Cooperation in the Black Sea Region

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Abstract

The Black Sea region is a crossroads of cultures, societies and markets that connects countries with different customs, languages, ethnic and religious identities. The twelve countries that are considered to form the Black Sea region are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, Serbia, and Ukraine, which are different in terms of economic structure, size and political orientation.

Throughout history, the cooperation initiatives and unifying factors of the region were emphasized or undermined highly depending on international balance of powers and geopolitical situation. While political tensions have questioned cooperation horizons in the region, entrepreneurship together with private initiatives has been stepping stones for such a prospect. Taking into account the fact that the economy has been the unifying factor in the area, Black Sea governments have embraced regional cooperation as an important component for their further development. This was reflected in the creation of the new cooperative structure, the Black Sea Economic Cooperation (BSEC) initiated in 1992, which came into existence as a unique and promising model of multilateral political and economic initiative.

This thesis describes the regional context and cooperation patterns in the Black Sea region, with a special emphasis on economic cooperation and trade between the Black Sea countries, and argues that there has not been an enforcement of any common, inclusive regional agenda so far. BSEC member countries do not cooperate with the global world as a solid functioning region, but separately, rather through bilateral agreements and cooperation mechanisms, which once again questions whether the wider world sees Black Sea as a region, and whether the member countries truly consider themselves as part of it.

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Introduction

The Black Sea region connects under its umbrella countries with diverse cultural, language, ethnic, and religious identities that are also different in terms of the economic structure, size, and political orientation. The Black Sea region thus, is not simply a region of geopolitical significance but can also be considered as a crossroads of cultures, societies and markets (Manoli, 2014)

The wider Black Sea area occupies a territory of 834,719 sq. km, while the population of the Black Sea region comprises of 332 million people living in the territories of the twelve Black Sea countries that are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, Serbia, and Ukraine (BSEC). The GDP of the region is estimated to be around USD 3.6 trillion (data of 2014).

Historically, the Black Sea area has not been considered as a socio-economic unity (King, 2006). Throughout the years, the cooperation initiatives and unifying factors were emphasized or undermined highly depending on international balance of powers and geopolitical situation. Moreover, it is worth mentioning that the improvements in economic performance in the region have been highly connected with the increase in the cooperation with the global markets. While political tensions have questioned cooperation horizons in the region, entrepreneurship together with private initiatives has been stepping stones for such a prospect. Taking into account the fact that the economy has been the unifying factor in the area, Black Sea governments have embraced regional cooperation as an important component for their further development. This was reflected in the creation of the new cooperative structure, the Black Sea Economic Cooperation (BSEC) initiated in 1992.

Since then, a large effort has been made in constructing a regional cooperation in the Black Sea. By seeking stability and growth through cooperation, the governments of the member countries have included regional cooperation in their development strategies. However, it is debatable, whether the Black Sea region has an efficient model of regional cooperation. The Black Sea region faces a number of problems that create obstacles for a fruitful cooperation. Although BSEC came into existence as a unique and promising model of multilateral political and economic initiative and was followed by creation of other complementary bodies, there has not

been an enforcement of any common, inclusive regional agenda so far. No common regulations have been developed between and within the 12 BSEC countries, and unlike other regional entities, such as the Balkans or the Baltic Sea region, the Black Sea countries have not functioned as a common space with a specific regional identity for a long period of time. Moreover, a number of unresolved conflicts and accumulated tensions throughout the region's long and complex history divide rather than bring the member countries together. BSEC member countries do not cooperate with the global world as a solid functioning region, but separately, rather through bilateral agreements and cooperation mechanisms, which once again questions whether the wider world sees Black Sea as a region, and whether the member countries truly consider themselves as part of it.

What are the tendencies of intra-regional economic cooperation, and which countries have stronger economic ties within the region? Throughout this thesis I will review the current outlook of Black Sea area and discuss whether current model of cooperation leads to an improvement in the regional cooperation and development. In the first chapter, I will present the Regional context of the Black Sea countries, and barriers for their cooperation through the main arguments existing in the literature. Next, I will present the economic overview of the region throughout the years, the dynamics of main economic indicators, country profiles and economic cooperation on the intra-regional level. In the third chapter I will thoroughly discuss the research methodology, followed up by the empirical analysis performed in the next chapter. The respective conclusions upon the cooperation in the Black Sea Region will be provided in the end of the thesis.

Regional Context and Barriers for Cooperation

The concept of regional cooperation lies in the idea that each participating country can obtain additional benefits through partnership mechanisms. In order for the cooperation to be efficient and coherent, it is necessary to take into account commonalities and differences between the states in the particular geographic location (Aydin and Triantaphyllou, 2010). According to Aydin (2005), regionalization has been considered as a positive and promising response to contemporary problems and challenges. Moreover, he suggests that regional cooperation is particularly valuable in the regions that undergo fundamental political and economic transformations, as well as in the areas which might originally lack mutual trust and confidence.

Lake and Morgan (1997) consider that in an ever-independent world, regionalization is a tool of regional and global security and stability by facilitating collaborative action against the contemporary problems, while Ozer (1997) argues that regionalization negatively affects the establishment of new dividing lines and creates multi-layered, trans-boundary, cooperative networks. On the other hand, when considering regional organizations, it should be mentioned that they can play a complementary role to broader arrangements like the EU and NATO by preparing their members for future accession in larger organizations through their stronger economic and social foundations for integration and adoption of specific norms and standards. However, in order to benefit from the positive aspects of regionalization, the member countries should share some kind of common recognition, and beside the geographical connection, a political entity should exist that has enough of internal cohesion that can bind the countries together and external difference that can set the group of countries apart from the outside of the region area (Ozer, as quoted in Aydin, 2005).

Stritecky considers that the wider black sea region is geographically predesigned to be contested. Asmus and Jackson (2004) don’t hesitate to name the Black Sea region as the Bermuda Triangle of Western strategic studies. Regionalization has been seen as a positive and promising response to contemporary problems and challenges. Several authors have expressed their doubts whether the Black Sea area actually constitutes a region, arguing that it makes little sense geographically, historically, or even culturally (Aydin, 2005). Pavliuk and Klympush-Tsintsadze (2015) outlines the importance of first and foremost describing the notion of regionalism and whether the Black Sea region can be considered as one in order to understand the cooperation in the Black Sea

Region. The definition of regionalism remains a difficult task. Geographical proximity can be considered as the very first criterion for defining a region. However, does that mean that any geographical entity can be defined as a region? Among other key factors are common identity and interconnectedness that can be achieved through historical similarities, cultural affinity or intensive trade and economic cooperation (Pavliuk and Klympush-Tsintsadze, 2015).

When discussing the notion of regionalism, Aybak (2001) outlines three main questions that can be considered relevant to Black Sea Region as well: First, how do individuals and groups with differences in traditions, languages and cultures come to see themselves as part of larger territorial entities beyond local communities over time and space? Second, what combination of political, military, economic and intellectual power allows to turn geographical boundaries into meaningful frontiers of culture, power and identity? The third question is the regionalism itself and whether creating a sense of belonging to a broad community is based on territorial proximity, common domestic policies or a cooperative foreign policy.

Various scholars have given different answers to these questions. Political economists usually see the growth of the region as either a function rising or declining hegemony or as a response to the pressures of globalization. Neoliberal institutionalists and constructivists stress common foreign policy goals or shared identities, both of which may be further enhanced by the very institutions of cooperation that they have originally spawned. State-level explanations focus on the patterns of strategic interaction between domestic elites and international institutions (King, 2015).

In case of the Black Sea region, various authors have been skeptical on whether the Black Sea area actually constitutes a region based on the above mentioned criteria (Aydin, 2005). Aydin outlines that the Black Sea region is known as an “intellectually constructed region” which speaks of its weak regional identity. Moreover, the Black Sea region has not been a priority to wider international agendas while the member countries themselves cooperate beyond the regional structures. Taking into consideration the divergence among the member countries in economic, political, social and cultural aspects, the Black Sea has neither external nor internal potential for a successful regional building.

As a region, the Black Sea differs from other regions by the fact that a region is usually being created in a place, which was not considered as such and did not have extensive interaction among its constituent parts for a long time. Moreover, the attempt of defining the region usually

comes from outside rather than from within. We can view this as both a strength and weakness. From the strong point of view, the region is not enforced by the outside world, and does not create resentment among the participants, but shows their will to interact with each other. The weakness is, that the region still requires recognition from the outside world, which was not however involved in its creation at the first place (Aydin, 2012). He describes the Black Sea region, situated in the crossroads of Europe and Asia, as one that has been a site of contention and confrontation for centuries. From the context of the Cold War, the Black Sea region was the scene of East-West strategic competition. Throughout forty years, the political and military presence of the superpowers provided stability within the region's nevertheless tense relations. The collapse of the Soviet Union had a polarized impact: on one hand the region became a lot more difficult to manage, as ancient sources of tensions that had been masked and suppressed during the Cold War have been liberated. However, on the other hand, it was a chance to create a truly cooperative environment around the Black Sea. After the expansions of NATO and the EU, the Black Sea has become the eastern frontier of Europe and can be considered as an integral part of it that represents an important strategic region (Aydin, 2012).

King (2015) considers the Black Sea region as one with common challenges and uncommon obstacles. Although there can be seen incentives and tools that allow active participation of the region in global economic and international political community, the region's long and complex history with a number of unresolved conflicts and accumulated tensions divide rather than bring the member countries together and thus create obstacles for further cooperation.

King finds that among the reasons why the regional identity of Black Sea area is questioned is because the scholars and analysts have recently begun to question the geographical lenses through which regions are viewed (King, as quoted in Pavliuk, 2015). If we put aside the geographical proximity, the Black Sea region can be seen through a number of other distinctive features that can give an answer to the above mentioned questions. The Black Sea Region is one of the most heterogeneous and complex areas in wider Europe, with countries that have significant difference in size, level of political and geopolitical interests as well as in cultural, social and religious traditions. Out of all Black Sea countries, six littoral ones that are Bulgaria, Romania, Ukraine, Russia, Georgia and Turkey are different in their economic and political development and if we widen the focus, the diversity in economic performance, political reform and basic national interests of twelve Black Sea countries become even more striking. This also

shows that the regional boundaries remain vague, varying from actual six Black Sea countries to a wider area of twelve countries (Pavliuk, 2015).

Moreover, these countries are indifferent institutional affiliation with European and Euro-Atlantic integrated structures. Nine of the Black Sea states are former communist countries, while 6 are successor states of the Soviet Union, thus have gone through a rather complex process of transition and self-identification, with an unfinished transition. On the other hand, there are countries that are members of the European Union, while some countries have partnership and cooperation agreements with it. Some of the countries simultaneously have memberships in other international organizations and unions and are integrated in the world economy through different institutions and cooperation mechanisms. The chart below gives a detailed description of the membership of the Black Sea Countries in some of the main international organizations (see figure 1).

BSEC member Countries	Post-Soviet Countries	EU member Countries	CIS Countries	Eurasian Economic Union	WTO	BRICS	NATO	OSCE	G20
Albania	(Soviet Satellite)	Candidate			V		V	V	
Armenia	V		V	V	V			V	
Azerbaijan	V		V		V			V	
Bulgaria	(Soviet Satellite)	V			V			V	
Georgia	V		(Former State[1])		V			V	
Greece	V	V			V		V	V	
Moldova	V		V		V			V	
Romania		V			V		V	V	
Russia	V		V	V	V	V		V	V
Serbia		Negotiating						V	
Turkey		Negotiating			V		V	V	V
Ukraine	V		V		V			V	

Figure 1: Membership of Black Sea Countries in some International Organizations and Unions

[1] Withdrew in 2009 as a result of Russian-Georgian War

Pavliuk describes the Black Sea Region remains a potentially explosive area, having accumulated a number of security problems and significant conflict potential, territorial disputes, existence of entities unrecognized by the wider world, etc. Moreover, these conflicts are overshadowing regional relations, trade and economic cooperation and overall potential of Black Sea regional role.

Conflicts in the Black Sea Region are quite large in number and include those over NATO enlargement, access to the Black Sea, democratization, spheres of interest and the conflict zones of Abkhazia (Abkhazia-Georgia Conflict), South Ossetia (South Ossetia-Georgia Conflict), Chechnya (Russia-Chechnya Conflict), Nagorno – Karabakh (Armenia-Azerbaijan Conflict) and Transnistria (Moldova-Transnistria Conflict), tensions between Greece and Turkey over Cyprus and the recent Ukraine crisis. The conflicts of the Black Sea Region have attracted the attention of the world community, leading to a number of different mediation and peacekeeping efforts. However, despite these efforts of concerned state actors and relevant international organizations, the prospects for the final resolution of these conflicts remain distant. It is important to mention that some of the conflicts in the Black Sea region have resulted in introduction of a new academic term which best describes them, which is the term of “Frozen Conflicts”. Despite the numerous conflicts in the world, mainly the conflicts of post-Soviet space can be regarded as “Frozen”. This can be explained by fact that although the ceasefire agreements have been signed by the parties years ago, and there was no military action happening for some period of time, the final resolution of the conflicts is still on the agenda of the negotiations of all interested parties and mediators (Shelest, 2012).

The evolution of the Black Sea cooperation reflects the difficult political, security and socio-economic circumstances in the region and often competing policies of their stakeholders.

The experience of Regional Cooperation

Studying the Black Sea regional cooperation process, scholars have identified different incentives for the participation of the Black Sea states in cooperation activities as well as differences in their motivation for involvement in regional schemes and projects. Manoli (2010) outlines, that in the early nineties, most of the Black Sea states have referred to regional cooperation in the area in an attempt to revive their own identity after long years of imposed Soviet identity. The newly independent states needed partners and geopolitical space to develop, and therefore reacted positively to the first regional cooperation initiatives. According to Manoli (2012), the regional initiatives were seen by the former Soviet states as a means to enhance their international standing and the newly gained statehood and by the main powers in the region as a new opportunity to assert regional leadership and to maintain their influence. Moreover, regional cooperation schemes would allow avoiding economic fragmentation and political conflicts (Manoli, 2010). In this regard, two main reasons for the foundation of new regional organizations in the Black Sea can be outlined: First, the attempt of the countries to stabilize their sovereignty and security after the collapse of the Soviet Union, and second creation of common market (Bakos 1993 as quoted in Canli, 2006). Thus cooperation in the Black Sea region would allow the participating countries to integrate into a broader economic and political system (Commission on the Black Sea, 2010).

According to Cottey (2009), the regional development in Black Sea area can be divided into 3 phases based on systematic changes together with the evolving domestic context: The first formative phase started in the 1990s, triggered by the end of the Cold War and followed by systematic changes, geopolitical shifts and the new formed diversified groupings in Europe. These changes were a solid ground for the local powers to see the new opportunities for regional leadership, while at the same time the newly independent states adopted the notion of regionalism in order to enhance their national standing and address development and security concerns.

During the first formative phase, one of the most important developments was the formation of Organization for the Black Sea Economic Cooperation (BSEC) by 12 Black Sea Countries in 1992, based on the principle of “stability and peace through prosperity” and aiming at fostering cooperation in the Black Sea region and appear as a stimulus for regional security and political

stability. The 3 stepping stones of BSEC were the following motivations: cooperation rather than conflict; regionalism as a step to global integration; and avoiding new divisions in Europe. By 1999 BSEC evolved into the first full-fledged regionally owned economic entity in the area, becoming an organization of the Black Sea Economic Cooperation. The institutional structure of the organization includes a Permanent International Secretariat and four related bodies such as the Parliamentary Assembly of the Black Sea Economic Cooperation (PABSEC), the BSEC Business Council (BSEC BC) the Black Sea Trade and Development Bank (BSTDB) and the International Center for Black Sea Studies (ICBSS). The Parliamentary Assembly of the Black Sea Economic Cooperation was formed in 1992 as an inter-parliamentary consultative body that has been aiming its efforts at uniting the national parliaments to provide a legal basis for economic, commercial, social, cultural and political cooperation among member countries, as well as promote cooperation with other international and regional organizations (PABSEC). BSEC Business Council was established in 1992, aimed at lobbying and acting for the continuous improvement of business environment throughout the Black Sea Region in order to promote business cooperation and regional integration, create beneficial environment for local businesses and attract foreign investments (BSEC). As a financial pillar of the BSEC, the Black Sea Trade and Development Bank (BSTDB) has been established in 1997. A multilateral development bank, BSTDB was designed to support economic development and regional cooperation through trade and project financing, as well as special projects of supporting small and medium enterprises through local financial institutions (BSTDB, 2014). This was followed by the creation of think-tank Center of International Black Sea Studies (ICBSS) in 1998, which fulfills its function as an independent research and training institution that focuses its studies on the Black Sea Region and aims at sustainable development, innovation and governance (ICBSS).

The second phase of regionalism covered the period of first half of 2000 till 2006, including events such as EU enlargement and cooperative processes with NATO, relative stability around the black sea. The ending of Balkan unrest and relative stability around the black sea allowed to intensively building regional institutions. During the second phase, Community of Democratic Choice (CDC) was initiated in 2005, followed by the Black Sea Forum (BSF) in 2006. These initiatives were meant to attract political attention to the regional level focusing on issues of democratization, good governance, security and civil society. Although, this could be considered to be a fair ground for political dialogue, that could raise awareness and attract political attention

to the regional level, it did not add cohesion of the Black Sea as a region and their policy relevance slowly weakened.

Third phase of development that started in 2007-2008 can be characterized by three important events that have occurred on local and global levels. First event was the expansion of the European Union towards Romania and Bulgaria in 2007. Second, war that has occurred between Russia and Georgia in 2008 that has once again emphasized the security issues of the region. Last but not least, the global financial and economic crisis has prioritized all the governments to manage macroeconomic imbalances. During this period of time, the European Union has started to strengthen its participation in the region. The relationship between the European Union and the Organization of the Black Sea Economic Cooperation has been characterized as a rather limited and uncertain. Nevertheless, it should be noted, that the relationship between the EU and the BSEC date back to several years, is reflected in various policy documents and functions in terms of both high level political dialogue and working level. (Japaridze et al., 2010).

At this point, it is important to also mention the relevance of the Black Sea region to the European Union. According to Grotzky and Isic, the outline of the Black Sea area, which has a transit character and is an energy corridor between Europe and the Caspian Sea, has direct implications for different dimensions of European security, including the diversification of energy transportation routes. Moreover, in combination with the economic potential and its proximity to the EU this signifies a defining European interest in the Black Sea region and its strategic importance (Grotzky and Isic, 2008).

It is crucial to outline the main features and risks that make the region important for the European Union. First and foremost, the risk of state failure as well as failure of transition to democracy is high in the Black Sea region, together with a number of tensions between the member countries, which can directly affect the stability interests of the European Union in the region. Moreover, economic market development in the Black Sea region is crucial regarding the opportunities for businesses. These interconnected factors together with a possible escalation of frozen conflicts can affect energy supplies trade and economic issues (Bauer et al., 2008).

Concerning the conflict solving, European Union was providing mostly confidence building measures in the region. It was generally more comfortable with a post-conflict rehabilitation and peace building role, and had been wary of becoming directly involved in conflict resolution. The presence of the European Union can be mainly described as an assistance of the development of

the region. European Union has developed its own notion of regional multilateralism in its eastern neighborhood, and this respectively resulted in formation of two distinct policies: Black Sea Synergy in 2008, aimed at increased cooperation among the countries of the Black Sea area, and Eastern Partnership launched in 2009 that aimed further acceleration of political association and economic integration between the EU and 6 countries of the Black Sea that are Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Despite the fact that both policies were distinct, almost parallel launch of both Eastern Partnership and Black Sea Synergy lead to scattering the political support (Japaridze et al., 2010).

Black Sea Synergy, based on the European experience of region building, concentrated on low politics issues (economy, infrastructure, etc.) was however unsuccessful in increasing cooperation between Black Sea countries because of lack of working program, plan of action and funding, Eastern Partnership, on the other hand, was a renewed Europeanization process and was designed as a mean to bring Black Sea countries, that, however, have no immediate membership prospects, closer to the European Union through more intense bilateral cooperation. Japaridze further concludes that despite the fact of initial success of bringing attention to the regional level, Black Sea Synergy didn't bring any tangible change in EU policy or in Black Sea cooperation. While the accession of Romania and Bulgaria theoretically has brought the EU into play as a direct Black Sea neighbor, the European clique's policy toward the region is still marked by fragmented perceptions of the regions' problems and interests and a lack of consensus over policy goals. Ukraine, Moldova and the Caucasus countries are covered by the European Neighborhood Policy, while Turkey is an accession candidate and Russia enjoys a special relationship with the EU based on the EU-Russia policy. Moreover, the EU faces a strategic dilemma as Russia is a major stakeholder in numerous ways in the Black Sea region, such as the military power and energy as well as the soft power and public opinion (Grotzky and Isic, 2008)

Various scholars have discussed the cooperation and geopolitics in the Black Sea region, and many of them has outlined the challenges for a successful cooperation (European Policy Center Report, 2012). Triantaphyllou has outlined the regional prospects from EU dimension. While being optimistic about the cooperation perspective between the countries of the Black Sea region and seeing a potential, he has been expressing doubts based on the conflicts and infightings between some of the participating countries, with competing narratives of what steps should be taken. As a result, nationalism and geopolitics are emerging. With no momentum coming from

the Black Sea region, Triantaphyllou considers institutional regionalism stalling and even failing. As national prerogatives are dominating in EU foreign policy, the impact of EU policy on the region's Europeanisation is not strong. And while EU's Black Sea policy is driven by the Eastern Partnership, a number of problems arise concerning synergy and definition.

Vardakis (Vardakis et. Al. 2012), on the other hand, sees EU's wish to cooperate with such a complex region as Black Sea through outlining the fact that Black Sea can play a constructive role in all the sea basins surrounding the EU, with an objective of practical cooperation that benefits people of the region. Vardakis outlines the fact that the Black Sea Synergy does not duplicate Eastern Partnership, which looks towards Brussels, while for Black Sea cooperation, it is important to transfer EU's cooperation experience to the region. He also emphasizes the bilateral relations with Black Sea countries, which up to a point highlights the fact that in practice external cooperation takes place with the countries separately rather than as a region.

Black Sea region faces a big challenge concerning the external power together with the challenge of conceptualizing as a region. It is difficult to measure the degree up to which there is a regional cooperation in the Black Sea. Pavliuk describes regions as constructed political groups or "imagined communities" that reflect physical or political realities that are acknowledged to be a region by the rest of the world. In this regard, the outside world hardly treats the Black Sea area as a region, while it is also questionable to what degree the Black Sea identity is viewed as a region by the member countries themselves, it is rather viewed as a complementary body which questions the countries' commitment to sustainable region building (Pavliuk, 2015). Unlike the Balkans or the Baltic Sea region, the Black Sea has not functioned as a common space with a specific regional identity for over a hundred years. This has made it vulnerable to being labelled with identities from the outside or by dominant actors within or around the region (Grotzky and Isic, 2008). As a result, regional definitions tend to be imposed from the outside in relation to other neighboring regional actors.

Numerous factors prevent a common Black Sea regional identity. Crossroad-character of the Black Sea is one of those. A look at the Black Sea states shows the region's character as a space of transition between other more conceived regions, such as the Caucasus, the Balkans, Eastern Europe or in a wider sense between Europe and Asia. This makes it difficult to attach a regional label to the Black Sea Area. Other factor can be considered the cultural and linguistic differences, as the Black Sea region covers a number of different linguistic and cultural spaces.

Another factor is the Supra-regional competition: During the Cold War, the Black Sea region was once a frontline functioning as a clash zone between NATO in the South (Turkey) and the USSR/Warsaw Pact in the North. This divisive label continues to frame the security debate in the region, as NATO has been joined by Bulgaria and Romania.

While the Black Sea region has failed to develop a common identity, there are two competing approaches for how to deal with it. Both approaches put the region into a larger context of interests and values (Socor, 2006).

According to the first, the Black Sea region is placed in relation to a wider idea of bringing the states of the region closer to Europe, while the other focuses on former Soviet power structures and the dominant role of today's Russia. A competing approach to the Black Sea region is to understand the Black Sea area in the context of Russia's re-emergence as a regional power.

The northern Black Sea region, excluding EU-members Greece, Bulgaria and Romania, as well as Turkey is viewed as an area of overlapping interests between the European Union and Russia (Moshes, 2007).

At a various level of economic development, Black Sea countries have various levels of global influence and interaction with international actors, while having an array of diverse and incompatible interests. As a result, on one hand countries focus on national interests rather than region as a whole resulting in no real regional identity, while on the other hand they face difficult decision on whether to move towards the direction of Euro-Atlantic integration or create closer ties with Russia.

Manoli (2014), argues that identifying only constraints of the Black Sea regionalism would have been misleading. Regionalism in the Black Sea has succeeded in building channels of communication and interaction not merely among the political elites but also among people who initiate and implement policies, which has a great contribution towards trust building in the region. BSEC particularly contributed to confidence building through its permanents communication channels and policy achievements particularly in so called 'low politics' matters, such as for example science and technology. The Parliamentary Assembly of the Black Sea Economic Cooperation has institutionalized political dialogue for democratic stability. Putting priority in project development, the Black Sea countries established although limited, but own financing mechanisms (among those, the BSEC Project Development Fund and Hellenic Development Fund). Manoli also outlines the importance of the Black Sea Trade and

Development bank, together with the International Center for Black Sea Studies, which supports national and regional development efforts and complement the regional policy through conducted research and analysis. Manoli believes, that Black Sea regionalism has gradually acquired a project oriented, network building character, rather than focusing on slowly developing intergovernmental agreements.

Pavliuk outlines, that if we view from the prospective of whether the region's democratic and economic development and its enhanced security and stability really matter, in this case, if region building and cooperation contribute to those aspects than the region has ultimate success. However, it has yet to prove whether Black Sea area has a future as a coherent and distinctive region or if it is a transitory phenomenon and a temporary step along the way to wider European integration (Pavliuk, 2015).

Economic Overview of the Black Sea Region

From the economic viewpoint, the Black Sea region is characterized on one side by high growth rates and on the other by difficulties in implementing schemes of a market place as inward environment of the economic system (Grotzky and Isic, 2008). As already mentioned, the Black Sea region consists of a heterogeneous group of countries that face different problems and are on different levels of development. Their economies differ in size, institutional characteristics and integration perspectives. As Bulgaria, Romania and Turkey have slowed in growth, the Caucasus states have surged, with Azerbaijan taking a momentous lead given its oil boom. At the same time, a slowdown for Moldova does not signal well for Europe's poorest country. Besides, the Ukrainian economy has shaken a lot regarding the recent events, while Russia has faced recession. Bulgaria and Romania take pride in being part of the European Union's single market, and aim at creating attractive terms for foreign investment. However, despite high rates of economic growth, the youngest EU-member states still suffer a need for reforms (Aydin, 2010). Throughout the years, the economic performance of the region has changed, from a highly unstable performance in the 90's, total restructuration and movement towards market economy for some of the member countries who were previously engaged in central planned economy, downturn triggered by the financial crisis, stable economic recovery afterwards accompanied by structural changes. In this regard, it is important to mention that although the member countries of the Black Sea region are divergent in the level of their economic development, the common characteristics for all of them is the fact that they have undergone severe economic turmoil in the past decades (Aydin and Triantaphyllou, 2010). Consequently, the rather low level of regional integration and weak intra-regional relations can be explained not only by the political issues and conflicts discussed in the first chapter, but also by the heterogeneity of the wider Black Sea countries.

During the Cold War, market economies encountered centrally planned ones in the Black Sea region. However, after that, all of the countries have shifted towards market economy, which Astrov and Havlik (2008) describe in the following 4 phases:

The first phase lasted until 1995 and outlined a sharp economic decline in the region. It included the collapse of the old mechanisms of production and distribution, underdeveloped legal frameworks, non-operational financial sectors, inconsistency in structural reforms and overall

macroeconomic instability. Astrov and Havlik (2008) outline, that, on one hand, some of the transition countries strongly needed quick reforms for state-building. Whereas, non-transition countries like Greece and Turkey were facing relatively high inflation and fiscal imbalances during this period. Turkey, on the other hand, wasn't facing deep decline in the period, but instead was facing brief recessions in 1991, 1994 and later in 2001. Bulgaria performed at 82% compared to the level of 1991, and Russia had the decline of 40% in the GDP in one year and reached the bottom line in 1998, followed up by Romania and Ukraine in 1999. Recession was more severe in some of the Black Sea countries: Armenia has reached the bottom line in 1994, as the GDP declined almost by half, Georgia in 1995 with a GDP decline by nearly two-thirds, and Azerbaijan in 1996, with the economy falling by 42% compared to the level of 1991 (see figure 2).

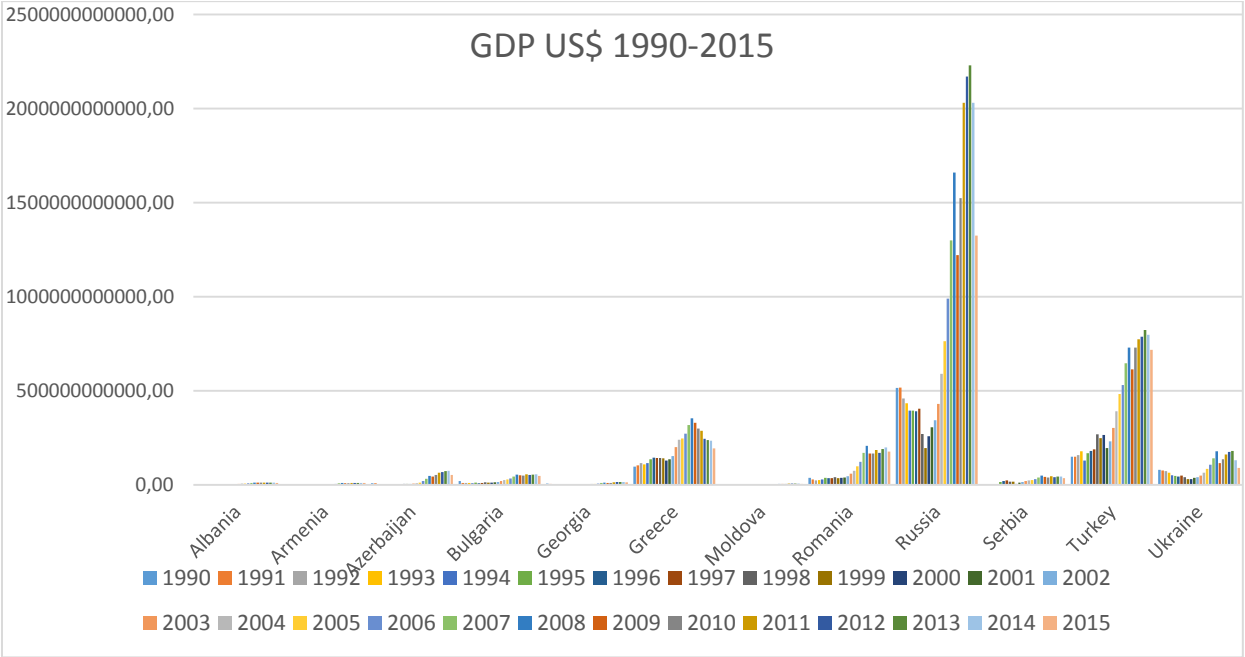


Figure 2: GDP US$ 1990-2015

It is important to mention, that the former soviet republics have suffered a deeper economic decline than the rest of the Black Sea region countries, emphasizing the collapse of the Soviet Union. For these countries, the traditional economic connections were disrupted, which had a particularly big impact on the Caucasus. Being engaged in conflicts, military expenses absorbed a bigger share of economic resources, thus leaving the opportunity to finance much needed reconstruction of the economy (see figure 3). The conflict has resulted in unstable environment, created obstacles for cross-border trade flows as well as opportunities for large-scale

investments. Moreover, considering the geographical particularity, it was especially difficult for these countries to create new economic ties and expand them towards Europe (Astrov and Havlik, 2008).

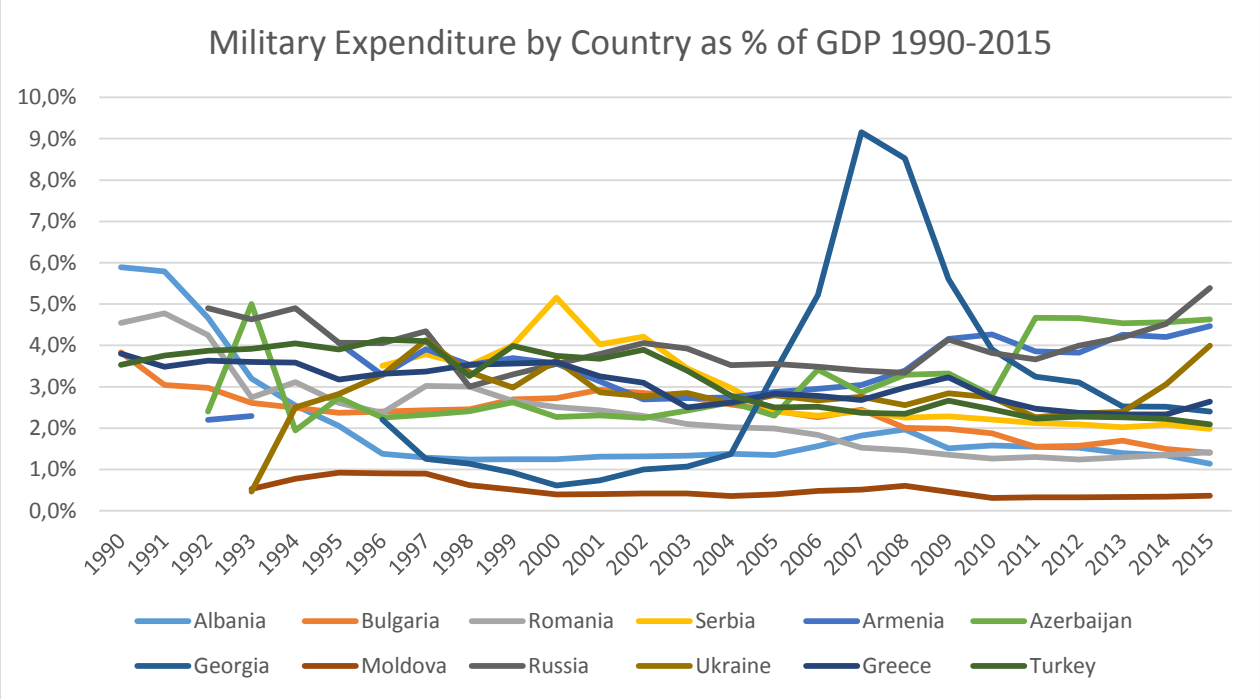


Figure 3: Military Expenditures by Country1990-2015[2]

The second phase took place in the period between 1995 and 1999, when regional economies stabilized and improved their security and political stability. Moreover, market oriented structural reforms have been strengthened and the region moved towards macroeconomic stability. At the same time, however, Black Sea countries dealt with unstable prices on energy as well as a financial crisis in Russia in 1998 (Astrov and Havlik, 2008).

The third phase covered the period from 2000 to the third quarter of 2008. During this period, there was a high and sustainable growth of GDP in the region, with the annual average of 6% which is equal to a cumulative real expansion of 68%, higher living standards, increase in trade and investment. It can be mentioned, that the third phase allowed to view the integration of the Black Sea countries through a broader, European and global economic context (Astrov and Havlik, 2008).

[2] SIPRI Stockholm International Peace Research Institute
The sources for military expenditure data are primary sources that is official data provided by national governments, either in their official publications or in response to questionnaire (National Budget Documents, defense white papers and public finance statistics published by ministries of finance and ministries of defense, central banks and national statistical offices, etc.), secondary sources (NATO, IMF) which quote primary data; and other secondary sources (special journals and newspapers).

The fourth phase, which I would like to discuss broader, started with the global financial and economic crisis, with a decline in growth as well as low inflow of foreign capital. However, even in the impact of a crisis, the development of the region in comparison to 1999 can definitely be seen. The region has achieved prosperity to a certain extent, even though this prosperity is distributed unevenly between the countries. On the other hand, the fourth phase has been remarkable for a number of changes, creation of organizations, processes and policies that have been developed aiming at improving the intra-regional dynamics as well as cooperation and economic integration between the countries of the Black Sea (Astrov and Havlik, 2008).

The global economic crisis has had a lingering effect on the economies of the Black Sea countries. Since 2009, when the region has suffered a short but severe recession in the aftermath of the global economic crisis, there was a trend of slowing economic growth. While registering a GDP growth rate of average 5.9% in the period between 2001-2008 the GDP was negatively affected by the global economic crisis and dragged down to -6.5% in 2009. In 2014, after several years of constant declining but at the same time positive rates of economic growth, the average real GDP growth for the region reached to the point of 1.1%, while in 2015 it is estimated to reach the bottom line of -0.7% (BSTDB, 2011) (figure 4).

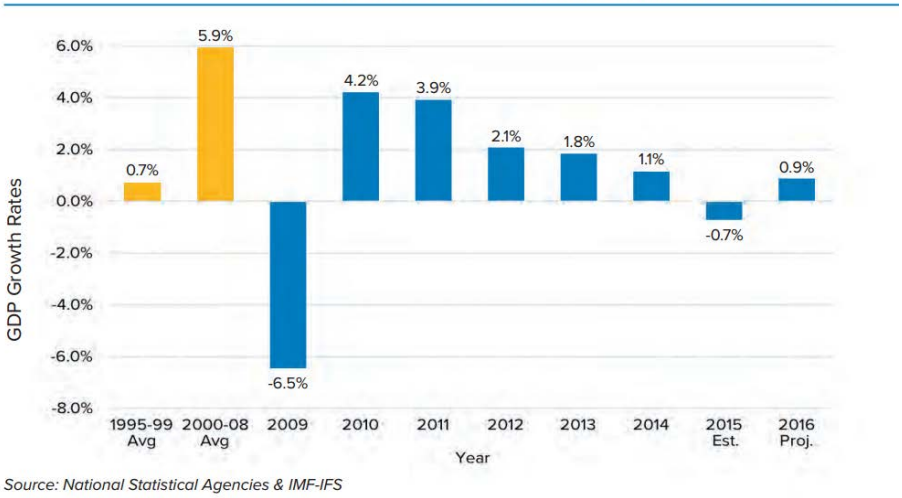


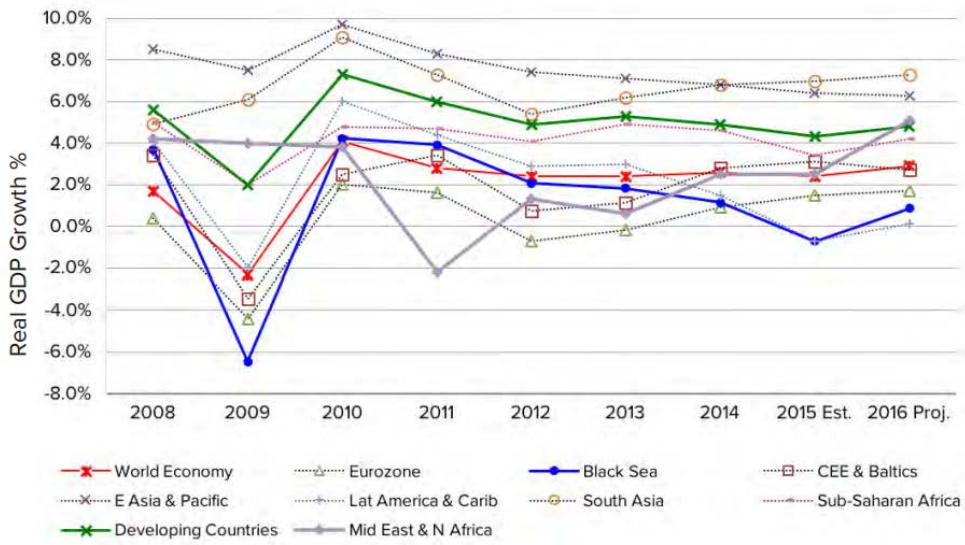
Figure 4: Black Sea Region Average Annual GDP Growth[3]

This positive performance was, however, overshadowed, by the fact that for the fifth consecutive year the rate of growth has subsided, and a progress of just a little over one percent was achieved

[3] Most of the data in this chapter was taken from the Black Sea Trade and Development Bank calculations from National Statistical Agencies of the countries of the Black Sea Region and the International Monetary Fund IFS Database, as well as Global Economic Prospects reports of the World Bank and World Economic Outlook publications of IMF.

in reducing poverty rates, and even less in achieving convergence with the wealthy economies of western Europe. Moreover, Regional per capita incomes declined nine percent, from USD 11,400 for 2013 to USD 10,400 for 2014; while this figure is primarily a function of the sharp rise in the US dollar in late 2014 and the even sharper depreciations of a number of regional currencies, it was also affected by weak overall growth. Moreover, it represents a return to pre-crisis 2008 levels.

In fact, it can be seen that the region has not sustained the recovery that has been initially achieved during the period of 2010-2011. This period can be described as a short term recovery that was triggered by factors such as the recovery of global commodity prices, crucially important for some of the region's economies. With global growth slowing to 2.4% in 2015, the Black Sea Region was the weakest performing region for the second consecutive year, together with Latin America and the Caribbean (See Figure 5). The growth of the region was weaker than in the Eurozone area which has been among the weakest performing areas of the world economy over the last several years, and it was well off the 3.1% outcome achieved by the Central and Eastern European and Baltic states, most of whom joined the European Union in 2004 and being former transition countries can be compared to the countries of the Black Sea region.



Source: National Statistical Agencies, World Bank & IMF-IFS

Figure 5. Global GDP growth since 2008

The global financial crisis of 2008 expanded quickly in the transition and emerging market economies of Central, Eastern and South-Eastern Europe and reversed the economic progress of

years. Access to capital markets dried-up, capital flows reversed, investment stagnated, and the decline in demand resulted in significant decline in the output. By 2009 there was a significant slowdown in economic activity. (BSTDB Annual Report, 2015).

The global financial crisis left a negative and large impact on the countries of the Black Sea region. Not only was there decline in economic activity, deterioration of public finances and an increase in unemployment, but also a decline in the foreign trade. The international trade flows have dropped. Moreover, protectionism measures were adopted by the developed countries, creating a harmful impact on the exports from the Black Sea region. However, the Black Sea region managed to gain healthy economic growth, to which one of the main contributors was the international trade. Export grew, reaching around a 25.3% growth in 2010, indicating a full recovery from sharp decline of 31,7% in external trade that occurred during the recession of 2009 (Rhodes, 2012).

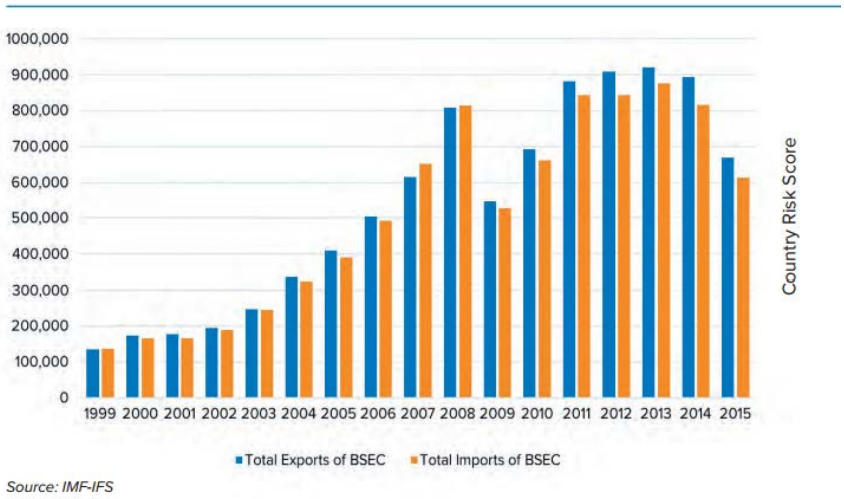


Figure 6: External Trade of the Black Sea Region 1999-2015

The weak economic performance in 2015 can be mainly described by the large carry overs from 2014 and 2013. It is important to mention, that the main factors were before mentioned decline in commodity prices, that intensified the increasingly unfavorable terms of trade for commodity exporters. Grotzky and Isic (2008) outline the fact that some of the countries in the Black Sea region rely heavily on their role as an energy transit or energy producing country. Armenia and Georgia for example are relatively small producers and consumers of energy, but host important oil and gas transit routes. The second largest oil pipeline, the Baku-Tiflis-Ceyhan pipeline (BTC), invented and constructed by US-companies, passes through Azerbaijan, Turkey and Georgia. The status of being a transit country can be viewed as both an advantage and

disadvantage. On one hand the countries gain territorial strategic relevance, which entails conflict potential to the fact, that somehow transit areas are always hotly contested regions, from energy exporters as well as energy importers. On the other hand, being a transit country assures certain advantages when it comes to negotiations, both economic and political. Among the Black Sea countries, particularly Russia and Azerbaijan were highly affected as energy producers. This however, could be considered a beneficial factor for importers for the following reasons: First and foremost, because of the tight economic relations between a number of countries with Russia the downturn in economic activity created secondary negative impact in their domestic economies. In this situation the main reasons were the decrease in remittance levels sent by emigrant workers, as well as the lower demand for exports from Russia. It is also important to mention, that there is a noticeable distinction between eastern and western parts of the Black Sea region. While the eastern part of the black sea region had a better performance during 2010-2012, the trend reversed largely during 2013-2014. Albania, Bulgaria and Greece each experienced an increase in real GDP growth in 2014, against the Region's overall declining trend. Second, because of the limited boost to consumption in fuel importing countries the households had to pay extra money to cover the accumulated debts or other obligations as well as increase their savings in order to face the uncertainty of economic outlooks.

Among the factors that have affected the economic performance of the region were the uncertainties and imbalances created by the asymmetric monetary policies followed by the leading global economies, namely the United States and the members of Eurozone. In case of the United States, the US Federal Reserve leaned towards monetary tightening, while the European Central Bank initiated further quantitative easing and moving into negative interest rates aimed at increasing the activity in the economies of the Eurozone. These led to a polarized effect on the Black Sea region: While the monetary easing initiated by the Eurozone had a positive spillover effect particularly in the Balkans that have close ties to the Western Europe, the monetary tightening initiated by the United States had a highly negative impact on financial outflows from emerging markets.

Financial flows have decreased immensely in 2014, reaching USD 32 billion (see figure 6).

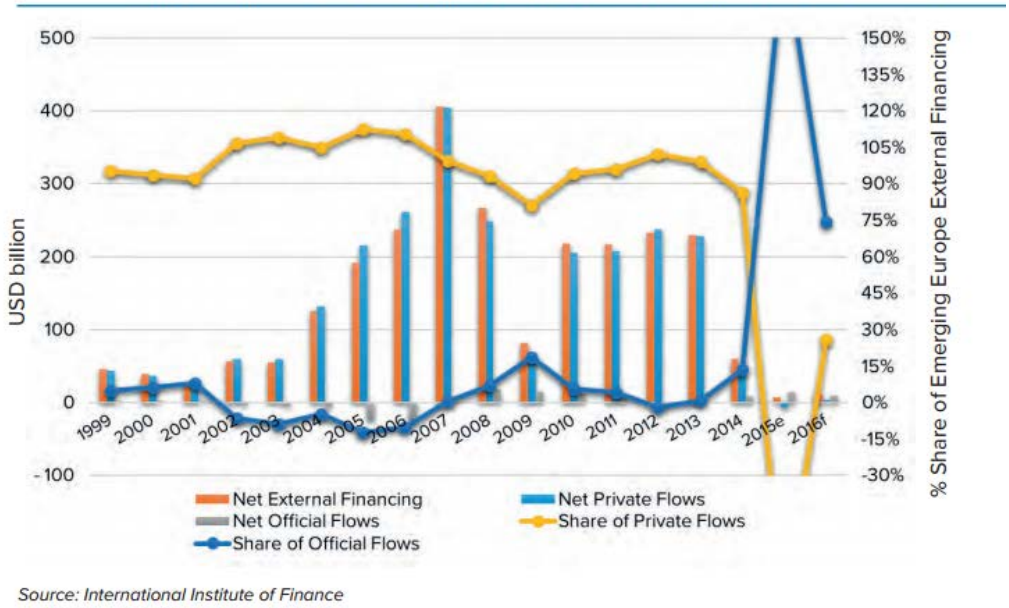


Figure 6: Capital Flows to Emerging Europe

According to figure 6 for the net financial flows to Emerging Europe, the impact more dramatic for countries with lower investment, trade and financing linkages with Eurozone economies such as the ones in the eastern part of the Black Sea Region. There was a sharp increase in outflows that began in the second half of 2014 and deteriorated further in 2015, and net flows for 2015 established new records for worst performance. Private flows turned negative for the first time, something which did not occur even in 2009 in the aftermath of the global financial crisis and the extended freezing of capital markets which followed. Official flows, which include bilateral creditors and international financial institutions such as IMF and development banks, increased by 195% relative to 2014, with international financial institutions increasing their net lending 5.6 times to USD 17.4 billion, their highest levels since 2009–2010. However, even this dramatic rise was outpaced by the much larger level of private outflows, leaving net flows negative.

Another consequence of the financing from emerging markets towards the United States was a dramatic strengthening in the value of the US dollar. This has created new set of difficulties, of which the most significant was the depreciation of local currencies. In some of the economies, this had a destabilizing and dampening effect on economic activity. The currency depreciation also led to sharp rises in price levels in the most affected economies.

Moreover, the US dollar's appreciation resulted in increasing the external debt levels, both public and private, for dollar borrowing. For economies with high levels of external dollar debt,

the rise appeared to have dramatic results. International trade was also a casualty of the combination of currency depreciation, economic volatility and worsening terms of trade for key exporters. Not only were dollar values lower, the economic slowdown resulted in reduced economic activity. As a result, total Black Sea Region export of goods fell to levels below those of 2010, and as a share of GDP declined by -25.1% in 2015, relative to 2014, with declines sharpest in energy exporters. Similarly, import of goods region-wide fell below 2010 levels and as a share of GDP declined by -24.8% in 2015.

Private consumption, the largest contributor to GDP on the demand side, predictably shrank by -3.9% across the Region, relative to 2014. In an effort to offset some of this decline via counter-cyclical spending, government consumption rose by an estimated 1.6% in 2015. However, as state spending accounts for only about 17–18% of regional GDP, it could not fill the gap made by the contraction of private consumption, which accounts for nearly 60% of GDP.

Gross fixed investment also declined in 2015, by -3.8%. As a share of GDP expenditure, it fell from 19.7% to 18.5%, underscoring the weakness in investment that has afflicted the Region.

Figure 7 describes the declining trend in gross fixed investment in recent years, where a healthy recovery in 2010 and 2011 following the 2009 recession has been succeeded by years of steady decline.

Figure7: Annual Change in Gross Fixed Investment in the Black Sea Region

When showing the relation between the Gross fixed investment and the GDP (see figure 4), we can see a positive correlation between the two: The trend of decline of GDP in 2010 closely matches with the trend in declining of the gross fixed investment during the same period of time,

with the Gross Fixed investments having more intensive upturns and downturns than the GDP. The pattern can put doubts on the prospects of regional economic growth, as the investment rates affect both the current growth as well as the capacity of the economy to further create wealth, thus the potential growth. Hence, the decline in the investments can have a damaging effect on the economy of the countries of the Black Sea region by affecting both the current growth and the ability to achieve higher growth in the future.

It is also important to understand the origins of the GDP in the Black Sea region, which can be described as following:

Services sector that had a rapid growth during the period of 2000-2008 account for around 50-60% of the GDP formation in the Black Sea region. The exceptions are energy producing Azerbaijan, and the countries with larger tourism sectors, where the services cover nearly 70% of GDP formation. In 2009 the services declined by 4.2% in comparison to 2008, while in 2014, Services comprised of around 56% of the GDP. It is important to mention, that the slowing in the service sector has affected the GDP growth. Tourism is considered to be developed in the region, and is a source of revenue in many of the countries in the area. Out of the whole global tourism, around 12% that comprises for around 106 million people, is hosted by the Black Sea region. Moreover, with the development of infrastructure in the region, the rates of intra-regional tourism have also increased in the recent years. However, in 2015, the services sector has declined by 1,3% relative to 2014.

Industrial sector has around 25-40% in GDP formation in Black Sea countries. Once again the exception is Azerbaijan that has around 60% share of industry. Interestingly, in the boom period of 2000-2008, the sector has steadily declined in share, while during the recession of 2009 industry declined by 8.9%. In 2010 and 2011, the sector has grown respectively by 6.4% and 4.3%, supporting the regional recovery. In 2014 32% of GDP in the region was accounted by industry. In 2015 industry has declined by 0.9% in comparison to 2014.

The share of agriculture has steadily eroded since the beginning of the last decade from over 10% of GDP formation to 5.6% in 2014 and around 6% in 2015. The sector's stability is followed by variations, caused by factors such as changing weather conditions and global commodity price fluctuations (Manoli, 2014). In 2015 agriculture has achieved growth of 3.8% in comparison to 2014.

The in detail description of the GDP formation of the BSEC countries is described in the figure below (Central Intelligence Agency Data 2014) (figure 8):

Country	Agriculture	Industry	Services
Albania	21.9%	14.9%	63.3%
Armenia	19.4%	28.7%	52.9%
Azerbaijan	6%	51.9%	34.9%
Bulgaria	5.1%	27.6%	67.2%
Georgia	9.2%	22.1%	68.7%
Greece	4%	15.2%	80.8%
Moldova	14.1%	21.1%	64.7%
Romania	4.8%	41.3%	53.9%
Russia	4.6%	32.6%	62.1%
Serbia	9.5%	41.9%	48.6%
Turkey	8.7%	27%	67.8%
Ukraine	14.1%	26.4%	60%

Figure 8: GDP Composition by Sector 2014

Basically, the reasons for overall weakness in BS in 2014 can be described by the fact that key trade and financial partners of the Black Sea countries, that are the European Union and Eurozone emerged from the recession of 2012-13, but continued to experience weak demand. The EU also continued unwittingly to 'export' uncertainty with respect to monetary policy of the European Central Bank (ECB) in the Eurozone as well as the financial sector regulation.

The regional picture has also had its negative impact on Foreign Direct Investment (FDI) (Figure 9). FDI dipped dramatically in 2009 during the Region's short sharp recession. It recovered during 2010-2013, although it did not come close to pre-crisis peak levels, registering between 2.5-3.0% of GDP. In 2014, it once again fell sharply, to around USD 55 billion, nearly 49% lower than the USD 107.9 billion that took place in 2013. Even considering the rise in the value of the dollar, the reduction was substantial and this can be seen in its size relative to GDP, as the share of regional FDI/ GDP fell from 2.9% in 2013 to only 1.6% for 2014. In 2015, the FDI has experienced another weak year, declining further for 24% amounting USD 41 billion, compared to the USD 55 billion in the previous year.

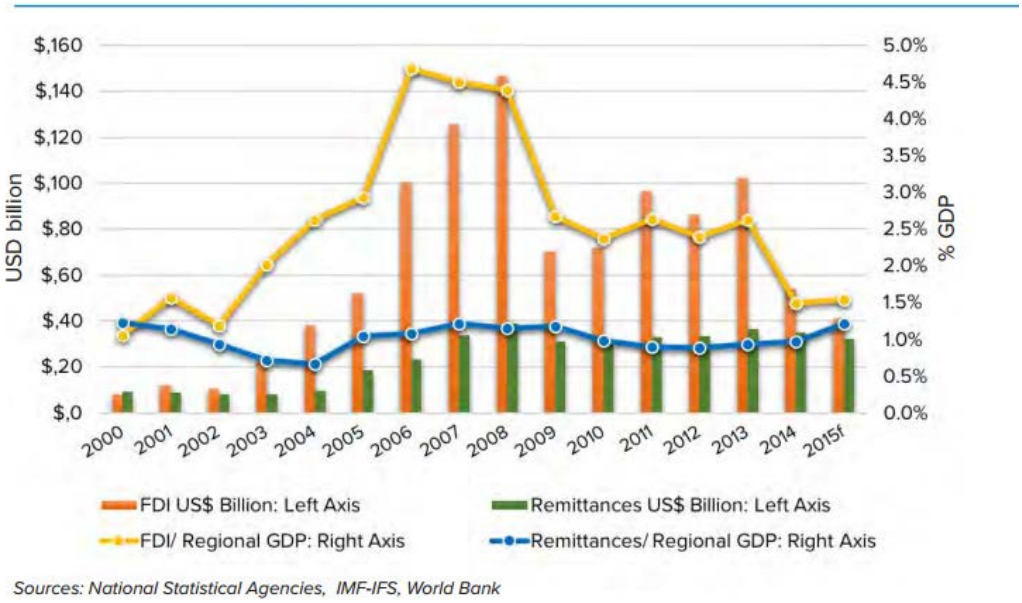


Figure 9: FDI and Remittances in the Black Sea Region 2000-2015

The weak investment flows are problematic not only for their immediate dampening effect on GDP growth, but also for their longer run drag on potential GDP growth in future years. Investment is necessary to expand and modernize infrastructure on the one hand, and to increase the wealth generating capacity of a society on the other hand. Investment that is deferred or foregone thus negatively impacts economic growth in future years as well and results in lower living standards, higher poverty rates, and slower convergence to the income levels of Western Europe.

On the other hand, the remittances for the period have held up. In this regard, it is important to mention that the Black Sea Region is an important crossroad of movement of population, while some member countries have high levels of immigration, among those, Russia has been the third largest source country for remittances in 2014, with outward flows reaching around USD 33 billion. In 2015 the remittance inflows towards Black Sea countries have amounted to around USD 32 billion. However, for the second consecutive year there was a decline in remittance levels in nominal dollar terms, decreasing for 7.4% in 2014 from USD 36.5 billion in 2013. Currency-wise, there was an increase of remittances in Euros and other local currencies of the region. Also, the share of the remittances in the GDP has grown as well, from 0.9% in 2013 to 1.0% in 2014, with an estimated growth to 1.2% in 2015 (Figure 5). Remittances have been impressively stable over the year, and despite the relatively small decline, they were considered

to be one of the most important sources of financing into the black sea region as of 2015, going second to FDI.

In terms of poverty alleviation impact, remittances have proven to be targeted better than some other sources of financing.

Manoili (2010) outlines, that the migration in the region spreads economic and social effects. Around 23 million migrants in the Black sea region account for 6.8% of the overall population. Intra-regional migration plays a very important role in the area: In 2008, it has covered 59% of the total immigration to the Black Sea region that was around 13.6% migrants. This high rate of immigration among the member countries can be explained through several important factors, such as the close ties that are left from the Soviet Union era, as well as visa free movement that exists in the CIS region complemented by the current visa facilitation regimes. On the other hand, there is a growing number in migration from North Africa, Central Asia and Middle East, which mainly affects western countries of the region.

The largest sources of emigration usually are the countries or regions with higher levels of poverty and unemployment, which results in the remittances flowing towards the population that is most affected by the two before-mentioned factors. Thus, these flows help to achieve higher impacts than for example the development assistance programs that are usually smaller in size and often are influenced by political priorities, and before being expanded towards the ultimate beneficiaries they flow through central government channels.

It is important to mention that the remittances highly vary among the countries of the Black Sea region. With the overall amount of 1.2% of GDP, remittances account for around 0.5% of the GDP in wealthier and larger countries, the smaller and poorer countries of the region they account for at least 10% of the GDP, reaching as high as 27%. In these poorer countries, the remittances are the representation of the most important source of foreign capital inflows. They help to alleviate poverty as well as cover a great portion of structural trade deficits of countries and improve the current account imbalances.

The main reasons behind the economic downturn in the recent years can be explained by the falling prices on energy and commodity, the conflicts throughout the region together with the sanctions, variable monetary policies of the large global economies followed up by the financial turmoil and capital outflows.

While the Black Sea region has faced a contraction, the member countries have performed differently. The considerable variation has formed the pattern, where, as a rule, the countries in the western part of the Black Sea region have improved their economic growth performance in 2015 in comparison to 2014, while viewing the eastern part of the region, worse results were achieved. The difference in the performance extends to a number of key macroeconomic indicators (see figure 10). As it can be seen from the table, the countries of the Black Sea region, previously having generally low, single digit inflation, have experienced increases in 2014. The main reason for this was experiencing the currency devaluations. Western countries of the region were less affected by the devaluation, because of a lower volatility of the Euro in 2015, as well as their membership or closer linkages to the European Union and consequently currencies that are either Euro or have close linkages to it.

Country	GDP Growth	Inflation	Cur Acct Bal/GDP	Budget/ GDP	Public Debt/GDP	FDI/GDP
Albania	2.8%	1.9%	-10.0%	-3.9%	71.6%	11.5%
Armenia	3.0%	3.7%	-2.6%	-4.6%	46.0%	1.7%
Azerbaijan	1.1%	4.0%	-0.4%	-0.5%	28.3%	14.2%
Bulgaria	3.0%	-0.1%	1.4%	-2.9%	28.9%	4.5%
Georgia	2.8%	4.0%	-11.7%	2.5%	41.3%	9.7%
Greece	-0.2%	-1.7%	0.0%	-6.4%	174.2%	0.9%
Moldova	-0.5%	9.7%	-7.2%	-1.7%	35.4%	4.2%
Romania	3.8%	-0.6%	-1.1%	-1.5%	39.4%	2.1%
Russia	-3.7%	15.5%	5.3%	-3.5%	18.8%	0.4%
Serbia	0.7%	1.9%	-4.8%	-3.8%	77.4%	5.3%
Turkey	4.0%	7.7%	-4.5%	-1.2%	32.9%	2.3%
Ukraine	-9.9%	48.7%	-0.2%	-1.4%	80.2%	-9.9%
Black Sea Region	-0.7%	11.4%	1.0%	-2.8%	38.7%	-0.7%

Source: National Statistical Agencies & IMF-IFS

Figure 10: Summary of Key Economic Indicators for 2015

The economic slowdown had a modestly negative impact on fiscal balances. On the one hand, counter-cyclically motivated government spending grew moderately, while on the other hand reduced economic activity resulted in lower receipts from taxes and other sources of revenue.

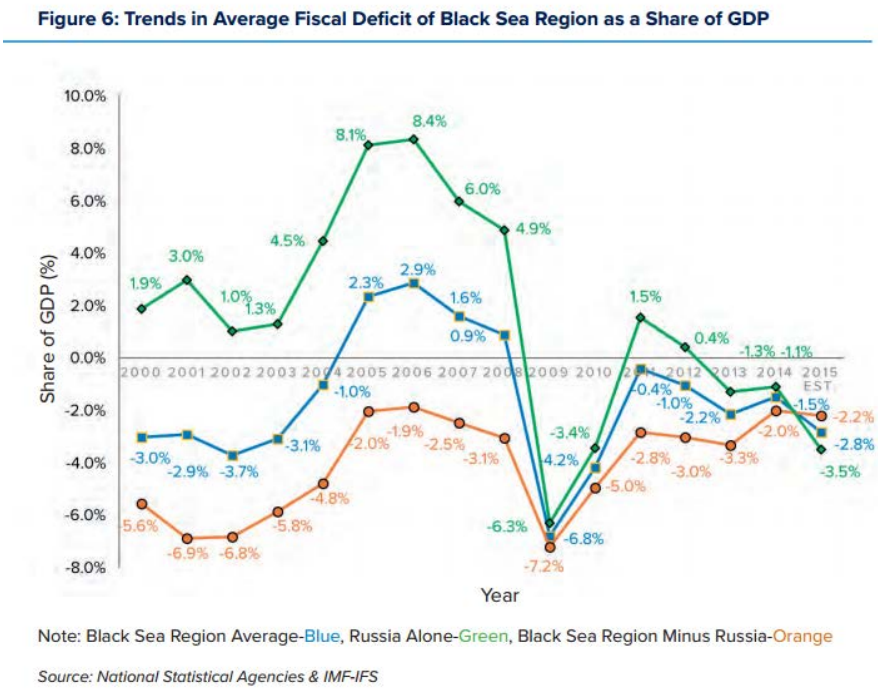


Figure 11: Trends in Average Fiscal Deficit of Black Sea Region as a Share of GDP

In 2014 the average fiscal deficit was -1.5%. For most of the countries, the fluctuations were small, with the exception of Greece, that has improved to 8% of the GDP, consequently achieving a surplus, while Georgia, which has made a public investment in order to improve the existing infrastructure, and because of that has went from +2.6% of GDP to a deficit of 2.4%. In 2015 for the Region as a whole, the weighted average fiscal deficit expanded to -2.8% for 2015 in comparison to 2014 (see figure 11).

This image outlines the historical pattern of fiscal responsibility established by the Black Sea region countries throughout the years.

Items such as government spending have an added importance since they are under the control of regional governments, in contrast to factors such as financial market volatility, monetary policies, commodity prices, many geopolitical developments that are determined by global environment and by the globally influential economies, hence, being outside of the control of the region itself.

These influences can have significant domestic impact; however, the governments of the region cannot really influence these external forces. Thus, they have focused on areas that are possible to affect: Governments have been trying to maintain relatively low or moderate levels of public debt that can be serviced sustainably. Moreover, since the global financial crisis, the

governments have also started paying attention to reducing private external debt levels together with the public ones, as continued dependence upon external financing had proven a major source of vulnerability, and resulted in more severe recessions.

Governments have also made efforts regarding the business environment of the countries. According to the World Bank's Doing Business annual surveys, Black Sea Region countries have consistently been among the best reformers over the last decade, and in the 2016 report, eleven out of the twelve countries were credited with undertaking business reforms in 2014–2015 that made it easier to do business, for a lengthy list of significant measures such as starting a business, dealing with construction permits, registering property, obtaining credit and electricity, protecting minority investors, reducing transaction costs for international commerce, enforcing contracts, resolving insolvency, and reducing taxes and tax payment costs.

It is interesting to observe the changes in the business environment, namely the improvements in the environment where firms operate[4]. In this regard, five of the Black Sea countries have been figured in the top 30 "most improved" list of the World Bank's "Doing Business Report" for the period of 2010-2011. Moreover, two of the countries figured in top ten list: One of which is Armenia, that has been the ninth on the global scale, and the other one is Moldova, rated second.

Overall image of the Ease of Doing Business Index for the period of 2006 to 2015 is described in the figure below (Figure 12) (Ease of Doing Business, World Bank, 2015).

[4] Ease of Doing Business Index created by the World Bank allows us to observe the business environment of the countries. This index looks at domestic small and medium enterprises that are the engine of growth and job creation for most economies around the world and measures the efficiency, quality accessibility and simplicity of regulations applying to them. The Ease of Doing Business Index is based on ten pillars that are:

1. Starting a Business
2. Dealing with Construction Permits
3. Getting Electricity
4. Registering Property
5. Getting Credit
6. Protecting Investors
7. Paying Taxes
8. Trading Across Borders
9. Enforcing Contracts
10. Resolving Insolvency (Closing Business)

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Improvement
Albania	115	120	135	86	82	77	82	85	90	68	**+47**
Armenia	37	34	39	39	43	61	55	32	37	45	**-8**
Azerbaijan	100	99	96	96	38	69	66	67	70	80	**+20**
Bulgaria	59	54	44	45	44	57	59	66	58	38	**+21**
Georgia	112	37	18	18	11	17	16	9	8	15	**+97**
Greece	111	109	106	96	109	101	100	78	72	61	**+50**
Moldova	88	103	92	103	94	99	81	83	78	63	**+25**
Romania	71	49	47	47	55	65	72	72	73	62	**+23**
Russia	97	96	106	106	120	124	120	112	92	62	**+35**
Serbia	95	68	91	94	88	88	92	86	93	91	**+4**
Turkey	84	91	57	57	73	73	71	71	69	55	**+29**
Ukraine	132	128	139	139	142	149	152	137	112	96	**+36**

Figure 12: Ease of Doing Business 2006-2015

If we look through the whole indicated period, it can be seen that Georgia was the country that had the best improvement throughout the period, from the position of 112th in 2006 to 15th in 2015. Armenia, on the other hand has performed worse in 2015, moving from the position of 36th in 2006 to 45th in 2015. The best performers of the region in 2015 were Georgia, with the 15th ranking worldwide, Bulgaria, with 38th ranking worldwide and Armenia, with 45th ranking worldwide. The worst performers of the region in 2015 were Ukraine, Serbia and Albania, with the rankings of 96th, 91th and 68th respectively (Ease of Doing Business Report, World Bank 2015).

The following Graph (see graph 13) allows us to see the performance of the Black Sea countries by Ease of Doing Business Index Pillars in 2015:

Country	Start a Business	Deal with Constuction Permit	Get Electricity	Register Property	Get Credit	Protect Investors	Pay Taxes	Trade Across Borders	Enforce Contracts	Resolve Insolvency
Albania	41	157	152	118	36	7	131	95	102	44
Armenia	4	81	131	7	36	49	41	110	119	69
Azerbaijan	12	150	159	10	104	51	33	166	31	94
Bulgaria	49	101	125	57	23	14	89	57	75	38
Georgia	5	3	37	1	7	43	38	33	23	122
Greece	52	88	80	116	71	62	59	48	155	52
Moldova	35	175	149	22	23	56	70	152	42	58
Romania	38	140	171	63	7	40	52	65	51	46
Russia	34	156	143	12	61	100	49	155	14	65
Serbia	66	186	84	72	52	32	165	96	96	48
Turkey	72	136	34	54	89	13	56	90	38	109
Ukraine	76	70	185	59	17	109	108	154	43	142

Figure 13: Ease of Doing Business Pillars 2015

These changes are aimed at increase in domestic and foreign investment and sustainable growth. However, the downward trend of the previous years in the region together with the exogenous political and economic developments creates a pessimistic outlook on the growth in the upcoming period. In order to measure the business environment in the Black Sea region, it is important to also consider the country risk survey, as it relates to the likelihood that a non-business situation might occur, and as a consequence, threaten the normal operation of the company, the value of assets or the profitability of loans and investments. Country risk environment can be measured by the Euromoney's Country Risk surveys[5] (see figure 14).

[5] Country risk is defined as the weighted sum of a collection of scorings including (i) macroeconomic performance and stability; (ii) security, political and social stability; (iii) perceptions of public and private governance including implementation capacity, transparency, and corruption; (iv) quality and clarity of a country's legal and tax frameworks and the quality of the implementation thereof; and (v) overall the ability of economic entities to operate smoothly.

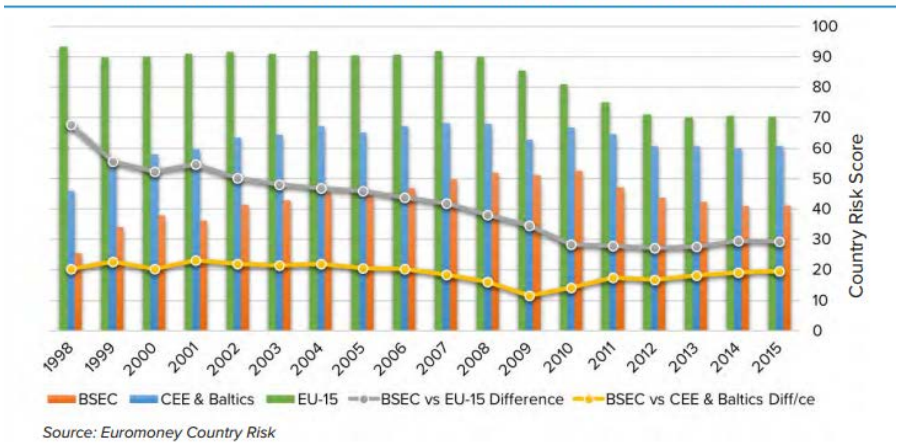


Figure 14: Trends in Regional Euromoney Country Risk Scores and Relative Differences

Declining country risk is directly correlated to an improving business environment.

In the Black Sea region, the country risk scores have been improved from 1998 until 2010, followed by a decline in the period of 2011-2014. The declining trend has been stabilized in 2015.

When compared to other key regions, Black Sea countries had a relatively steady level of difference in absolute terms compared to the CEE and Baltic states, with a slightly rising trend since 2009. Relative to the original EU 15 members, the country risk levels have declined steadily from 1998 to 2010 in the Black Sea region, with a contrast of a slight deterioration from 2010 to 2012, followed up with stabilization. In this regard, the continuous decline is a cause for concern and need to intensify reforms and take measures to improve the business environments and overall performance in the Black Sea region. However, the EU 15 have triggered a negative influence of post financial crisis economic difficulties. The EU collectively is a major economic actor, and also represents the principal trade partner and source of investment and other forms of financing for the Black Sea Region. Thus, its influence over the neighboring Black Sea Region is very large and in the same way it used to represent a source of stability finance and positive externalities during the 2000–2008 period of high growth, it has had a more ambivalent impact in recent years, exporting uncertainty, policy and financial volatility, and poor growth prospects.

It can be concluded, that the poorer scores of the Black Sea region in the recent years didn't widen the gap between the countries of the region and the wealthy economies of the Western Europe. Instead, the negative performance of the Black Sea region can be connected to the trends in the Western European economies.

Economic profiles of Black Sea Countries: in the Black Sea Region and the Wider World

One of the bodies that financially support regional cooperation and development through various projects is before mentioned BSTDB[6], which uses its financial instruments to provide funding for projects that trigger trade and capital flows.

Within the Black Sea Region, Organization of the Black Sea Economic Cooperation prioritizes the following areas of cooperation (BSEC):

- Agriculture
- Banking and Finance
- Combating Crime
- Culture
- Customs Matters
- Emergency Assistance
- Education
- Energy
- Environmental Protection
- Exchange of Statistical Data and Information
- Healthcare and Pharmaceutics
- Information and Communication Technologies
- Institutional Renewal and Good Governance
- Science and Technology
- SMEs
- Tourism
- Trade and Economic Development
- Transport

It is worth mentioning that BSTDB is committed to support only those operations, not only don't harm the environment, instead they strengthen the environmental management of its Clients and help address global environmental concerns. Banks environmental policy follows sustainability principles that have been developed based on good international practices such as World

[6] BSTDB serves 11 of the 12 BSEC member countries (except from Serbia)

Bank/IFC performance standards, EHS guidelines (environmental health and safety), EBRD performance requirements, EU environmental and social standards, WHO standards (BSTDB Annual Report, 2014).

Some of those standards are (BSTDB):

- Pollution prevention and mitigation
- Respect for fundamental human rights in the working environment
- Protection of the Black Sea against pollution
- Addressing climate change,
- Promoting sustainable use of natural resources, etc.

In 2014 Bank's activities in the region were disbursed in following way (see figure 15):

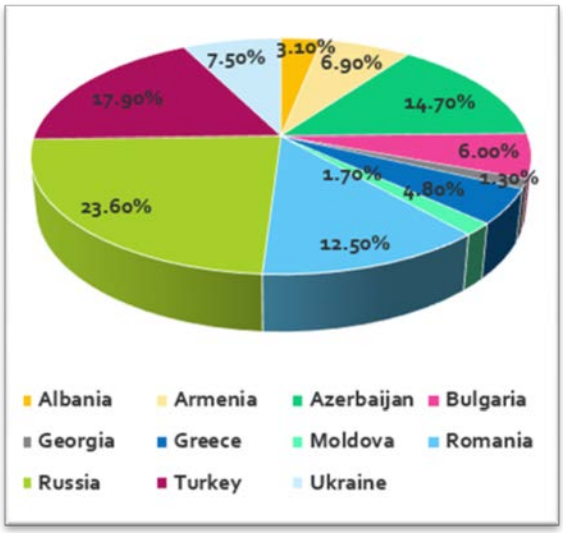


Figure 15: Outstanding Operations by Country

It can be seen that the largest share goes to Russia with 23.6%, followed by Turkey at 17.9% and Romania at 12.5% (BSTDB).

Black Sea Trade and Development Bank has financed a wide array of sectors. The biggest amount of financing that covers 46.2% out of total, has been given to financial institutions. Among other significant exposures were industrials, consumer staples, materials and utilities which together with the financial institution financing covers around 90% of the outstanding portfolio (see figure 16) (BSTDB Annual Report, 2014).

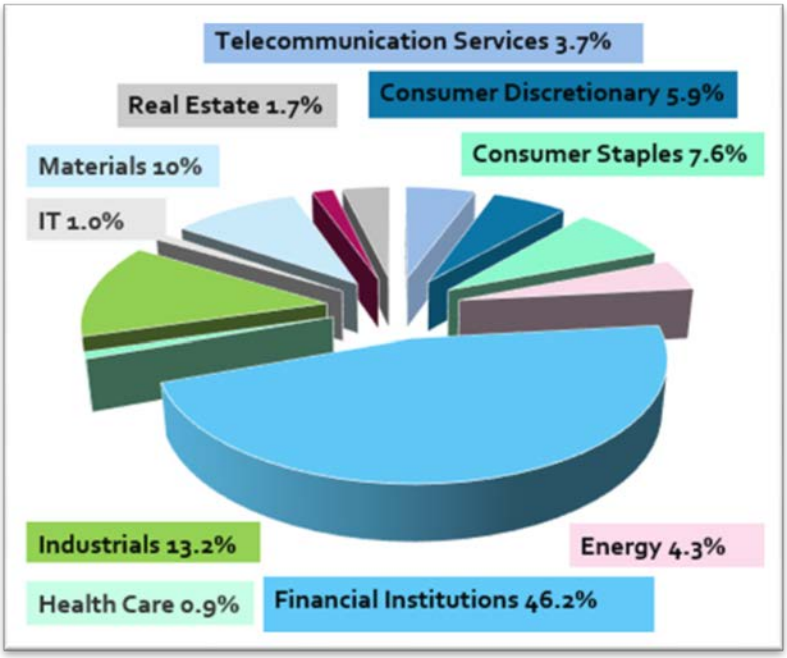


Figure 16: Cumulative Signed Operations by Sector 2014

The strategic focus of the bank is on the SME sector development, trade finance, leasing and mortgage lines of credit extended through financial intermediaries in member countries.

The Bank values its cooperation with other financiers in mobilizing investment in the Black Sea region and realizing cross-country operations. Such operations possess high shareholder value for the Bank and are therefore priority activities (BSTDB Doing Business with BSTDB, 2014).

Some of the selected projects of 2014 were the following (BSTDB Annual Report, 2014):

Trade within the Black Sea Region among its member countries show 2 clearly discernible trends in the Region. In the period up to the global financial crisis, intra-regional trade grew rapidly and systematically as a share of overall trade and GDP. This can be considered as an evidence of increasing regional cooperation. The growth peaked at 9.1% of regional GDP and 18.4% of total external trade in 2008. During the recession of 2009 and the freezing up of international markets that followed the crisis, trade levels dropped sharply in 2009 before recovering to a large degree in 2010. However, since 2010 the share of intraregional trade to overall external trade has been slowly but surely eroding, whereas the share of intra-BSEC trade to GDP picked up in 2010 and 2011, nearly reaching pre-crisis levels, but has since also gone into a gradual but notable slide in 2012 and 2013 (see figure 17) (BSTDB Annual Report 2014).

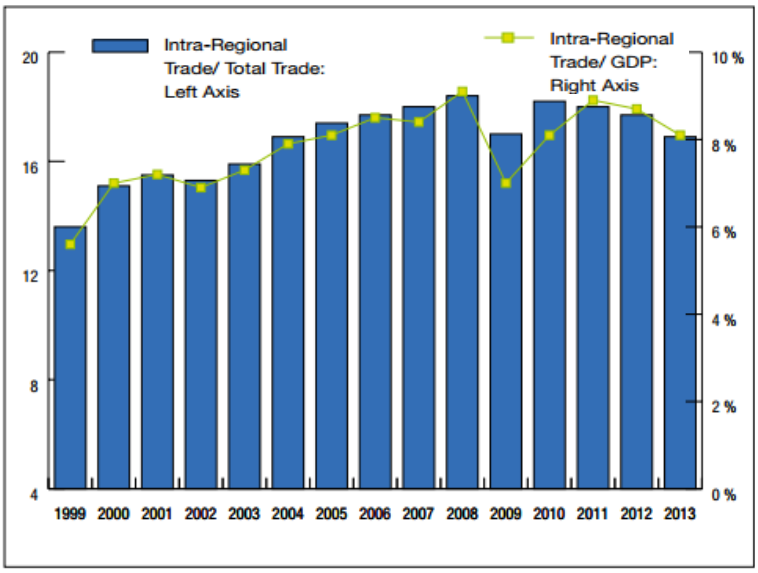


Figure 17: Intra-regional Trade flows in the black sea region 1999-2013

These are not long term trends and can certainly change from year to year, but they do suggest that some of the factors underlying the overall economic sluggishness, of which the Region's geopolitical tensions are likely the most important, are having an effect on trade flows and consequently on the degree of regional cooperation (Regional Cooperation in the Black Sea, 2014).

Intra-regional trade is a crucial composite of regional cooperation. In order to have a better understanding of the trade in the region, in-detail analyses of countries have been performed through discussing country profiles, main trade partners and trends of exports.

Albania

Albania is the 134th largest export economy in the world and has the rate of 110th most complex economy according to the Economic Complexity Index (OEC, 2014). In geographical description, Albania's neighboring countries from the Black Sea Economic Cooperation are Greece and Serbia, while it also borders with Kosovo, Macedonia, Montenegro and Serbia by land, and Croatia and Italy by sea. In comparison with other Black Sea Region countries, Albania was the most closed economy of the Communist past, with its statistical data being confidential and unreliable. Now it can be described as a developing country with a modern open-market economy (Central Intelligence Agency).

Albania managed to weather the first waves of the global financial crisis, remaining quite stable and managing to not experience a vast economic downturn (Erudicia, 2010). This is because Albania has been relatively less vulnerable to shocks of traditional low income countries;

namely, those concerning exports, prices, remittances and Foreign Direct Investments (Westin, 2009). However, more recently, the negative effects of the crisis have caused a significant economic slowdown: close trade, remittance, and banking sector ties with Greece and Italy make Albania vulnerable to spillover effects of debt crises and weak growth in the euro zone (Central Intelligence Agency).

GDP composition per sector shows that the largest share of GDP is covered by Services at 63.3%, followed by Agriculture at 21.9% and Industry at 14.9% (see figure 18, see also figure 8):

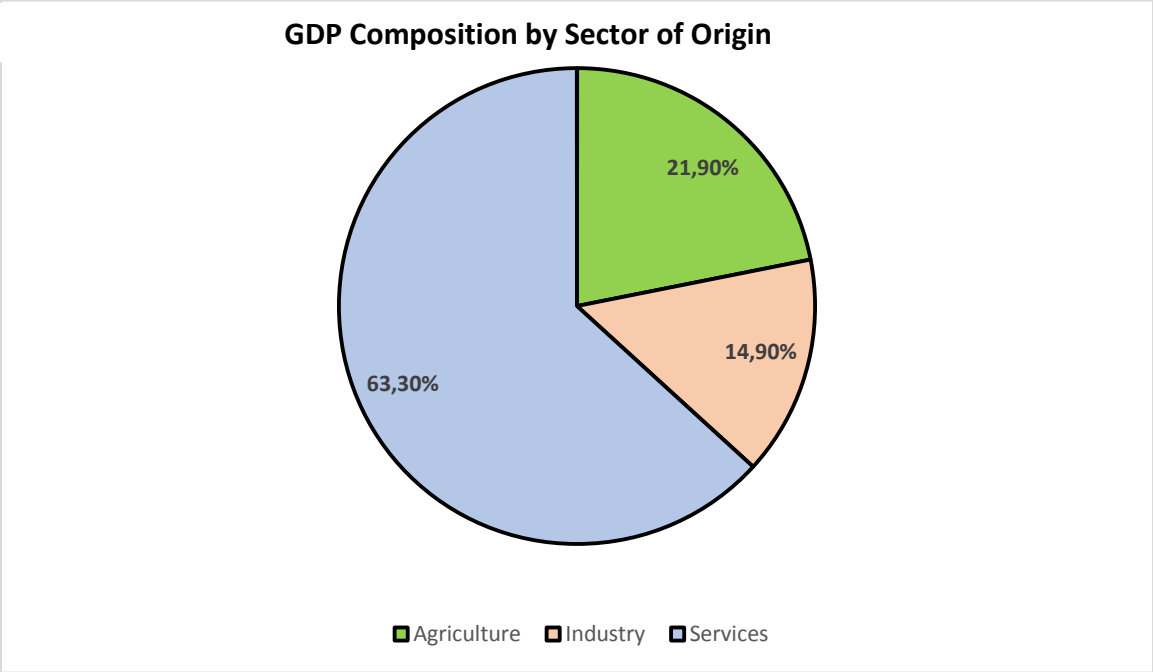


Figure 18: GDP Composition by Sector of Origin 2014

In terms of agriculture the main production covers wheat, corn, potatoes, vegetables, fruits, sugar beets, grapes, meat and dairy products, while the main directions of the industry are food and tobacco products, textiles and clothing, lumber, oil, cement, chemicals, mining, basic metals, hydropower. It is also important to mention that the workforce occupied by sectors is 41.8% for Agriculture, 11.4% for Industry and 46.8% for Services respectively.

The GDP composition by end use is shared among household consumption (85.8%), government consumption (10.6%), investment in fixed capital (27.7%) and in inventories (1.7%), export of goods and services (36.7%) and import of goods and services (-62.5%) respectively (Central Intelligence Agency).

In 2014, Albania exported around USD 2.4 billion and imported USD 4.2 billion, resulting in a negative trade balance of USD 1.8 billion. The top exports of Albania are Crude Petroleum (USD 444 million), Leather Footwear (USD 276 million), Footwear Parts (USD 147 million), Chromium Ore (USD 117 million) and Non-Knit Men's Suits (USD 81.8 million). Its top imports are Refined Petroleum (USD 547 million), Cars (USD198 million), Packaged Medicaments (USD 129 million), Tanned Equine and Bovine Hides (USD 97.4 million) and Footwear Parts (USD 86.2 million) [7]. The main export partners of Albania are Italy (USD 1.15 billion), Spain (USD 168 million), China (USD 130 million), Turkey (USD 92.8 million) and India (USD 88.5 million). The main import partners are Italy (USD1.38 billion), Greece (USD 413 million), Turkey (USD 315 million), China (USD 278 million) and Germany (USD 235 million). Thus we can see that 2 of the Black Sea countries, namely Greece and Turkey are among the main trade partners of Albania (Papava, 2010). The cumulative export of Albania towards the Black Sea countries was around USD 412million in 2014. In 2014 the biggest partners in the Black Sea region after Greece and Turkey are Bulgaria (USD 26.1 million) and Russia (USD 19.4 million). It is interesting to mention, that Albania hasn't had any export to Armenia up until 2011, reaching to only USD 60 thousand in 2014. The lowest amount of export of Albania was to Azerbaijan, which similarly has started cooperation in 2011, and by 2014 reached a very moderate amount of around USD 2000 (WITS).

Armenia

Armenia is a landlocked country that neighbors with Georgia, Azerbaijan, Iran and Turkey. It is the 141st largest export economy in the world and the 64th most complex economy according to the Economic Complexity Index (OEC, 2014). Under the old Soviet central planning system, Armenia developed a modern industrial sector, supplying machine tools, textiles, and other manufactured goods throughout the Soviet Union, in exchange for raw materials and energy. After the collapse of the Soviet Union, its profile has changed rapidly, which was fueled also by

[7] The data on exports and imports of products in this chapter was based on1992 revision of the HS (Harmonized System) classification.
The Harmonized System is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It comprises about 5,000 commodity group and is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics, covering over 98% of the merchandise in international trade classification. The HS contributes to the harmonization of Customs and trade procedures, and the non-documentary trade data interchange in connection with such procedures, thus reducing the costs related to international trade.

the conflict in the region. As a result, 2 of Armenia's borders, namely with Azerbaijan and Turkey have been closed since 1991 and 1993, thus leaving only two trade routes that are Iran and Georgia (Central Intelligence Agency).

Although the government has made a number of improvements in tax and customs administration in most recent years, corruption is still high, leaving a huge room for improvement and additional economic reforms in order to regain economic growth and improve competitiveness (Khachatrian, 2009). Armenia's geographic isolation together with a narrow export base in important business sectors create big obstacles for Armenia's economic performance. Moreover, an additional vulnerability is exposed on the country based on the big dependence on Russian commercial and governmental support in have made it particularly vulnerable to the sharp deterioration in the global economy and the economic downturn in Russia. Armenia is particularly dependent on Russian commercial and governmental support. This includes the ownership and/or management of key infrastructure especially in the energy sector (both gas and electricity) together with the remittances from the Armenian citizens who work in Russia, as they cover around 20% of the GDP and partially weather country's trade imbalances (Minoian, 2003).

Armenia's GDP composition by sector has the following disbursement (see also figure 8):

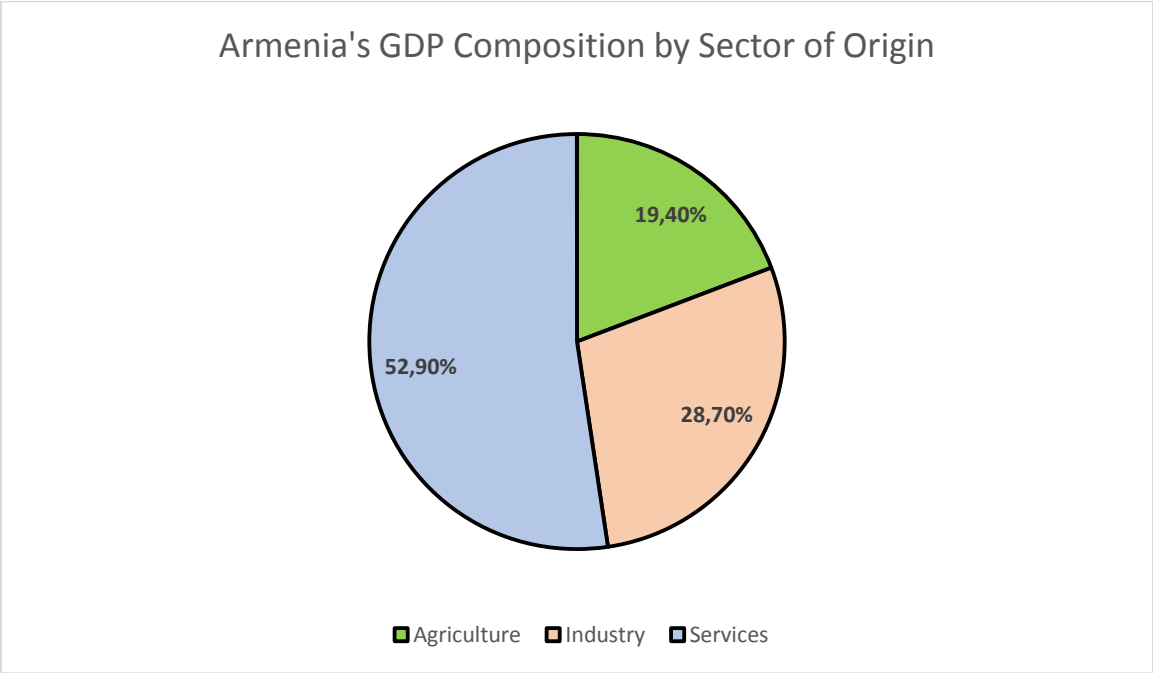


Figure 19: Armenia's GDP Composition by Sector of Origin 2014

GDP composition by end use is spread among household consumption (77.7%), government consumption (13.1%), Investment in fixed capital (20.8%) and in inventories (0.6%), exports (29.8%) and imports (-42%) (Central Intelligence Agency).

In 2014, Armenia exported USD 1.62 billion and imported USD 4.28 billion, resulting in a negative trade balance of USD 2.65 billion. The top imported products are petroleum gas (USD 423 million), refined petroleum (USD 294 million), cars (USD 195 million), gold (USD 143 million) and diamonds (USD 143 million). Armenia's top export partners are Russia (UDS 307 million), China (181 million), Canada (USD 173 million), Germany (USD 160 million) and the United States (USD 92.5 million). The biggest partners for import are Russia (USD 989 million), China (USD 403 million), Georgia (USD 254 million), Turkey (USD 227 million) and Iran (USD 194 million). Armenia has exported around USD 480 mln in 2014. Among the biggest partners alongside Russia were Georgia (USD 85 million) and Bulgaria (USD 65 million). Trade ties between Armenia and Albania have a recent history and a slow progress, while there is absolutely no cooperation between Armenia and Azerbaijan ever since the collapse of the Soviet Union (WITS).

Azerbaijan

Azerbaijan is the 70th largest export economy in the world and the 108th most complex economy according to the Economic Complexity Index (OEC, 2014). Azerbaijan borders with Armenia, Georgia, Iran, Turkey and Russia by land and Turkmenistan by sea (Central Intelligence Agency).

There is broad consensus among experts and international financial institutions (for example IMF) that Azerbaijan has suffered the least from the global financial crisis compared to other countries of the post-Soviet world (Hubner and Jainzik, 2009). Two factors have to be taken into account in order to understand Azerbaijan's ability to cope with the global financial crisis better than any other post-Soviet country (Badalova, 2009). First and foremost, the underdevelopment of its financial sector which is a typical phenomenon that concerns almost all the post-Soviet countries, while Azerbaijan has a weaker performance in comparison to Armenia, Georgia, Russia and Ukraine (Hubler and Jaznik, 2009) which has turned into an advantage within the period of the Global Financial Crisis and had an adverse impact on the economy of the country.

Second, the country has a dominating sector of oil and gas. This was reflected in the figures, thus for example, in 2008 they had a share of more than 60% in the GDP of the country, making up to 60% of all state revenues and covering around 100% of the exports. Moreover, this allowed to attract inflows of foreign currency resources growing by around 6.7 times from 2003 to 2008. Although the prices on oil has dropped significantly, Azerbaijan could alleviate this negative impact through the foreign currency reserves.

In 2014, Azerbaijan's GDP composition by sectors is disbursed in the following way (see also figure 8):

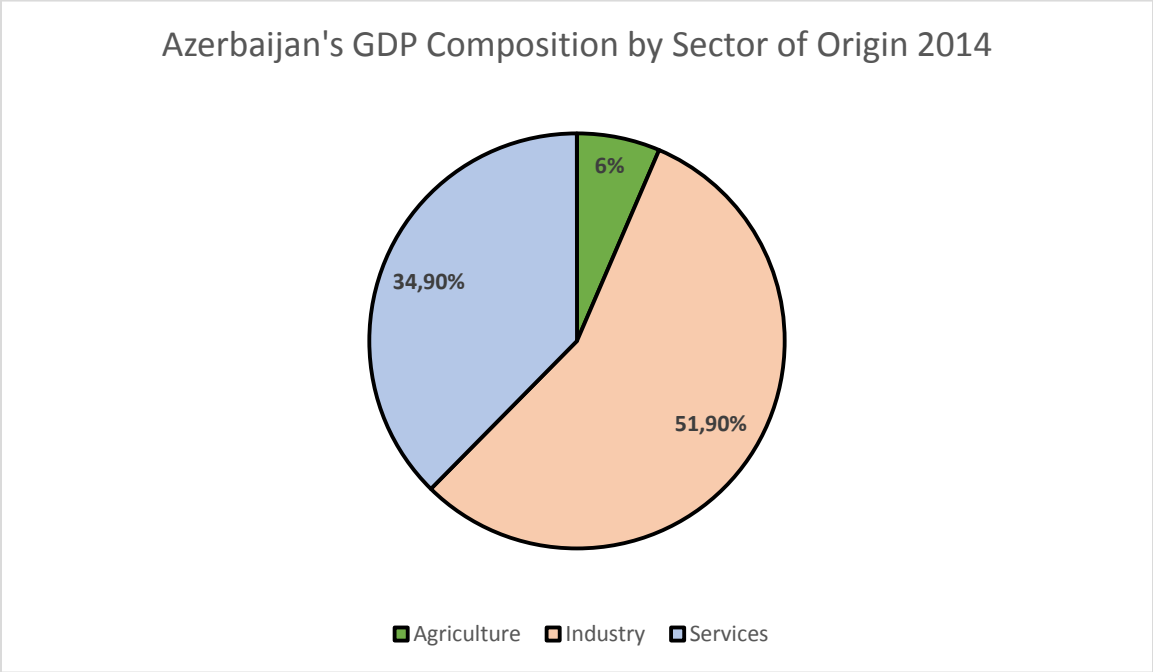


Figure 14: Azerbaijan's GDP Composition by Sector of Origin 2014

The GDP composition by end use spread around the household consumption 55.8%, government consumption 12.5%, investment in fixed capital 28.6%, investment in inventories 0.1% exports 37.8% and imports -34.8% (Central Intelligence Agency).

Azerbaijan has experienced high economic growth, which is attributable to large and growing oil and gas exports. On the other hand, some non-export sectors such as construction, banking and real estate have also featured growth.

However, there is little success concerning the institutionalization of market-based economic reforms. Corruption dominates in both public and private sectors, while structural economic inefficiencies drag down the possible long term growth, particularly affecting the non-energy sector. Among a number of other factors is the need for stepped up foreign investment in the

non-energy sector. A big impact is played by the Nagorno-Karabakh conflict between Armenia and Azerbaijan, which drags any prospects of economic growth for both countries (Hasanov, 2009).

In 2014, Azerbaijan exported USD 25.7 billion and imported USD 13.9 billion, resulting in a positive trade balance of USD 11.8 billion. The export of Azerbaijan is mainly concentrated on crude petroleum (USD 22.4 billion), refined petroleum (USD 1.16 billion), petroleum gas (USD 374 million), raw sugar (USD 222 million) and ethylene polymers (USD 118 million). As for the import, the main products are cars (USD 884 million), Gold (USD 495 million), Wheat (USD 390 million), Rolled Tobacco (USD 318 million) and packaged medicaments (USD 275 million). The main export destinations of Azerbaijan are Italy (USD 6.52 billion), Germany (USD 2.37 billion), Indonesia (USD 2.05 billion), Israel (USD 1.77 billion) and France (USD 1.58 billion). The imports mainly come from Turkey (USD 2.41 billion), Russia (USD 2.08 billion), the United Kingdom (USD 1.04 billion), Germany (USD 1.02 billion) and China (USD 759 million). In the recent years, a tendency of declining trade with other former Soviet republics and increasing trade with Turkey and European countries can be observed. In regard of the intra-regional cooperation within Black Sea region, the biggest export destinations were Russia (USD 640 million), Georgia (USD 529 million) and Turkey (502 million). The smallest amount went to Serbia, while there were no obvious ties with Albania and Armenia as mentioned before (WITS).

Bulgaria

Bulgaria, a former Soviet satellite, is the 66th largest export economy in the world and the 45th most complex economy according to the Economic Complexity Index (OEC). Bulgaria borders with Turkey, Greece, Macedonia, Romania and Serbia. By implementing sound economic reforms and responsible fiscal planning, Bulgaria has grown into entering the European Union on 1st January 2007, performing an average of 6% of growth in the period between 2004 to 2008, with the impact of big amounts of bank lending, consumption as well as FDI. However, there are a number of significant challenges for Bulgaria, one of them the still high level of corruption. On the other hand, the global economic crisis has sharply reduced the domestic demand, exports and industrial production which lead to contraction of GDP by around 5.5% in 2009, leaving the country to a slow recovery since (Central Intelligence Agency).

The GDP composition by sectors of origin has shown the following image (see also figure 8):

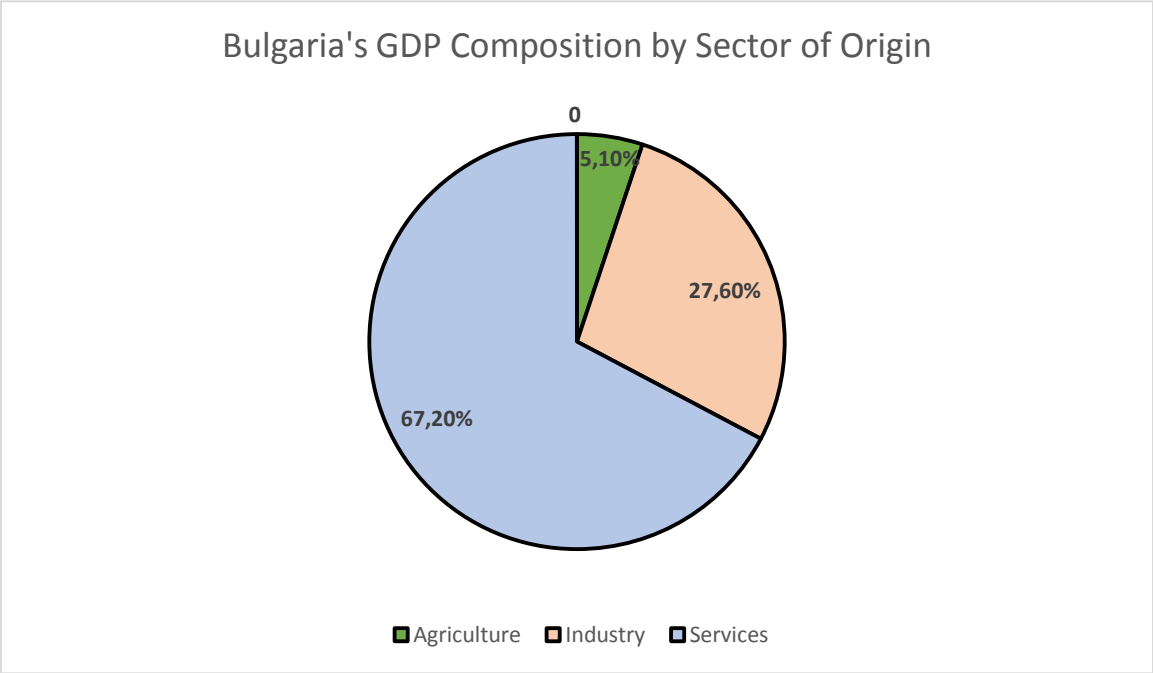


Figure 15: Bulgaria's GDP composition by sector of origin 2014

The GDP composition by end use was disbursed between household consumption (60.9%), government consumption (16.3%), Investment in fixed capital (21.2%) and in inventories (0.2%), exports (66.5%) and Imports (-65%) (Central Intelligence Agency).

In 2014, Bulgaria exported USD 30 billion and imported USD 34.4 billion, resulting in a negative trade balance of USD 4.44 billion. Bulgaria exported refined petroleum (USD 2.82 billion), refined copper (USD 1.75 billion), packaged medicaments (USD 1.03 billion), raw copper (USD 952 million) and wheat (USD 769 million). As for the imports, the main were crude petroleum (USD 3.16 billion), copper ore (USD 2.19 billion), refined petroleum (USD 1.46 billion), petroleum gas (USD 1.19 billion) and packed medicaments (1.15 billion). The top export destinations of Bulgaria were Germany (USD 3.53 billion), Italy (USD 3.01 billion), Turkey (USD 2.72 billion) Romania (USD 2.06 billion) and Greece (USD 1.77 billion). Top import origins were Russia (USD 4.91 billion), Germany (USD 3.99 billion), Romania (USD 2.3 billion), Italy (USD 2.26 billion) and Turkey (USD 1.98 billion). Out of the Black Sea region countries, the lowest export of Bulgaria goes to Armenia and Ukraine, at USD 24 and USD 25 million respectively (WITS).

Georgia

Georgia is the 122nd largest export economy in the world and the 66th most complex economy according to the Economic Complexity Index (OEC). Georgia borders with Armenia, Azerbaijan, Turkey and Russia by land and Ukraine by sea.

In 2008, the impact of economic crisis on Georgia was not expected to be high due to the relatively isolated nature of Georgia's financial market (Akhmeteli, 2008), however in the course of the year, all the doubts disappeared. In the same year, the country was involved in a war with Russia, which lead to direct economic damage consisting of ruined settlements and infrastructure. Moreover, Georgia had to deal with the consequences of the 5-day war, particularly, liquidating the economic damage that was caused by the war, avoiding a crisis in the banking sector, preventing any further growth of the relatively high inflation rate, and preserving exchange rate stability of the national currency. (Corso, 2009).

Georgia has been recovering since, at the same time implementing positive changes and policies towards creating a more prosperous country. Georgia has simplified the tax code, improved tax administration, cracked down petty corruption, leading to higher revenues. Moreover, an important step was signing an association agreement with the EU that allowed free trade and visa-free travelling.

In 2015 Georgia's GDP composition by sector was the following (see also figure 8):

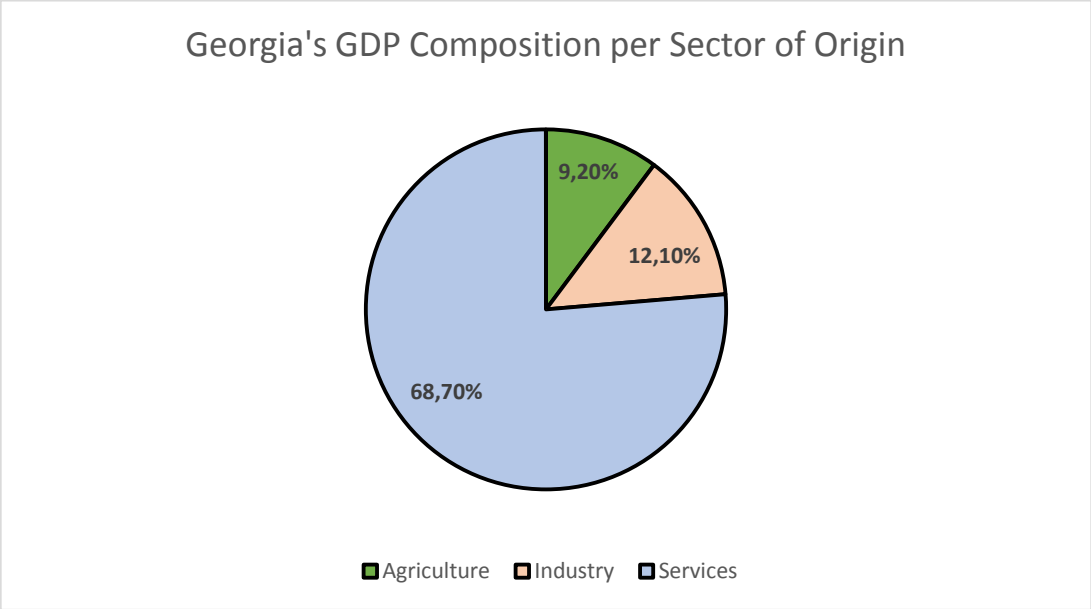


Figure 16: Georgia's GDP Composition per Sector of Origin 2014

GDP composition by the end use is combined of household consumption (71.2%), government consumption (16.5%), investment in fixed capital (28.5%) and in inventories (3.7%), exports (45%) and imports (-64.9%) (Central Intelligence Agency)

In 2014, Georgia exported USD 3.58 billion and imported USD 8.91 billion, resulting in a negative trade balance of USD 5.33 billion. Georgia mainly exports cars (USD 513 million) refined petroleum (USD 318 million), ferroalloys (USD 299 million), copper ore (USD 240 million) and wine (USD 192 million). As for the exports, the top are refined petroleum (USD 931 million), cars (USD 716 million), petroleum gas (USD 363 million), packaged medicaments (USD 317 million) and broadcasting equipment (USD 159 million). Georgia's main export destinations are Azerbaijan (USD 540 million), the United States (USD 323 million), Russia (USD 293 million), Bulgaria (USD 270 million) and Armenia (USD 254 million). The main sources for import are Turkey (USD 1.72 billion), China (USD 777 million), Azerbaijan (USD 625 million), Russia (USD 576 million) and Ukraine (USD 540 million). Among the Black Sea countries, the smallest export activity was held with Serbia and Albania, exporting USD 137 thousand and USD 216 thousand respectivelyv (WITS).

Greece

Greece is the 63rd largest export economy in the world and the 54th most complex economy according to the Economic Complexity Index (OEC). Greece has borders with Turkey, Albania, Bulgaria and Macedonia by land, and with Egypt, Libya, Cyprus and Italy by sea.

Amongst the other countries of the Black Sea Region, Greece, has the advantage of not having a Communist past. Moreover, Greece is a member of the EU and can be described by quite a high degree of EU market integration. In spite of a relatively high level of economic development, Greece has not been able to avoid the negative impact of the global financial crisis (Tremonti, 2009). From the very beginning, optimism for the impact of the crisis was created due to the stability of Greece's banking system as well as by the fact that it is not an industrial country and its economy is not significantly dependent upon its exports (shipping and tourism are important for the country) (Zompoulidis, 2009). The Greek economy averaged growth of about 4% per year between 2003 and 2007, but the economy went into recession in 2009 as a result of the world financial crisis. By 2013 the economy had contracted 26%, compared with the pre-crisis

level of 2007. Greece met the EU's Growth and Stability Pact budget deficit criterion of no more than 3% of GDP in 2007-08, but violated it in 2009, with the deficit reaching 15% of GDP. Under intense pressure from the EU and international market participants, the government accepted a bailout program that called on Athens to cut government spending, decrease tax evasion, overhaul the civil-service, health-care, and pension systems, and reform the labor and product markets. Austerity measures reduced the deficit to 3% in 2015.

The GDP of Greece by sector of origin has the following image:

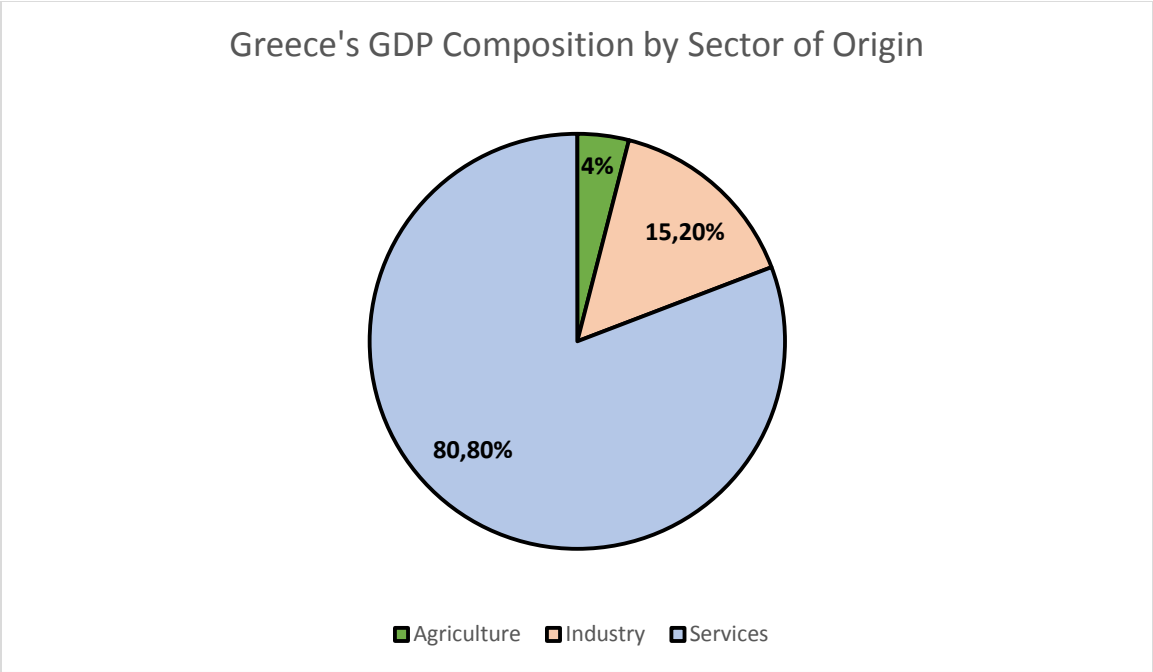


Figure 17: Greece's GDP Composition by Sector of Origin 2014

GDP composition by end use is shared among household consumption (70.5%), government consumption (20.2%), investment in fixed capital (11.7%) and inventories (-2.2%), export (30.2%) and Import (-30.3%) (Central Intelligence Agency)

In 2014, Greece exported USD 33.2 billion and imported USD 60.8 billion, resulting in a negative trade balance of USD 27.6 billion. The top exports of Greece are refined petroleum (USD 10.5 billion), packaged medicaments (USD 1.24 billion), aluminum plating (USD 705 million), non-fillet fresh fish(USD 548 million) and processed vegetables (USD 458 million). The top imports are crude petroleum (USD 13.3 billion), refined petroleum (USD 4.24 billion), packaged medicaments (USD 2.88 billion), passenger and cargo ships (USD 2.53 billion) and petroleum gas (USD 1.19 billion). The top export destinations of Greece are Turkey (USD 4.16 billion), Italy (USD 3.08 billion), Germany (USD 2.27 billion),

Bulgaria (USD 1.67 billion) and Cyprus (USD 1.62 billion). The main import origins are Germany (USD 6.24 billion), Russia (USD 5.66 billion), Italy (USD 4.76 billion), Iraq (USD 4.75 billion) and China (USD 3.39 billion). In 2014, exports towards the Black Sea region were around USD 889 million, while the lowest went to Armenia at around USD 12 million (WITS).

Moldova

Moldova is the 126th largest export economy in the world and the 76th most complex economy according to the Economic Complexity Index (OEC). Moldova borders Romania and Ukraine. Moldova remains one of the poorest countries in Europe, with its economy vulnerable to corruption, political uncertainty, weak administrative capacity, Russian political and economic pressure, and unresolved separatism in Moldova's Transnistria region (Chandy et al., 2009). With a moderate climate and productive farmland, Moldova's economy relies heavily on its agriculture sector. With few natural energy resources, Moldova imports almost all of its energy supplies from Russia and Ukraine. 2014. Romanian gas exports to Moldova are largely symbolic. Moldova also depends on annual remittances of about $1.12 billion from around one million Moldovans working in Europe, Russia, and other former Soviet countries. In 2009, Moldova experienced the impact of not only global financial crisis, but also a thorny political crisis emerging from it (Lamond, 2009). The GDP decreased rapidly, while a significant number of working migrants from Moldova returned to the country, further increasing the unemployment problem (UNDP, 2009). In 2009, Moldova failed to elect a President due to contradictions within its Parliament thereby creating an unstable political environment for the government.

In 2014 the GDP composition per sector of origin was the following:

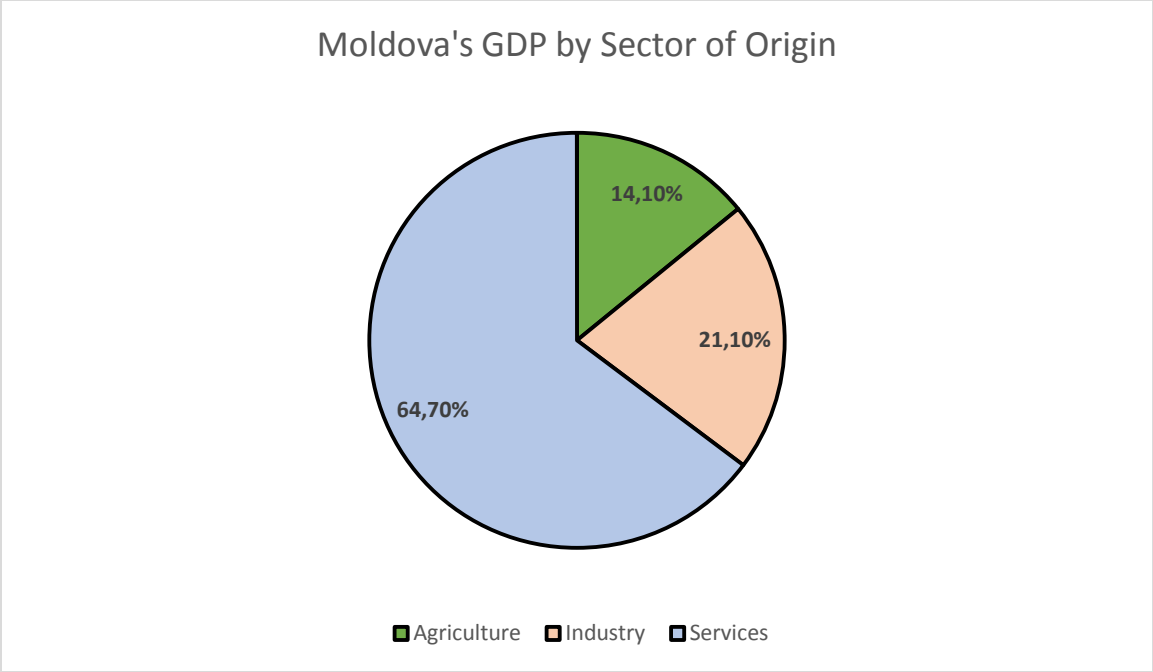


Figure 18: Moldova's GDP Composition by Sector of Origin 2014

GDP by end use was disbursed between household consumption (89.7%), government consumption (20.7%), investment in fixed capital (23.6%) and in inventories (1.3%), exports (43.2%) and imports (-78.5%) (Central Intelligence Agency).

Forward to 2014, Moldova exported USD 2.97 bllion and imported USD 5.64 billion, resulting in a negative trade balance of USD 2.67 billion. The top exports of Moldova are insulated wire (USD 268 million), sunflower seeds (USD 135 million), wheat (USD 127 million), packaged medicaments (USD 119 million) and hot-rolled iron bars (USD 118 million). Its top imports are refined petroleum (USD 687 million), packaged medicaments (USD 253 million), planes, Helicopters, and Spacecraft (USD 172 million), cars (USD 154 million) and rolled tobacco (USD 103 million). The top export destinations of Moldova were Romania (USD 508 million), Russia (USD 478 million), Italy (USD 325 million), Germany (USD 162 million) and Turkey (USD 148 million). The top import origins are Romania (USD 856 million), Ukraine (USD 664 million), China (USD 475 million), Germany (USD 446 million) and Russia (USD 375 million). Moldova has exported around 1 billion towards the Black Sea Countries, with the smallest export to Albania at USD 165 000 (WITS).

Romania

Romania is the 46th largest export economy in the world and the 38th most complex economy according to the Economic Complexity Index (OEC). Romania has borders with Bulgaria, Hungary, Moldova, Serbia and Ukraine by land and Turkey by sea.

Romania began its transition from communism in 1090 with a large obsolete industrial base and a pattern of output that didn't suit the country's needs. Romania was one of the latest countries to join the European Union (2007), therefore not yet fully integrated into the EU market when the global financial crisis arrived (Petrova). In the aftermath of the global financial crisis, Romania signed a $26 billion emergency assistance package from the IMF, the EU, and other international lenders, but GDP contracted until 2011. Economic growth rebounded in 2013-15, driven by strong industrial exports and excellent agricultural harvests, and the fiscal deficit was reduced substantially. Industry outperformed other sectors of the economy in 2015. Exports remained an engine of economic growth, led by trade with the EU, which accounts for roughly 70% of Romania trade.

In 2014 Romania's GDP composition per sector of origin was as follows (see also figure 8):

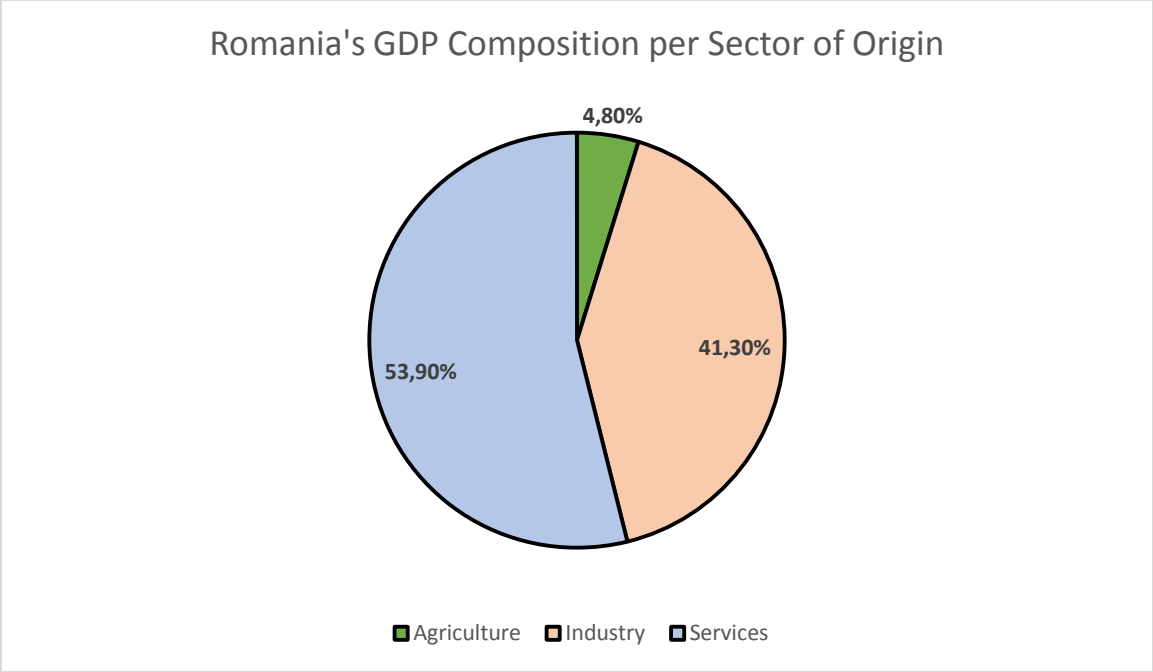


Figure 19: Romania's GDP Composition by Sector of Origin, 2014

GDP composition by end use was disbursed among household consumption (67.9%) government consumption (7%), investment in fixed capital (24.7%) and in inventories (0.9%), exports (41.1%) and imports (-41.6%) (Central Intelligence Agency).

In 2014, Romania exported USD 71.4 billion and imported USD 75.6 billion, resulting in a negative trade balance of USD 4.26 billion. The top exports of Romania are vehicle parts (USD 4.73 billion), insulated wire (USD 3.94 billion), cars (USD 3.78 billion), refined petroleum (USD 3.36 billion) and wheat (USD 1.96 billion). Its top imports were crude petroleum (USD 4.41 billion), vehicle parts (USD 3.02 billion), packaged medicaments (USD 2.86 billion), insulated wire (USD 1.57 billion) and cars (USD 1.52 billion).The top export destinations of Romania are Germany (USD 13.1 billion), Italy (USD 7.93 billion), France (USD 4.32 billion), Turkey (USD 3.47 billion) and Hungary (USD 2.96 billion). The top import origins are Germany (USD 14.1 billion), Italy (USD 7.98 billion), Hungary (USD 5.75B billion, France (USD 4.3 billion) and Poland (USD 3.41 billion). Export of Romania towards the Black Sea countries in 2014 was around USD 1.17 billion, while the lowest export went to Armenia at USD 7.68 million (WITS).

Russia

Russia is the 10th largest export economy in the world and the 27th most complex economy according to the Economic Complexity Index (OEC). Russia has borders with Azerbaijan, China, Georgia, Kazakhstan, Mongolia, North Korea, Belarus, Estonia, Finland, Lithuania, Latvia, Norway, Poland and Ukraine by land and Japan and the United States by sea. Russia has undergone significant changes since the collapse of the Soviet Union, moving from a centrally planned economy towards a more market-based system. Since the financial crisis of August 1998, Russia's economy has developed at an impressive pace; GDP growth almost doubled over the past ten years, and the economy has become much more attractive to foreign investors (OECD, 2009). The impact of the global financial crisis on Russia's economy can be attributed not only to foreign but, rather, to domestic factors, particularly to the accumulated unsolved problems characteristic of the country's industry and its economy as a whole (Aslund, 2008). Dzasarov (2009) suggests, that national factors underlie in Russia's crisis and that the global financial crisis is only an additional one piled up in the financial, technological, economic, and political crises of Russia. It is important to mention, that oil, gas and metal prices in international markets plunged, causing a GDP growth rate decrease and increase unemployment (Bulatov, 2009). Russia's reliance on commodity exports makes it vulnerable to boom and bust cycles that

follow the volatile swings in global prices. Moreover, combination of falling oil prices, international sanctions, and structural limitations pushed Russia into a deep recession in 2015.

In 2014 Russia's GDP composition by sector of origin was as follows:

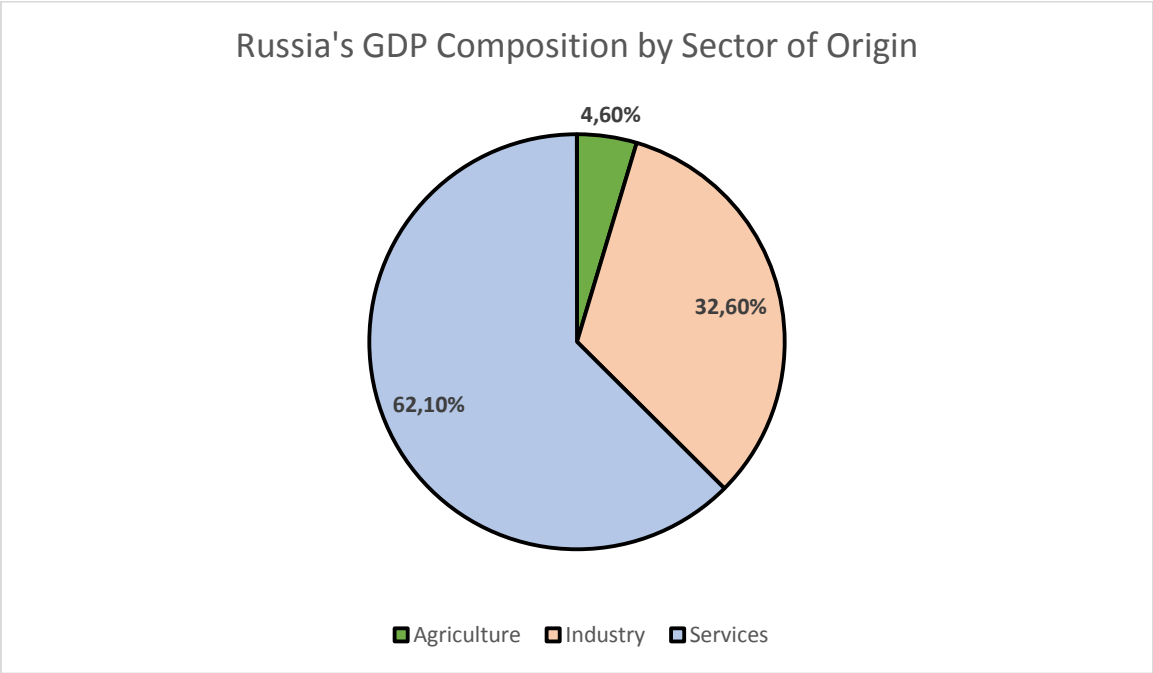


Figure 20: Russia's GDP Composition by Sector of Origin 2014

The GDP by end use was disbursed among household consumption (54.1%) government consumption (19.1%), investment in fixed capital (21.7%) and in inventories (-3.4%), Exports (29.8%) and Imports (-21.2%) (Central Intelligence Agency).

In 2014, Russia exported USD 449 billion and imported USD 295 billion, resulting in a positive trade balance of USD 154 billion. The top exports of Russia are crude petroleum (USD 155 billion), refined petroleum (USD 88.3 billion), petroleum gas (USD 35.9 billion), coal briquettes (USD 12.7 billion) and raw aluminum (USD 7.64 billion). Its top imports are cars (USD 15.7 billion), Packaged Medicaments (USD 10.2 billion), Vehicle Parts (USD 9.5 billion), Planes, Helicopters, and Spacecraft (USD 7.43 billion) and Computers (USD 5.75 billion).

The top export destinations of Russia are China (USD 39.3 billion), the Netherlands (USD 39 billion), Germany (USD 29.8 billion), Italy (USD 22.9 billion) and Japan(USD 21.5 billion). The top import origins are China (USD 50 billion), Germany (USD 37.3 billion), the United States (USD 16.5 billion), Belarus (USD 14.9 billion) and Italy (USD 12.4 billion). In 2014 Russia's export towards the Black Sea countries was around USD 36 billion, with the smallest

export going to Albania at around USD 80 million. The biggest export of USD 14.7 billion went to Turkey, followed up by Ukraine at USD 11.3 billion (WITS).

Serbia

Serbia is the 76th largest export economy in the world and the 41st most complex economy according to the Economic Complexity Index (OEC). Serbia borders with Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Hungary, Kosovo, Macedonia, Montenegro and Romania

Although Serbian government remained confident at first that the global financial crisis would not affect Serbia a lot, the impact of it became particularly big in 2009, as the GDP increased by 5.5% in 2008 as compared to 2007, it is expected that it decreased by 2.9% in 2009 as compared to 2008. (SORS, 2009).

In 2014, the GDP of Serbia by sector of origin was as follows:

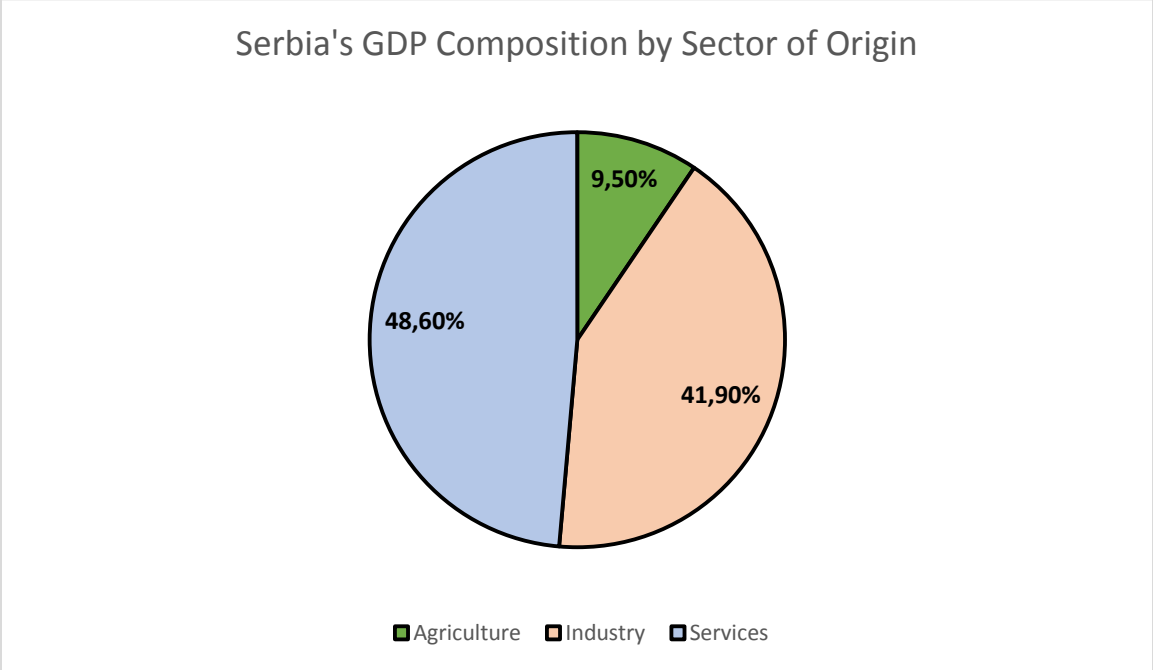


Figure 21: Serbia's GDP Composition by Sector of Origin 2014

As for the GDP composition by end use, it was disbursed among government consumption (11.4%), investment in fixed capital (18.1%) and in inventories (-1.1%) exports (47.7%) and imports (-57.4%) (Central Intelligence Agency).

In 2014, Serbia exported USD 15.1 billion and imported USD19.8 billion, resulting in a negative trade balance of USD 4.65 billion. The top exports of Serbia are cars (USD 1.79 billion), insulated wire (USD 550 million), corn (USD 542 million), rubber tires (USD 420

million) and frozen fruits and nuts (USD 367 million). Its top imports are vehicle parts (USD 1.14 billion), crude petroleum (USD 1.05 billion), petroleum gas (USD 752 million), refined petroleum (USD 728 million) and packaged medicaments (USD 624 million).

In 2014, the top export destinations of Serbia were Italy (USD 2.51 billion), Germany (USD 1.77 billion), Bosnia and Herzegovina (USD 1.19 billion), Russia (USD 1.06 billion) and Montenegro (USD 695 million). The top import origins were Germany (USD 2.2 billion), Italy (USD 2.12 billion), Russia (USD 2.07 billion), China (USD 1.27 billion) and Hungary (USD 1.11 billion). Serbia has exported around USD 2.9 billion towards the Black Sea countries, with the lowest export to Armenia for around USD 1.7 million and the highest one after Russia being Romania at around USD 829 million (WITS).

Turkey

Turkey is the 27th largest export economy in the world and the 51st most complex economy according to the Economic Complexity Index (OEC). Turkey has borders with Armenia, Azerbaijan, Georgia, Iran, Iraq, Syria, Bulgaria and Greece by land and Egypt, Cyprus, Romania, Russia and Ukraine by sea.

After Turkey experienced a severe financial crisis in 2001, a number of financial and fiscal reforms were adopted as part of an IMF program (Koch and Chaudhary, 2001). The reforms strengthened the country's economic fundamentals and ushered in an era of strong growth averaging more than 6% annually until 2008. Global economic conditions and tighter fiscal policy caused GDP to contract in 2009, but Turkey's well-regulated financial markets and banking system helped the country weather the global financial crisis. The Turkish economy, however, retains significant weaknesses. Specifically, Turkey's relatively high current account deficit, uncertain commitment to structural reform, and turmoil within Turkey's neighborhood leave the economy vulnerable to destabilizing shifts in investor confidence.

In 2014, the GDP of Turkey by sector of origin was as follows:

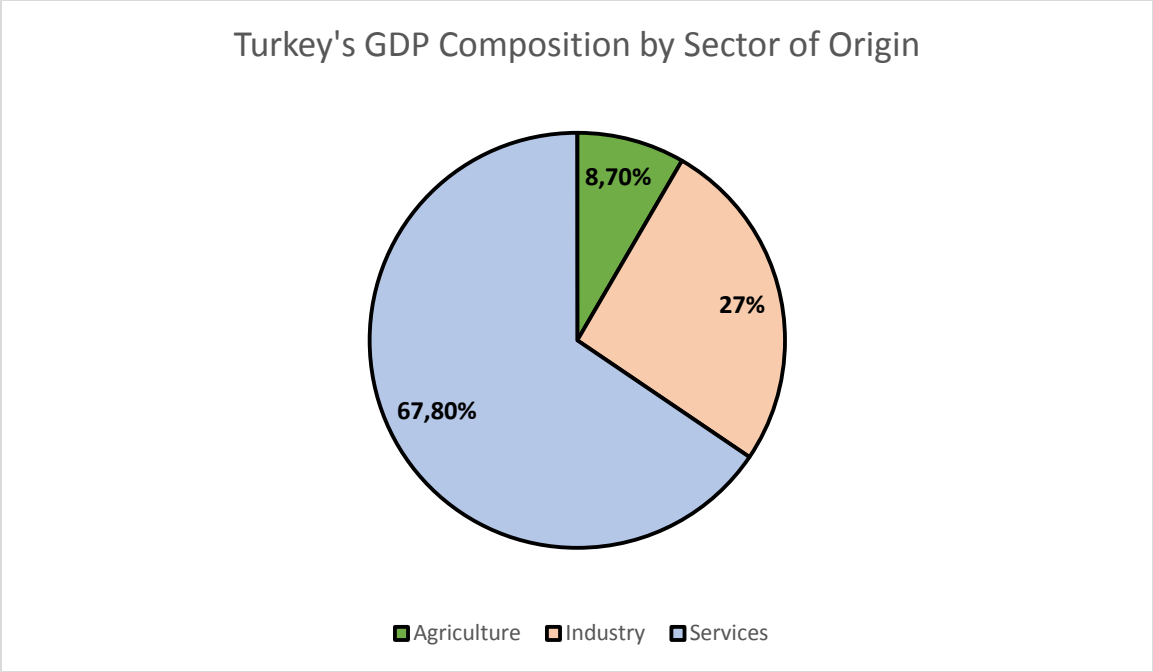


Figure 22: Turkey's GDP Composition by Sector of Origin 2014

GDP by end use was disbursed among household consumption (68.6%), government consumption (15.7%), investment in fixed capital (20.3%) and in inventories (-1.7%), exports (27.9%) and imports (-30.8%) (Central Intelligence Agency).

In 2014, Turkey exported USD 165 billion and imported USD 217 billion, resulting in a negative trade balance of USD 51.2 billion. The top exports of Turkey were cars (USD 7.95 billion), vehicle parts (USD 4.73 billion), raw iron bars (USD 4.28 billion), delivery trucks (USD 4.15 billion) and jewelry (USD 4.06 billion). Its top imports were refined Petroleum (USD15.7 billion), cars (USD 7.94 billion), gold(USD 7.51 billion), scrap iron (USD 6.65 billion) and petroleum gas (USD 6.56 billion). The top export destinations of Turkey were Germany (USD 16.9 billion), Iraq (USD 10.8 billion), the United Kingdom (USD 10.3 billion), France (USD 7.87 billion) and Italy (USD 7.58 billion). The top import origins were China (USD 24.6 billion), Germany (USD 23.5 billion), Russia (USD 14.7 billion), Italy (USD 12.3 billion) and the United States (USD 11.8 billion). Turkey has exported around USD 20 billion towards the Black Sea countries, with the highest export going to Russia at USD 5.9 billion followed by Romania at around USD 3 billion. The lowest export was to Albania at around USD 318 million, while there were no relations with Armenia for the year 2014 (WITS).

Ukraine

Ukraine is the 52nd largest export economy in the world and the 31st most complex economy according to the Economic Complexity Index (OEC). Ukraine borders with Belarus, Hungary, Moldova, Poland, Romania, Russia and Slovakia by land, and Georgia and Turkey by sea. After Russia, the Ukrainian republic was the most important economic component of the former Soviet Union. Shortly after independence in August 1991, the Ukrainian Government liberalized most prices and expanded the legal framework for privatization, but widespread resistance to reform within the government and the legislature soon stalled reform efforts and led to some backtracking. International institutions such as IMF encouraged Ukraine to quicken the pace and scope of reforms to foster economic growth. Ukrainian Government officials eliminated most tax and customs privileges in a March 2005 budget law, bringing more economic activity out of Ukraine's large shadow economy. Ukraine's dependence on Russia for energy supplies and the lack of significant structural reform have made the Ukrainian economy vulnerable to external shocks. As the global financial crisis started to spread towards the Eastern European countries, rather pessimistic forecasts were made for Ukraine (Elroy and Wall, 2009). The turbulent political life that characterized the country for years had significant repercussions, thus leaving the Ukrainian economy extremely vulnerable to the ongoing crisis (Aris, 2009) The political instability in Ukraine reflects mostly on the country's financial system, as for example the 20% of the national currency depreciated following the beginning of the crisis (Aslund, 2009). Ukraine was the country most affected by the global financial crisis,345 having experienced the worst economic downturn amongst the Black Sea Region countries. (Gavras and Iorga, 2009). The Ukrainian economy slowly stabilized throughout the period of 2010-2014, by making a significant progress on reforms. However, Russia's occupation of Crimea in March 2014 and on-going aggression in eastern Ukraine have hurt economic growth.

The GDP of Ukraine by Sector Origin in 2014 was as follows:

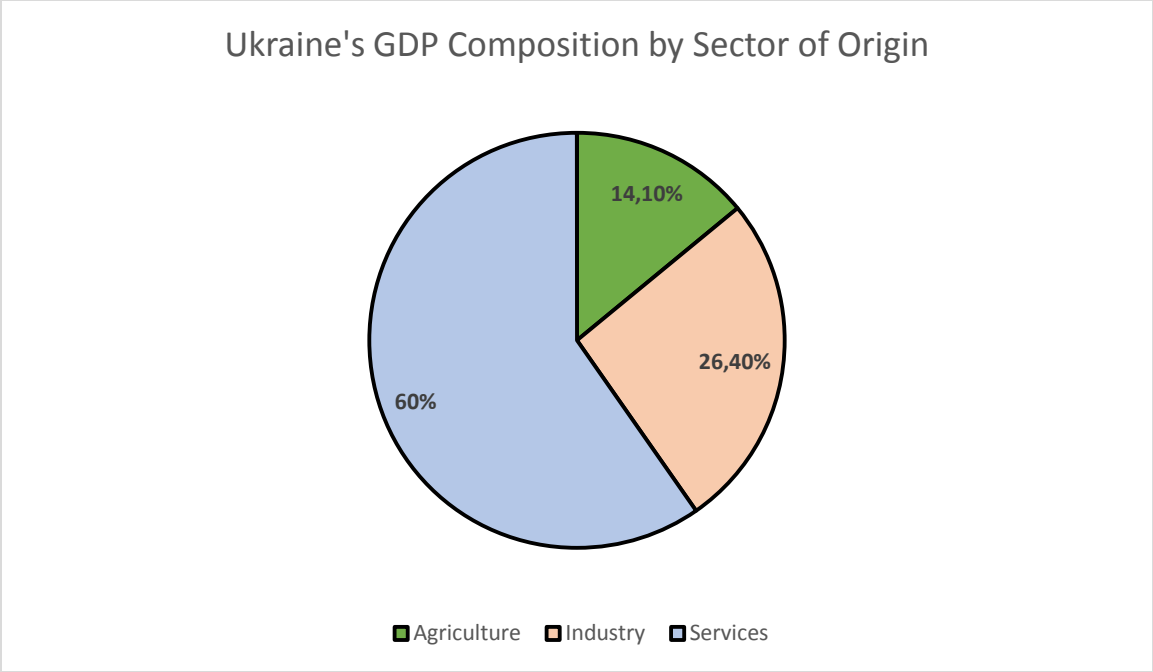


Figure 23: Ukraine's GDP Composition by Sector of Origin 2014

While the GDP by end use was disbursed among the household consumption (67.6%), government consumption (19%), investment in fixed capital (13.3%) and in inventories (2%), Exports (52.8%) and Imports (-54.8%) (Central Intelligence Agency).

In 2014, Ukraine exported USD 58.2 billion and imported USD 58.3 billion, resulting in a negative trade balance of USD 180 million. The top exports of Ukraine are semi-finished iron (USD 5.39 billion), seed oils (USD 3.58 billion), corn (USD 3.38 billion), iron ore (USD 3.35 billion) and wheat (USD 3.31 billion). Its top imports are refined petroleum (USD 7.94 billion), petroleum gas (USD 6.81 billion), packaged medicaments (USD 2.13 billion), coal briquettes (USD 1.52 billion) and cars(USD 1.21 billion). The top export destinations of Ukraine are Russia (USD 9.9 billion), Egypt (USD 4.6 billion), Turkey (USD 3.67 billion), China (USD 2.74 billion) and Italy (USD 2.66 billion). The top import origins are Russia (USD 13.9 billion), Germany (USD 5.52 billion), China (USD 5.46 billion), Belarus (USD 4.08 billion) and Poland (USD 3.53 billion). Among the Black Sea countries, Ukraine had the second biggest export (after Russia) to Turkey at around USD 3.65 billion. The smallest export went to Albania at USD 2.45 million (WITS).

Research Methodology

In this thesis, the Cooperation in the Black Sea region has been viewed through both the political and economic lenses, and a respective empirical analysis has been performed in order to understand how these two lenses are connected, what tendencies can be found with the economic cooperation.

As the region has a number of conflicts among different countries, it was important to see whether these tensions are somehow correlated with the economic cooperation in the region. On the other hand, it was important to understand whether there was any correlation between economic complexity of the country and economic cooperation in the region. Thus, I have tried to analyze if the economic complexity and political stability are both affected by the exports and the GDP Per Capita.

The analysis was performed with STATA program. Through the empirical analysis, the twelve countries of the Black Sea region have been viewed for the period from 1996 to 2014. Although the data covers less than 23 years, we cannot be precisely sure about the results. The following variables have been chosen:

- Political Stability Index: **Political**
- Economic Complexity Index: **Econcom**
- GDP Per Capita: **pcgdp**
- Export of each country to the Black Sea region: **Export**

The Political Stability Index is a composite measure as it is based on several other indexes from multiple sources including the Economist Intelligence Unit, the World Economic Forum, and the Political Risk Services, among others. The underlying indexes reflect the likelihood of a disorderly transfer of government power, armed conflict, violent demonstrations, social unrest, international tensions, as well as ethnic, religious or regional conflicts. The Political Stability Index varies from -2.5 to 2.5, indicating respectively weak and strong stability (The World Bank World Governance Indicators).

The Economic Complexity Index is a holistic measure of the production characteristics of large economic systems, usually whole countries. The goal of this index is to explain an economic

system as a whole rather than the sum of its parts. To achieve this goal, the ECI combines metrics of the diversity of countries and the ubiquity of products to create measures of the relative complexity of a country's exports. In the mathematical definition, the ECI is defined as a projection of the matrix connecting countries to the products they export. Since the ECI considers information on the diversity of countries and the ubiquity of products, it is able to produce a measure of economic complexity containing information about both the diversity of a country's export (Hidalgo and Hausmann, 2009). The data was retrieved from the observatory of economic complexity, a tool created to quickly compose a visual narrative about countries and the products they exchange. The tool was conducted at the MIT Media Lab Macro Connections Group (OEC).

The data for GDP Per Capita was taken from the World Bank. For the analysis, the GDP Per Capita variable was taken in logarithm in order to make the distribution more clear and help to fit the variable into the model.

The data for the Export was taken from World Indicated Trade Solutions (WITS) and includes the export of each country (in USD thousand) of the Black Sea region towards the other 11 countries inside the region.

A dummy variable have been created based on the mean of export, given a value of 0 if the export was lower than the mean, and value of 1 if the export was higher than the mean.

For the analysis I have looked at how political stability is correlated with exports and GDP Per Capita through the following formula:

$$\textbf{Political}=a+b_1\textbf{loggdppc}+b_2\textbf{export}+n$$

The similar pattern was implemented in looking at the correlation between Economic Complexity with exports and GDP Per Capita:

$$\textbf{Econcom}=a+b_1\textbf{loggdppc}+b_2\textbf{export}+n$$

The empirical analysis shows that Export and GDP impact the Political Stability and Economic complexity. However, although they have some influence in shaping the indices, there are still more variables that should be further analyzed in order to better understand the correlations.

Empirical Analysis

First and foremost, all the data was transferred into STATA program. A logarithm of pcgdp was created. As a next step, the mean of the export was measured, in order to create the dummy variable

```
. mean export

Mean estimation                   Number of obs    =     228

--------------------------------------------------------------
             |       Mean   Std. Err.     [95% Conf. Interval]
-------------+------------------------------------------------
      export |    5995001   668954.1       4676847     7313155
--------------------------------------------------------------
```

The mean has obtained the value of USD 5995001 thousand. The dummy variable has received a value of 0, if the export volume was less than the mean, and 1, if the export volume was higher than the mean.

The correlation between the variables of Political Stability and Export, Political Stability and PC GDP, as well as Economic Complexity and Export, Economic Complexity and PC GDP was checked through the correlation command:

```
. cor  political export
(obs=228)

             | politi~l   export
-------------+------------------
   political |   1.0000
      export |  -0.1454   1.0000


. cor  political logpcgdp
(obs=228)

             | politi~l logpcgdp
-------------+------------------
   political |   1.0000
   logpcgdp  |   0.2724   1.0000
```

We can see that there was a negative correlation between the Political Stability and Export, while the Political Stability and the logarithm of PC GDP have obtained positive correlation.

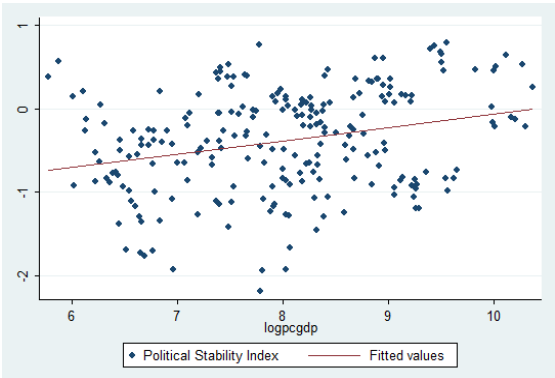
```
. cor econcom export
(obs=226)

             |  econcom   export
-------------+------------------
     econcom |   1.0000
      export |   0.3444   1.0000


. cor  econcom logpcgdp
(obs=226)

             |  econcom logpcgdp
-------------+------------------
     econcom |   1.0000
    logpcgdp |   0.1235   1.0000
```

The correlation between Economic Complexity and Export is positive, so is the correlation between Economic Complexity and logarithm of PC GDP.

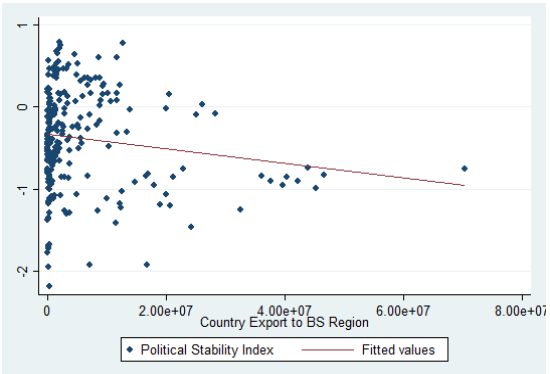
A regression was run between the political stability and logarithm of PC GDP:

```
. regr political logpcgdp

      Source |       SS       df       MS              Number of obs =     228
-------------+------------------------------           F(  1,   226) =   18.11
       Model |  6.42790076     1  6.42790076           Prob > F      =  0.0000
    Residual |  80.2034713   226  .354882617           R-squared     =  0.0742
-------------+------------------------------           Adj R-squared =  0.0701
       Total |  86.6313721   227     .381636           Root MSE      =  .59572

------------------------------------------------------------------------------
   political |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    logpcgdp |   .1586603     .03728     4.26   0.000     .0851994    .2321212
       _cons |  -1.652858   .3008691    -5.49   0.000    -2.245725    -1.05999
------------------------------------------------------------------------------
```

This means, that when PC GDP increases by 1%, the Political Stability Index increases by 0.0016. The P-value is lower than ȧ=0.05, which means that logpcgdp is statistically significant at 5% level of significance. However, only around 7% of the variation is described by the PC GDP. The scatter plot shows the positive correlation between Political Stability Index and logarithm of PC GDP:



And the negative correlation between Political Stability Index and Export:



The next step was checking the correlating the political stability with logarithm of PC GDP and Exports:

```
. regr political logpcgdp export

      Source |       SS       df       MS              Number of obs =     228
-------------+------------------------------           F(  2,   225) =   20.72
       Model |  13.4727913     2  6.73639564           Prob > F      =  0.0000
    Residual |  73.1585808   225  .325149248           R-squared     =  0.1555
-------------+------------------------------           Adj R-squared =  0.1480
       Total |  86.6313721   227     .381636           Root MSE      =  .57022

------------------------------------------------------------------------------
   political |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    logpcgdp |   .2350024   .0392727     5.98   0.000      .157613    .3123918
      export |  -1.92e-08   4.12e-09    -4.65   0.000    -2.73e-08   -1.11e-08
       _cons |  -2.148587   .3070507    -7.00   0.000     -2.75365   -1.543524
------------------------------------------------------------------------------
```

Holding all other variables constant, when PC GDP increases by 1%, the Political Stability Index increases by 0.0024. Holding all other variables constant, when the exports increase by 1% the Political stability index decreases by 1.92%. The P-values for both variables are lower than ȧ=0.05, which means that the variables are jointly significant at 5% level of significance. The R-squared shows that around 16% of the variation of the Political Stability Index is explained by PC GDP and Export.

In the next step, the correlation was found between the Political Stability Index, logarithm of PC GDP and the dummy variable:

```
. regr political  logpcgdp Dummy

      Source |       SS       df       MS              Number of obs =     228
-------------+------------------------------           F(  2,   225) =   13.51
       Model |  9.29062487     2  4.64531244           Prob > F      =  0.0000
    Residual |  77.3407472   225  .343736654           R-squared     =  0.1072
-------------+------------------------------           Adj R-squared =  0.0993
       Total |  86.6313721   227     .381636           Root MSE      =  .58629

------------------------------------------------------------------------------
   political |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    logpcgdp |   .2054216   .0401087     5.12   0.000      .126385    .2844583
       Dummy |  -.2796915   .0969176    -2.89   0.004    -.4706737   -.0887093
       _cons |  -1.954611   .3140261    -6.22   0.000     -2.57342   -1.335803
------------------------------------------------------------------------------
```

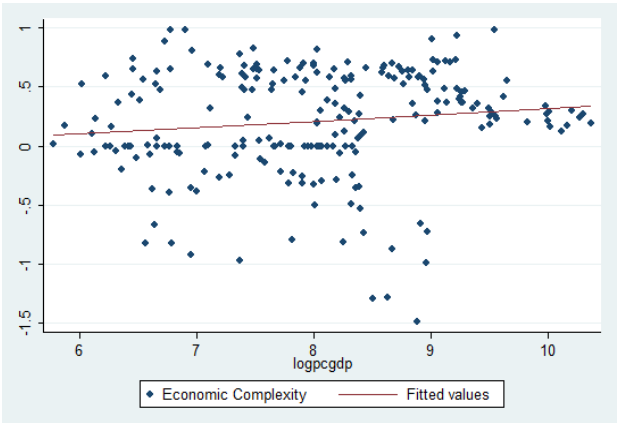
The regression shows that holding other variables constant, when the export of the country is higher than USD 5995001 thousand, the Political Stability Index decreases by 27%. The following countries have received the value of 1 for the dummy: Bulgaria, Greece, Romania, Russia, Turkey and Ukraine. These countries affect the Political Stability Index.

The R-squared shows that around 10% of the variation of Political Stability Index is explained by the variables.

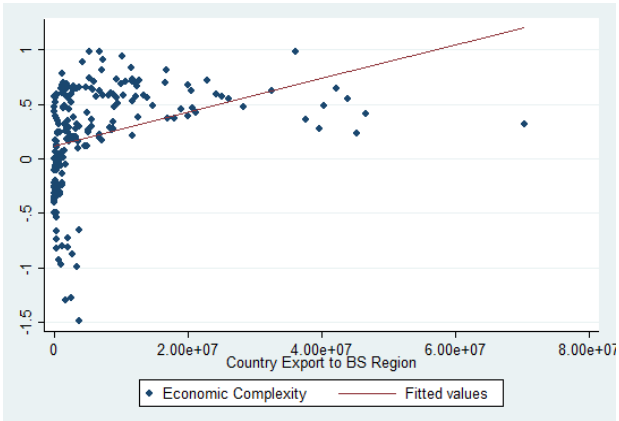
Next, the correlation between economic complexity and logarithm of PC GDP was checked:

```
. regr econcom logpcgdp

      Source |       SS       df       MS              Number of obs =     226
-------------+------------------------------           F(  1,   224) =    3.47
       Model |  .707685106     1  .707685106           Prob > F      =  0.0638
    Residual |  45.6728724   224  .203896752           R-squared     =  0.0153
-------------+------------------------------           Adj R-squared =  0.0109
       Total |  46.3805575   225  .206135811           Root MSE      =  .45155

------------------------------------------------------------------------------
     econcom |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    logpcgdp |   .0529057    .028398     1.86   0.064    -.0030557    .1088672
       _cons |  -.2139471   .2294415    -0.93   0.352     -.666087    .2381927
```

The regression shows, that when the GDP PC increases by 1%, the Economic Complexity Index increases by 0.0005. The P-value is equal to 0.064 which is higher than ȧ=0.05, however is lower than ȧ=0.1, thus is statistically significant at 10%. The R-squared value shows that 1% of the variation of Economic Complexity Index is explained by logarithm of PC GDP. The Scatter Plot shows of Economic Complexity Index and logarithm of PC GDP shows the positive correlation:



The Scatter Plot of Economic Complexity Index and Exports shows the positive correlation between the variables:



Next, the regression was run between the Economic Complexity Index, logarithm of PC GDP and Export:

```
. regr  econcom logpcgdp export

      Source |       SS       df       MS              Number of obs =     226
-------------+------------------------------           F(  2,   223) =   15.07
       Model |  5.5233374     2  2.7616687           Prob > F      =  0.0000
    Residual |  40.8572201   223  .183216234           R-squared     =  0.1191
-------------+------------------------------           Adj R-squared =  0.1112
       Total |  46.3805575   225  .206135811           Root MSE      =  .42804

------------------------------------------------------------------------------
     econcom |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    logpcgdp |  -.0100931   .0295914    -0.34   0.733    -.0684076    .0482215
      export |   1.59e-08   3.10e-09     5.13   0.000     9.77e-09    2.20e-08
       _cons |   .1946846   .2316395     0.84   0.402    -.2617979    .6511671
------------------------------------------------------------------------------
```

The P-value of logarithm of PC GDP is equal to 0.733 which is higher than ȧ=0.05, it is even higher than ȧ=0.1, which means, that the P-value doesn't prove the variable to be statistically significant. The P-value of exports is equal to 0 which is lower than ȧ=0.05, which means that the variable is statistically significant. R-squared shows that 11% of the variation of Economic Complexity Index is explained by logarithm of PC GDP and Export.

In the next step the correlation between the Economic Complexity Index, logarithm of PC GDP and the dummy variable was checked:

```
. regr  econcom logpcgdp Dummy

      Source |       SS       df       MS              Number of obs =     226
-------------+------------------------------           F(  2,   223) =   29.67
       Model |  9.74846905     2  4.87423453           Prob > F      =  0.0000
    Residual |  36.6320884   223  .164269455           R-squared     =  0.2102
-------------+------------------------------           Adj R-squared =  0.2031
       Total |  46.3805575   225  .206135811           Root MSE      =   .4053

------------------------------------------------------------------------------
     econcom |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
    logpcgdp |   -.029991   .0278312    -1.08   0.282    -.0848367    .0248548
       Dummy |   .4972142   .0670222     7.42   0.000     .3651362    .6292922
       _cons |   .3202485   .2181678     1.47   0.144    -.1096858    .7501828
------------------------------------------------------------------------------
```

The regression shows that holding other variables constant, when the export of the country is higher than USD 5995001 thousand, the Political Stability Index increases by 49%. The R-squared shows that around 20% of the variation of Economic Complexity Index is explained by the variables. The following countries have received the value of 1 for the dummy: Bulgaria, Greece, Romania, Russia, Turkey and Ukraine. These countries affect the Economic Complexity Index.

Prospects and Recommendations for Regional Cooperation

Regional cooperation remains the better, though not always the easiest, option as it requires strong and steady commitment towards creating an attainable, well defined region.

The phenomenon of regionalism is present in all parts of the world taking a range of shapes and acquiring various dynamics. As a process, it is driven by a combination of economic and political forces; sometimes politics pave the way for economic integration, and sometimes economics lead the way (Tassinari, 2006). Moreover, regional cooperation is not an end in itself. Instead, it is a gradual, multifaceted, long-term process which requires durable commitment to deliver. Tassinari further concludes, that in the last twenty years, economic difficulties and the need for managing regional public goods (such as environment, trade, financial stability, and knowledge) have generated strong demands for regional cooperation and integration. In the Black Sea, these demands for policy coordination and regional responses need to be efficiently channeled into regional policy-making processes. In the 21st century regionalism has shifted more to governance rather than integration. The need for regional institutions comes from the inability of global ones to respond to region specific needs in a timely and efficient manner. Responsible sovereignty (UNDP) is a strategy that can be implemented in the region, whereby countries engage in fair, rule-based, and accountable international cooperation, joining collective endeavors that enhance welfare.

As Pascal Lamy (2010) has argued the toolbox for regional integration includes more of efficient procedures for delivering business visas and regional agreements on standards as tools that are more likely to help integration than a customs union or common external tariff, which were the leading tools of previous decades. As the most successful case of cooperation, the European experience shows cooperation requires steady determination and political commitment. However, to turn regional integration into a collective project the involvement of business people and civil society is also critically important. Intergovernmental processes in the Black Sea would be invigorated by more active and greater participation of civil society actors, including the business community from within as well as outside the Black Sea which can bring additional resources as well as valuable solutions to critical regional problems.

BSEC has formed an agenda in 2012 that aims to help member states to make use of the potential of the organization as a platform of dialogue to play a more proactive, effective and constructive

role in promoting the common goal of peaceful, stable and prosperous region. The agenda takes into account the developments that have taken place both since the establishment of the BSEC both inside the Organization itself and in the broader international environment, including the EU enlargement process and the new challenges in the region (BSEC, 2012).

The implementation of the economic agenda will include three main dimensions that are pursuing sustainable development, strengthening project oriented dimensions of BSEC as well as cooperating with international and regional organizations and institutions. By pursuing sustainable development it will be possible to ensure the rational balance between economic growth with the view to further strengthen economic cooperation in the region, ensure sustainable development of human resources considering the prevailing demographic trends and their impact on employment, education and training. Strengthening the Project-oriented Dimension of the BSEC by implementing the already existing and identifying new projects of common interest for the Member States will reinforce economic cooperation in the region and at the same time stimulate the interaction among the national economies of the BSEC Countries. Establishing cooperation with International and Regional Organizations and Institutions such as UN, EU, OECD, World Bank, WTO, etc. will allow creating closer ties and outlining the most important cooperation areas.

Manoli (2014) advises in favor of a regional strategy to address the three strategic "I's" in the regional strategy. Those are an inclusive, innovative and integrated Black Sea region. To meet these goals, Manoli advises to include a coordinated phased approach by BSEC, which is by far the most advanced organization in the region. The most crucial steps would be:

- Raising awareness among Black Sea actors of the added value and benefits of regional cooperation
- Implementing projects that would bring some visible results
- Identifying long-term projects of significant welfare impact

The traditional welfare related arguments in favor of regionalism are today reinforced by needs arising from current challenges posed by globalization and the post-crisis world order. Black Sea economies vary in size but on the same time are small in their majority. Thus, especially in this regard, regionalism expands national markets, promotes trade and capital flows, and stimulates production (Manoli, 2012). Today, development strategies are increasingly based on strategic international partnerships in production, logistics, investment, and technology. This is where

regionalism brings added value and becomes an indispensable policy tool. Manoli outlines, that the Black Sea has many strengths upon which a long term regional strategic framework can build to improve the living conditions and quality of life of its people and promote an inclusive, innovative, and integrated Black Sea region. Namely, the availability of rich natural resources and a well educated workforce offer opportunities for productive activities. Moreover, its geographical location at the crossroads of major trade routes neighboring developing as well as developed economies gives the Black Sea significant geoeconomic potential.

Experience not only from Europe but from other areas in the world shows that greater cooperation can be beneficial for the wider Black Sea area. However, in order to succeed, there will be a great need to deal with the challenges of productivity, complementarities, and innovation. Deficiency in productivity, competitiveness, and innovation represent structural burdens to equitable development. Cooperation in areas such as infrastructure, energy, connectivity, and trade facilitation are crucial for competitiveness and growth, a central challenge facing the Black Sea region.

Manoli strongly believes that the main focus should be aimed at identifying the key drivers of change, and follow with the implementation. As such, Manoli outlines the development of private sector, good governance and institutions, knowledge based economy and partnership with development institutions. These drivers should not be seen as independent of one to the other, since freeing up one has positive spill-over effects on the others.

More efficient regional cooperation in the Black Sea area implies enabling factor mobility, the facilitation of movement of finance, people, goods, and services. In this regard, the development of the private sector is a critical vehicle for the optimal allocation of resources to bring about development and regional competitiveness. The private sector and business can be considered as stepping stones for integration as they are the actual agents of intra-regional trade and investment linkages. For this, the improvement of services, some macroeconomic convergence and other complementary policies on regulatory frameworks including on investments are instrumental along with the reduction of obstacles for cross-border business (Agora without frontiers, 2005).

Good governance refers to legitimate, rule based, and efficient policy-making processes and can be used in several contexts such as corporate governance, sector oriented governance, national governance, and local governance. As good governance implies effective institutions and the

influential role in policy making of non-state agents and civil society, it becomes a precondition for efficient regionalism and collective action (Manoli, 2010).

In the context of a knowledge based economy, innovation and competitiveness builds upon trained human resources, especially in fields in which the region has or might acquire competitive advantages. Experience of successful regions as in Europe and Southeast Asia suggest that knowledge flows, learning and innovation are critical to economic development outcomes. Regions in the face of accelerated global market integration and competition need to build on environments which retain and grow the knowledge economy.

Partnerships with development institutions is another crucial direction, as they will facilitate policy implementation, burden sharing and provide expertise. Among organizations that have significant resources committed to the region can be considered the World Bank, UNDP, EU, etc., and have a substantial expertise for project-oriented efforts, and could also play their role in supporting regionalism.

Attention needs also to be given to rationalizing structures between the regional level and national level. Regionalism requires a minimum of national cooperation before any regional consultations can take place, and today's mechanisms are often still too weak to ensure the inclusion of regional objectives in the national plans and budgets.

Regional Strategy for the Black Sea should prioritize infrastructure and capacity building:

Infrastructure (transport, communications, energy, science and technology) is critical for economic growth, productivity, export development, and balanced territorial development. Capacity building with regard to human capital development through technical and financial assistance will enable the implementation of the necessary policy changes and strengthen the ability of the partner ministries and organizations to successfully participate and organize activities within the regional cooperation framework.

Within the 2020 vision for the Black Sea region, Aydin and Triantaphillou have outlined other crucial areas that should be taken into account in order to achieve an efficient regional cooperation. They emphasize the need to deal with the conflicts within the region. The vast number of conflicts throughout the Black Sea region can definitely be considered as an obstacle towards a regional cooperation. Thus, it is important to take a step towards a real security dialogue and confidence-building measures. Focus should be also put on economic issues, and steps should be taken to that meet common challenges and real needs. Continuous improvement

of business environment and facilitation of greater economic activity across borders will also be beneficial for regional cooperation. These should include concrete steps to facilitate business activity by removing various non-tariff barriers that hinder trade, investment or financing.

Conclusions

Black Sea region has undertaken a long path of reforms and development oriented activities, moving from the level of discussions and exchange of ideas among the member countries towards more certain projects in a vast number of sectors.

However, Black Sea regionalism is considered to be weak: although on one hand, the cooperation has received higher attention in the regional level, however, it has remained in a slow process, constantly coming across political uncertainties within the member countries. Around other major constraints is the challenges of security, as well as over-bureaucratization of the institutions, namely of BSEC, which is additional obstacle on the way of regional integration and cooperation. On the other hand, the existence of bi-lateral cooperation agreements among the member countries creates an environment that doesn't trigger incentives towards cooperation. Thus, Black Sea regionalism can find parallels with so called "spaghetti bowl" effect.

The Black Sea region has undergone countless political transformations over time. And now it is still a subject of an intense debate. A common Black Sea regional identity is prevented by a vast number of factors. Crossroad-character of the Black Sea that makes it difficult to attach a regionally inclusive label. This implies that a close look at the list of Black Sea states shows the region's character as a space of transition between other more saliently conceived regions, such as the Caucasus, the Balkans, Eastern Europe or in a wider sense between Europe and Asia. Cultural and linguistic differences: The Black Sea region covers a number of different linguistic and cultural spaces that include various elements such as languages, religions, etc. Post-Soviet tensions together with supra-region competition are also major issues in the region.

According to King's opinion on the Black Sea, he considers that a set of relatively weak states can hardly hope to build a strong region. A zone with widely different levels of development in terms of the domestic economy and democratization is an unlikely candidate for interstate cooperation. Moreover, the widely divergent foreign policy orientations of the region's constituents have made real cooperation a challenge.

From an economic viewpoint the Black Sea region is characterized on the one side by high growth rates and on the other by difficulties in implementing schemes of a market place as inward environment of the economic system. The economic cooperation has also suffered from a lack of common incentives. The fact that regional cooperation is so strongly a subject of the competing European and Post-Soviet approaches and its lack of regional identity thus are showing the failure to establish a consolidated format for regional cooperation that includes all relevant actors.

There are clear incentives for regional cooperation. Trade, a crucial area for regional cooperation, is creating an incentive for the countries that cannot rely on the opportunity of exporting to the European markets, based on a number of factors such as not meeting the standardization procedures. However, the obstacles to regionalism are likely to remain stronger than the incentives. Still, the key developments in the region could produce either an impetus to regional cooperation or doom regional efforts for the foreseeable future. First is the resurgence of armed conflict. The threat of interstate violence will likely remain low. However, the persistence of unresolved border disputes has the potential to unleash larger-scale conflict.

Nevertheless, it should be mentioned, that regional cooperation is a gradual and long process. And while the European experience can be considered as the most successful case of cooperation to look upon, however, the tools and models cannot be simply transferred to the Black sea region. Regional cooperation requires commitment and an inclusive strategy that will express regional consensus and create an innovative and integrated Black Sea Region (Manoli, 2014). Moreover, it is important to put the emphasis on raising awareness among Black Sea actors on the added value and benefits of cooperation, and identifying and implementing projects that will actually bring visible results and have an overall positive impact on the welfare of the member countries of the Black Sea region.

There are possibilities of cooperation in the Black Sea region that can be viewed from the spectrum of new opportunities for the member countries. Although there are major differences in both the national priorities of the countries and main concerns of security matters, the cooperation between countries with such heterogeneous features can take place, based on first and foremost the real need for renewing or opening links of communication between the member countries. Thus, it is important to find a sense of direction at the same time balancing national interests, and strengthening The Organization for Black Sea Economic Cooperation (BSEC)

wasn’t yet been empowered to a certain extend by the member countries, regional agenda should be identified in order to establish multilateral cooperation.

As a bottom line, Black sea region can be characterized as having a better developed sub-regional cooperation rather than a fully formed and operable regional cooperation. Although a number of factors that affect the cooperation perspective in a negative way, there is clearly a potential for developing it, however it can be doubted whether this potential will be explored further. The Black Sea could well become a region of a few small countries committed to Europe and Euro-Atlanticism in the midst of larger states that are at best ambivalent about their place in the West. None of these potential developments can guarantee that the cooperation in the black sea will evolve. As in the past, it might continue to be a distinct geographical zone marked by intensive ties of commerce, migration, and cultural commonalities. But whether the existence of this region will translate into a solid form of regional cooperation, even though endless efforts towards region-building, remains a question, as there is no common cognitive approach in the region.

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Annexes

Data for the Empirical Analysis

Year	Country Export	Political Stability Index	Economic Complexity	PC GDP (USD)	Country Export to BS Region (USD Thousand)	Dummy
1996	Albania	-0.43	-0.351731	1046.359	37324.317	0
1996	Armenia	-0.52	0	503.232	68640.488	0
1996	Azerbaijan	-0.92	0.518066	409.2167	277942.614	0
1996	Bulgaria	-0.2	0.690222	1208.85	1930798.621	0
1996	Georgia	-1.69	0.388101	670.4611	147876.45	0
1996	Greece	0.45	0.277305	13749.12	1865475.657	0
1996	Moldova	-0.13	0.234111	462.172	588264.294	0
1996	Romania	0.49	0.675304	1643.88	1181235	0
1996	Russia	-1.23	0.65979	2643.898	12399905.99	1
1996	Serbia	-1.15	0	2749.966	411930.992	0
1996	Turkey	-1.27	0.200462	3052.498	2902495.302	0
1996	Ukraine	-0.27	0.981918	872.7092	6908771.373	1
1997	Albania	-0.545	-0.369837	749.5846	30060.318	0
1997	Armenia	-0.64	0	522.5221	68640.488	0
1997	Azerbaijan	-0.875	0.586682	505.5606	410521.182	0
1997	Bulgaria	0.165	0.660773	1346.913	1864775.668	0
1997	Georgia	-1.73	0.520971	774.6802	171075.019	0
1997	Greece	0.55	0.182903	13427.83	1996647.516	0
1997	Moldova	0.04	0.161913	528.1778	390506.256	0
1997	Romania	0.435	0.779787	1589.014	1242667.992	0
1997	Russia	-1.175	0.693451	2737.557	12240142.55	1
1997	Serbia	-1.67	0	3178.831	425601	0
1997	Turkey	-1.285	0.294054	3143.265	3824438.322	0
1997	Ukraine	-0.26	0.977325	991.2301	5248996.111	0

1998	Albania	-0.66	-0.396345	865.3022	44261.542	0
1998	Armenia	-0.76	0	608.3366	59064.0555	0
1998	Azerbaijan	-0.83	0.368916	561.9103	354847.833	0
1998	Bulgaria	0.53	0.647729	1771.994	1587130.472	0
1998	Georgia	-1.77	0.472457	805.2727	124006.228	0
1998	Greece	0.65	0.249143	13472.14	1779274.812	0
1998	Moldova	0.21	0.103473	448.8414	459703.277	0
1998	Romania	0.38	0.637983	1864.991	1057145.016	0
1998	Russia	-1.12	0.687916	1834.847	10001402.62	0
1998	Serbia	-2.19	0	2416.069	376929	0
1998	Turkey	-1.3	0.268959	4389.725	3281350.064	0
1998	Ukraine	-0.25	0.884077	835.2603	4370505.853	0
1999	Albania	-0.655	-0.384903	1098.425	52535.449	0
1999	Armenia	-0.78	0	596.506	49487.623	0
1999	Azerbaijan	-0.88	-0.196818	573.8903	267007.312	0
1999	Bulgaria	0.44	0.477192	1643.61	1378354.837	0
1999	Georgia	-1.38	0.432673	628.8657	131602.225	0
1999	Greece	0.68	0.312809	13245.19	1628288.951	0
1999	Moldova	0.385	0.010145	321.0268	280636.147	0
1999	Romania	-0.05	0.60488	1610.134	1183472	0
1999	Russia	-1.27	0.604445	1330.751	8536998.794	1
1999	Serbia	-1.945	0	2441.43	216499	0
1999	Turkey	-1.075	0.28599	4009.134	2231728.66	0
1999	Ukraine	-0.375	0.650502	635.7727	3718329.657	0
2000	Albania	-0.65	-0.221006	1175.789	42757.69	0
2000	Armenia	-0.8	0	621.4248	65599.937	0
2000	Azerbaijan	-0.93	-0.105049	655.0974	344158.406	0
2000	Bulgaria	0.35	0.488015	1609.281	1622366.597	0
2000	Georgia	-0.99	0.561265	691.9977	193007.445	0
2000	Greece	0.71	0.352587	12042.95	2109485.732	0

2000	Moldova	0.56	0.167478	354.0013	291502.186	0
2000	Romania	-0.48	0.578479	1668.163	1755248.984	0
2000	Russia	-1.42	0.828175	1771.587	11508408	1
2000	Serbia	-1.7	0	870.1365	236404	0
2000	Turkey	-0.85	0.212341	4215.162	2453429.732	0
2000	Ukraine	-0.5	0.734411	635.7128	5275554.48	0
2001	Albania	-0.52	-0.263894	1326.97	51545.896	0
2001	Armenia	-0.58		692.3016	84049.654	0
2001	Azerbaijan	-1.11	-0.823089	703.6713	318035.811	0
2001	Bulgaria	0.375	0.468498	1762.456	1490110.608	0
2001	Georgia	-1.175	-0.0727987	733.9704	181575.987	0
2001	Greece	0.75	0.154882	12538.18	2195584.349	0
2001	Moldova	0.15	-0.0764835	407.7302	354172.565	0
2001	Romania	-0.045	0.650218	1839.729	1421162.008	0
2001	Russia	-0.325	0.522692	2100.362	11670572.58	0
2001	Serbia	-1.15		1634.875	241930.805	0
2001	Turkey	-0.86	0.193288	3053.865	2932470.833	0
2001	Ukraine	-0.44	0.633347	780.738	5801233.578	0
2002	Albania	-0.39	-0.249554	1453.643	53521.049	0
2002	Armenia	-0.36	0	779.8296	81742.065	0
2002	Azerbaijan	-1.29	-0.668349	763.1012	360723.955	0
2002	Bulgaria	0.4	0.47551	2079.229	1662030.848	0
2002	Georgia	-1.36	0.0629226	779.3846	179956.499	0
2002	Greece	0.79	0.245548	14110.31	2097246.166	0
2002	Moldova	-0.26	-0.0531524	458.6778	370983.575	0
2002	Romania	0.39	0.640986	2124.874	1505778.008	0
2002	Russia	0.77	0.718598	2375.059	12718048.41	1
2002	Serbia	-0.6	0	2149.909	311317.083	0
2002	Turkey	-0.87	0.0974245	3570.546	3570281.762	0
2002	Ukraine	-0.38	0.647028	879.475	5683009.015	0

2003	Albania	-0.33	-0.109943	1890.682	74264.076	0
2003	Armenia	0.21	0	924.464	117068.324	0
2003	Azerbaijan	-1	-0.822998	883.614	474664.129	0
2003	Bulgaria	0.15	0.452789	2693.759	2229004.38	0
2003	Georgia	-1.35	-0.0581443	928.0108	250078.55	0
2003	Greece	0.47	0.204318	18477.58	2776669.143	0
2003	Moldova	-0.18	-0.0425166	548.2897	477170.393	0
2003	Romania	0.08	0.553908	2774.956	2107048.94	0
2003	Russia	-0.84	0.699684	2975.133	16630083.69	1
2003	Serbia	0.18	0	2832.491	0	0
2003	Turkey	-1.06	0.110739	4586.811	5044444.227	0
2003	Ukraine	-1.93	0.807911	1048.522	7149742.82	1
2004	Albania	-0.45	-0.320404	2416.588	115729.966	0
2004	Armenia	-0.12	0	1181.968	117855.733	0
2004	Azerbaijan	-1.09	-0.924738	1045.026	747113.414	0
2004	Bulgaria	-0.02	0.382056	3353.564	2986897.227	0
2004	Georgia	-0.86	0.0098037	1207.367	342866.121	0
2004	Greece	0.46	0.205379	21955.1	3251872.598	0
2004	Moldova	-0.27	0.004661	720.9409	545283.569	0
2004	Romania	0.04	0.644029	3552.925	3460041.465	0
2004	Russia	-1.46	0.591904	4102.372	24245913.67	1
2004	Serbia	-0.56	0	3331.229	642097.313	0
2004	Turkey	-0.84	0.216734	5855.539	6778626.454	1
2004	Ukraine	-0.48	0.579003	1367.352	10412518.84	1
2005	Albania	-0.49	-0.318308	2709.143	118616.915	0
2005	Armenia	-0.06	0	1625.408	166645.541	0
2005	Azerbaijan	-1.11	-0.971125	1578.367	1121460.782	0
2005	Bulgaria	0.13	0.31953	3852.978	3530035.026	0
2005	Georgia	-0.68	-0.0846956	1530.058	498568.239	0
2005	Greece	0.51	0.157571	22551.74	3603307.459	0

2005	Moldova	-0.44	-0.0088689	831.2053	608450.777	0
2005	Romania	0.07	0.658558	4676.315	4752274.47	0
2005	Russia	-1.25	0.622396	5323.474	32552386.19	1
2005	Serbia	-0.77	0	3528.131	726643.194	0
2005	Turkey	0.6	0.261651	7117.233	8619515.537	1
2005	Ukraine	0.27	0.573944	1828.718	12256560.45	1
2006	Albania	-0.49	-0.49914	3005.013	134882.558	0
2006	Armenia	-0.28	0	2126.619	189215.548	0
2006	Azerbaijan	-1.08	-0.799364	2473.086	1325472.427	0
2006	Bulgaria	0.39	0.426491	4455.69	4911152.856	0
2006	Georgia	-0.94	0.0438916	1872.68	498657.742	0
2006	Greece	0.64	0.119851	24801.16	4581991.703	0
2006	Moldova	-0.4	-0.0616527	950.6482	529232.929	0
2006	Romania	0.13	0.701114	5828.746	6003591.155	1
2006	Russia	-0.91	0.640153	6920.194	42162149.66	1
2006	Serbia	-0.56	0	4129.759	997602.043	0
2006	Turkey	0.6	0.207597	7727.272	11659743.03	1
2006	Ukraine	-0.03	0.556052	2303.019	14015449.26	1
2007	Albania	-0.2	-0.286469	3603.014	200052.538	0
2007	Armenia	0.11	0	3080.971	367674.441	0
2007	Azerbaijan	-0.65	-0.813568	3851.438	2173923.573	0
2007	Bulgaria	0.35	0.566168	5932.9	6341582.215	1
2007	Georgia	-0.65	-0.22939	2492.129	630915.176	0
2007	Greece	0.53	0.242029	28827.33	5180005.015	0
2007	Moldova	-0.05	0.313449	1230.435	702373.429	0
2007	Romania	0.17	0.904527	8214.185	7409230.414	1
2007	Russia	-0.86	0.482498	9101.257	40336088.33	1
2007	Serbia	-0.61	0.680758	5458.122	1399183.184	0
2007	Turkey	-0.82	0.366959	9309.509	16904531.75	1
2007	Ukraine	0.15	0.616758	3068.609	20455167.05	1

2008	Albania	-0.03	0.0625361	4370.54	285311.572	0
2008	Armenia	-0.02	0	3919.975	377727.69	0
2008	Azerbaijan	-0.33	-1.2781	5574.604	2526966.167	0
2008	Bulgaria	0.35	0.579111	7296.122	8159966.125	1
2008	Georgia	-0.91	-0.301569	3174.949	882496.572	0
2008	Greece	0.26	0.194861	31997.28	6781346.862	1
2008	Moldova	-0.27	0.243531	1695.973	886068.801	0
2008	Romania	0.16	0.934941	10136.47	10198605.02	1
2008	Russia	-0.76	0.314181	11635.27	70301028.43	1
2008	Serbia	-0.56	0.634831	6701.774	1752138.48	0
2008	Turkey	-0.85	0.419061	10382.32	21144087.35	1
2008	Ukraine	0.03	0.550331	3891.038	26122305.26	1
2009	Albania	-0.05	0.564682	4114.137	121179.058	0
2009	Armenia	0.23	0	2915.584	231296.39	0
2009	Azerbaijan	-0.29	-1.29231	4950.295	1801311.276	0
2009	Bulgaria	0.32	0.353831	6955.988	5640559.772	0
2009	Georgia	-0.94	-0.262448	2706.589	693438.409	0
2009	Greece	-0.22	0.267714	29710.97	5114058.045	0
2009	Moldova	-0.59	-0.00129659	1525.526	688220.462	0
2009	Romania	0.35	0.626236	8220.108	6857384.386	1
2009	Russia	-0.95	0.273984	8562.814	39640008.18	1
2009	Serbia	-0.49	0.694279	5821.305	1472052.082	0
2009	Turkey	-1.03	0.374195	8623.95	12594239.39	1
2009	Ukraine	-0.31	0.580006	2545.48	13450088.33	1
2010	Albania	-0.19	-0.496925	4094.359	322305.615	0
2010	Armenia	0.03	0	3124.784	379287.919	0
2010	Azerbaijan	-0.25	-0.870441	5842.806	2736972.04	0
2010	Bulgaria	0.33	0.584884	6752.552	7306211.28	0
2010	Georgia	-0.72	-0.329882	2964.477	863236.261	0
2010	Greece	-0.13	0.297462	26919.36	5612179.943	0

2010	Moldova	-0.39	0.0408617	1631.536	872672.566	0
2010	Romania	0.25	0.729511	8297.484	9354922.702	1
2010	Russia	-0.91	0.362986	10675	37608897.5	1
2010	Serbia	-0.44	0.656775	5411.877	2036703.564	0
2010	Turkey	-0.92	0.482404	10111.52	14756715.37	1
2010	Ukraine	-0.02	0.677275	2973.996	20079925.81	1
2011	Albania	-0.29	-0.535552	4437.812	450815.698	0
2011	Armenia	-0.09	0.580456	3417.172	441260.194	0
2011	Azerbaijan	-0.53	-1.49069	7189.691	3761896.352	0
2011	Bulgaria	0.28	0.507367	7750.04	9455914.479	0
2011	Georgia	-0.66	-0.0679614	3725.063	1150602.486	0
2011	Greece	-0.1	0.172751	25914.68	7192981.664	0
2011	Moldova	-0.07	-0.138378	1970.571	1313260.579	0
2011	Romania	0.17	0.717182	9200.278	11689163.37	1
2011	Russia	-0.99	0.23374	14212.08	45223310.1	1
2011	Serbia	-0.3	0.520543	6423.292	2668350.475	0
2011	Turkey	-0.96	0.369777	10538.44	18035724.41	1
2011	Ukraine	-0.08	0.478324	3569.757	28365552.65	1
2012	Albania	-0.16	-0.352057	4247.84	416770.58	0
2012	Armenia	0.11	0.3520355	3565.518	501085.811	0
2012	Azerbaijan	-0.69	-0.656932	7393.772	3708087.57	0
2012	Bulgaria	0.35	0.586226	7333.355	8812484.514	1
2012	Georgia	-0.67	-0.246049	4142.869	1307266.073	0
2012	Greece	-0.22	0.283137	22242.68	8418034.486	1
2012	Moldova	0.02	0.0594646	2046.537	1266287.699	0
2012	Romania	0.07	0.706564	8558.398	10690699.7	1
2012	Russia	-0.83	0.415059	15154.47	46585848.53	1
2012	Serbia	-0.22	0.5939755	5659.38	2673242.943	0
2012	Turkey	-1.19	0.457294	10539.37	19057281.24	1
2012	Ukraine	-0.1	0.570638	3855.421	25135222.59	1

2013	Albania	0.05	-0.342037	4412.346	364210.06	0
2013	Armenia	0.07	0.23782525	3716.829	580691.97	0
2013	Azerbaijan	-0.41	-0.988968	7811.621	3422020.01	0
2013	Bulgaria	0.15	0.561561	7656.639	9359403.32	1
2013	Georgia	-0.43	-0.0530288	4274.377	1763330.95	0
2013	Greece	-0.17	0.270186	21842.7	8809043.25	1
2013	Moldova	-0.02	0.0144264	2243.98	1406288.70	0
2013	Romania	0.16	0.708925	9585.267	11779947.77	1
2013	Russia	-0.74	0.547873	15543.7	43853988.76	1
2013	Serbia	-0.08	0.63069175	6353.826	2990163.73	0
2013	Turkey	-1.2	0.466553	10800.36	20648608.75	1
2013	Ukraine	-0.76	0.712094	3986.283	22900630.91	1
2014	Albania	0.47	-0.737567	4588.649	412844.50	0
2014	Armenia	-0.21	0.123615	3873.534	480524.51	0
2014	Azerbaijan	-0.5	-0.726658	7886.459	2124224.55	0
2014	Bulgaria	0.08	0.476996	7851.265	9039335.45	1
2014	Georgia	-0.23	0.0785398	4429.65	1646977.91	0
2014	Greece	0.02	0.337224	21627.35	8894883.58	1
2014	Moldova	-0.1	-0.218978	2244.764	1171428.85	0
2014	Romania	0.08	0.72353	10011.79	11672830.46	1
2014	Russia	-0.84	0.984162	13902.14	36172536.81	1
2014	Serbia	0.18	0.667408	6200.173	2915893.82	0
2014	Turkey	-1.06	0.3911	10303.9	19962876.85	1
2014	Ukraine	-1.93	0.814067	3065.164	16832800.65	1