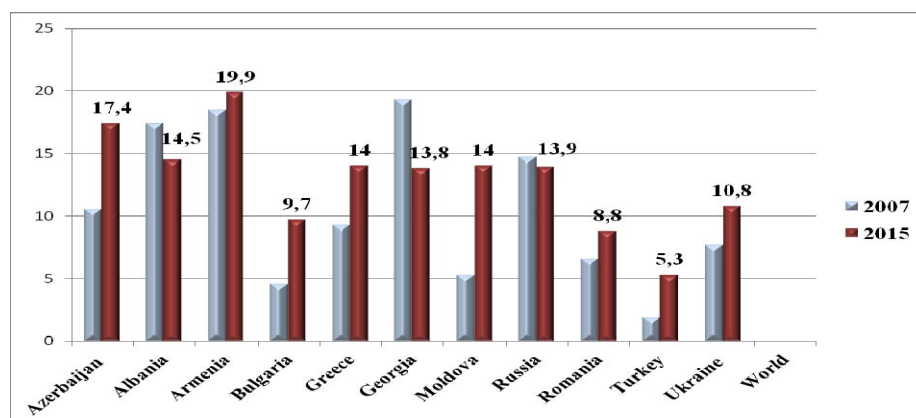


Fig. 4. Food stuffs share in Import, 2007-2015, %.

Thus, geostrategic position of the Black Sea frontier and coastal regions, the activity in the BSEC are competitive advantages of assistance to growth, positive foreign trade turnover, expansion of logistical and forwarding communications. State active participation in the BSEC is impossible without inclusion of business subjects in investment cooperation. Without joint investment projects and trade the Black Sea cooperation will remain at the level of state “pushing through” for national strategic projects, not promoting expansion of international interaction and economic prosperity in coastal regions.

**Conclusion:** entrepreneurial future in the Black Sea coastal cooperation lays in activity of middle- and large size regional business. It is necessary to develop the program of coastal economic cooperation, including its substantive provisions into regional development strategies.