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Structural model of cooperation development in the Black Sea region

INTRODUCTION

The rapid development of international economic relations in terms of increased globalization considerably influenced the nature of the cooperation of countries which do not share a common border by land, but are provided with an access to the particular sea basin. For such littoral's regions conditions were created for mutual socio-economic convergence, which is an important part of mega-regional integration.

However, the essential differences at the economic models' construction and belonging to different military-political blocs create considerable obstacles to convergence of states and, as a consequence, lead to worsening of political situation in one of the countries of between-groups conflict, which puts at risk a number of joint projects. It is present condition of the Azov-Black Sea region, which has absorbed a great value of so-called „frozen conflicts”, fundamental is the interest of MNI to energy sphere finding and producing oil and gas on the shelf of the Black and Azov Seas, the possibility to build a powerful intercontinental pipelines, development of marine transport and recreation areas, which determines the interest of twelve member-countries of The Black Sea Economic Cooperation (BSEC).

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Hence, the identification of structural model of economic cooperation is the main objective of this article.

The development of economic cooperation in frames of one or another sea basin needs a clear and pragmatic assessment of the benefits that its members has, and there is an urgent requirement to predict expected synergy effects that may occur in economic, mental or communicative level.

THEORETICAL BACKGROUND OF ECONOMIC COOPERATION AT THE BLACK SEA REGION

The researchers, who explore the regional substructures, are united around one or another marine basin. The estimation of the benefits of this kind of cooperation are generally focused on the discovering of its geo-economic features. Besides, I. Wallerstein, who specified the concept of „center and periphery” emphasizes that both of these categories are still quite under discussion, both in terms of the asymmetry of the division of powers – and in a term of identifying the nature of management and the global division of labor. Thus, according to Wallerstein – “center-periphery” – is defined as rapport to country megaregion’s characteristics inclusive of borders of another countries. The exception in this case is social component, which has considerable differences due to country’s belonging to one or another development’ model. That is why the division between „center and periphery” “necessitates an empirical specification based on the nature of socio-economic relations in national and international strategies implementation that are based on further development. This approach provides a comprehensive and high predictability of research conducted at the regional level [Wallerstein, 1979, p. 320].

In the opinion of the British scientists J. Frankel and D. Romer geographical location and an identification of the character (definite level) of development is considerable for analyzing the correlation between trade and income of the exploring object [Frankel, 1999, p. 379–399]. In our point of view, framed interdependence cannot be completely considered as reliable indicator, which reveals the proportion of common trade because the count does not include another important determinants, which casts reliability on the assessment of the country’s total trade effect. The greatest contradiction of this conflict has effects within the evaluation of littoral cooperation in Europe.

For identifying the prospects of social and economy welfare it is extremely important to identify the methodological approaches for analysis of the land areas. Methodological steps of the strategy is quite different because in terms of predominance of traditional development policy, according to A. Pike, A. Rodriguez-Pose, J. Tomaney, who define a sectoral model of regional development

combined with certain essential splitting into separate components. However, there is a risk that during define time lag it will be necessary to afford support protection to environmental and social spheres, moreover the priority will be just economic not another ones. The authors, marked below, pointed out that the using of models of local and regional development, at the same time management of one country (or the whole union) can have distinct localization patterns [Pike, Rodriguez-Pose, Tomaney, 2009, p. 311]. In such circumstances, first of all, docks, recreation areas and industrial facilities which are concentrated in small littoral areas will be developing.

For clarifying complete methodological issues essence of littoral regionalization use the theory of new regionalism, which was proposed in 1998 by M.Keating, which methodological framework is territorial restructuring and political changes that have occurred in Eastern Europe in the 90-ties of the XX century [Keating, 1988, p. 242]. However, in 2003 the dominant economist's view on the region development, including the seas, was focusing on the institutionalization of management and effective using of creative potential [Keating, Deschouwer, Loughlin, 2003, p. 356].

The obstacle for further development of regions in Europe in 2007–2009 was the financial crisis, in terms of which, some countries appeared to be quite vulnerable to external and, during the time, internal shocks. The main problem, in this case, according to G. Gorzelak, Ch. Goh, K. Fazekas, were regions of Central and Eastern Europe [Gorzelak, Goh, Fazekas, 2012, p. 408].

Determinants, following below, identify the main organization problems of cooperative ties framed by common sea basin:

- harmonization of country interests and identifying areas of selective interaction between the states;
- distribution of authorities and developing of cooperation models;
- diversification of funding of joint projects;
- sectoral and hierarchical structures of joint ventures;
- partnerships between government and the private business.

EUROPEAN EXPERIENCE OF LITTORAL COOPERATION

Since the European Union inception of the development of interstate cooperation in the framework of a marine basin there have been some fundamental principles articulated: subsidiarity, complementarity, competition, partnership, transparency, and programmability.

Over time, these principles were unified, and as a result they were using for creation on their background new approaches to implement horizontal policies in EU, including policies for regional and local development.

The most successful, in our point of view, was quite ambitious EU project experienced in the maritime sphere cooperation named „North’s Cooperation”, it was initiated by Finland and was located in the Baltic Sea region. The European Union interest to the so-called Baltic Europe emerged with the collapse of the socialism bloc in 1989 and the following EU enlargement in 1995, in May 1999 at a session of the European Council in Vienna (Austria) were produced major policy settings aimed at achieving „positive interdependence „between the EU and partner countries as part of the” North’s Cooperation” [Gutnik, Klemesheva, 2006, p. 293].

Therefore, the main task of the EU, in this macroregion, become the homogenization of regional and local development of littoral areas. During the next period of the referred initiative, which was constantly maintained by the European Commission, all the community features strategy were acquired, and its time lag was determined from 2000 to 2003. The most important part of this project (strategy) has been the development of cooperation between neighboring administrative units of the participating countries [Palmovskiy, 2009]. The most important directions of this program implementation was the geo-economic convergence of the EU and Russia.

The Commission shall adopt the second plan ‘Northern Dimension’ in 2003, which has been calculated for 2004–2006, moreover it was an additional proof of the neighborhood policy. It should be considered a positive aspect that all changes have taken place during 2007–2013. At the beginning of 2013 under the program ‘Northern Dimension’ there were implemented two main models of cooperation: Environmental Partnership and Partnership in Health and Welfare. Also it should be noted that over the last four years of international cooperation economical sphere has created an effective multilateral cooperation mechanism, which has an adequate financial base. Herewith the authority of projects’ „financial manager” was chaired by the European Bank for Reconstruction and Development. It is a part of 15 projects covered by funding from international development banks with low percentage credit rate. However the funds for the project activity is provided in the form of grants as co-financing from the Special Partnership Fund of Nature protection [Voronov, 2003, p.76–86]. The main sources of funding ‘Northern Dimension’ are: a program of the EU – TACIS (for Russia), Interreg (EU Baltic Sea basin) and EU structural funds (for the less developed regions of Sweden, Finland and eastern countries). From 2007 it was realized that it is quite important to use of these goals as new financial instruments of the EU (European Neighbourhood and partnership instrument – ENPI).

STRUCTURAL MODEL OF THE BLACK SEA COOPERATION

The development of ‘The Black Sea Synergy’ strategy is connected with such parameter as ‘Northern Dimension’ strategy. Thus it appears that the active introduction of European subsidiarity principle within the concept of the Black

Sea cooperation has to be regarded as a practical model of the idea of convergence. In our opinion, the cooperation effectiveness between the Azov-Black Sea countries was determined by the effectiveness of economic and organizational mechanism, the understanding of the depth, forms, principles, causes and consequences of the necessities of interaction and existence of leaders' loyalty.

Implementation of the Black Sea Economic Cooperation (BSEC) become a necessary step on the way of the convergence between economic, political and social components of Azov-Black Sea region. Most countries and international organizations, including those who have the status of observers show considerable interest to BSEC participation.

Despite of all similarity to the Baltic region, the Black Sea region also has a number of differences, which can be roughly summarized as the three most significant:

1. Firstly, it is one of the Europe's largest economic power and marine transit corridors;
2. Secondly, littoral states exhibit a high interest to implementation of joint projects in the energy, transportation, health care, which can lead to real convergence at regional and local levels if interests will be integrated too;
3. Thirdly, increasing trade turnover between countries of the Black Sea region will expand the density dock's connections cities and thus also to point of grows the localizing of regions. Measuring factor is membership of Bulgaria, Greece and Romania in the EU, which regulates the sensitive export which arrives to the Community at the megaregional level.

However, it is necessary to understand that in contrast to the Baltic Sea, the Black Sea region is the center of significant imbalances and threats to the countries' economy, the most important of which are: development of illegal migration, the spread of organized crime on the way of transit crossroads, the availability of so-called „frozen conflicts” and the threat of a collision of political and economic interests of states belonging to the different socio-economic models.

Concluding all positive and negative factors of the Azov-Black Sea area, it is very important, in our mind, to distinguish factors that can stimulate cooperation here:

- common historical experience in seaside location benefits using;
- similar economic business conditions;
- infrastructure availability which was adapted to joint use;
- the possibility to obtain grants and low-interest loans for economic development reforms implementation;
- considerable interest TNC and TNB to the Black Sea energy recourses.

Cross-border relations of the Black Sea' actors can be followed and identified as conditional equally accessible area with the biggest common integration interest concentration. Materialization center of such links is ARC, which can be identified as the equilibrium center inside intersection of BSEC's trade flows.

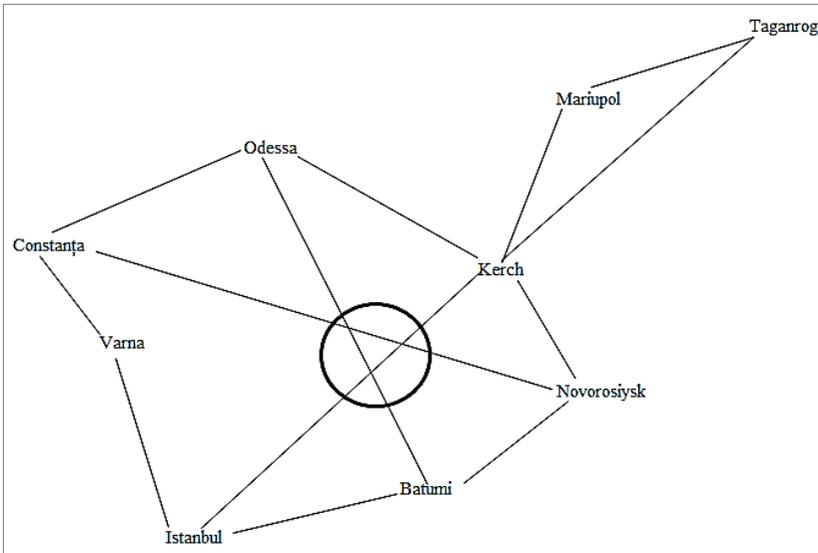


Figure 1. Dimensional localization model of the Azov-Black Sea cross docks' economic cooperation

Source: own calculation.

Analyzing the geometrical model above it is important to indicate that nominal center of constant interests of participant countries is a point of semi-intensive relationships between docks within the Azov-Black Sea cooperation. Structural model of the Black Sea Economic Cooperation can be represented as a balance of relationships, which has the form of spatial localization of the polygon. The circle, which is indicated on figure 1, including ARC, with its docks in Kerch, Theodosia, Yalta, Sevastopol, Yevpatoria.

Advantages of this model are follows:

1. Firstly, homogenization of cross docks' relations between member-countries due to increasing unification and standardization of transport and handling;
2. Secondly, spreading the principle of subsidiarity in the Black Sea countries (not only among the EU member states) will further institutionalization of international cooperation and therefore also member states' interests harmonization;
3. Thirdly, reducing the transaction costs on transportation is not only necessary, but also an extremely important factor in the interaction of members.

Attending on growth, expansion and convergence BSEC regions there should be noted the active participation of the European Union as the major participant in the BSS project, given the fact, that three Member States (Bulgaria, Romania, Greece) have ratified the agreement about the Black Sea cooperation. Successful finishing of the dialogue between EU and BSEC is extremely im-

portant for members. But it is necessary to indicate the fact, that interests in the Azov-Black Sea region have not only the EU but also other modular organization. Visually, these relationships can be represented as follows (Fig. 2).

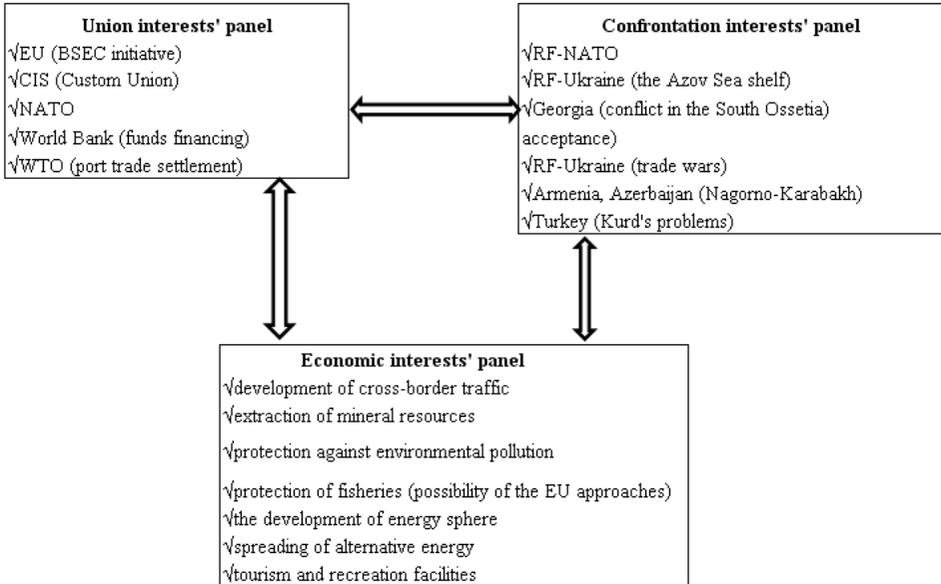


Figure 2. Member countries panel of interests of the Black Sea Economic Cooperation

Source: own calculation.

Growing dynamic of economic cooperation in the region is better determined by increasing interest in international, political and economic fields. BSEC's member states have strategically important location, which also has considerable social and resource ground, it can determine the nature boundary relations: Asia-Europe. Quite important is the technological potential of the Black Sea, which still remains completely untapped.

UKRAINE'S ECONOMIC INTERESTS IN THE REGION

Active foreign trade of Ukraine in international market is inseparably connected with country's outlet to the world stage. Financial crisis of 2007–2009 was so-called impulse for homogenization deepening of the Black Sea region and at the same time led to decrease of the intensity foreign trade operations.

Data indicated by the World Bank allow to clearly trace GDP cycling during 2008–2012 in the Black Sea Economic Cooperation member countries (Figure 3).

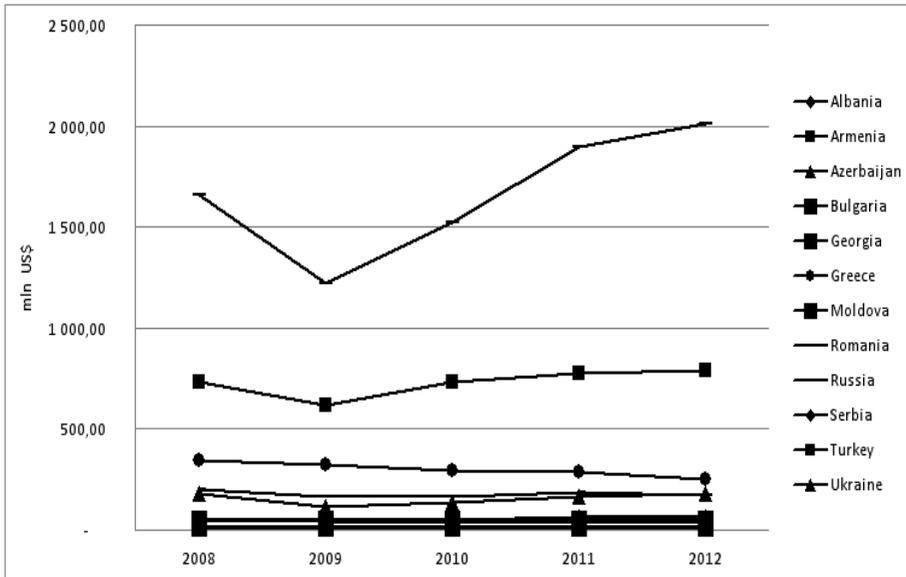


Figure 3. BSEC' GDP dynamic

Source: Commission report for the Council and the European Parliament, Brussels, 11.04.2007, COM(2007) 160 last variant.

It is easy to identify from the figure that for economy of the region the most influenced were 2008–2009 years. During this period, average GDP lost about 5–7 %, in Russia felt over 20% , which was associated with changes in energy consumption, which was the main component of Russian exports. Similar findings derived from the analysing and Table 1, with the difference that the data reflect the structure of export-import relations between Ukraine and the Black Sea littoral countries. In some countries of the region trade intensity increased, while some states show significance of these relations.

Under the analytical data one can distinguish countries with relatively strong export-import relationship between Ukraine and international market, the foreign trade relations which decreases to international trading. Russian Federation and Turkey are leaders, at the same time the outsider country, which has the lowest indicator is Albania.

According to The Global Competitiveness Report index of competitiveness of Ukraine during the 2012–2013 increased and now it is 4.1, comparing with the period 2010–2011, when it was 3.9. This figure is quite indicative, because it shows how efficiently country uses its resource, increasing employment and quality of producing goods and services. However, increasing competitiveness depends on borrowed capital in national economy.

Table 1. Export-import relations between Ukraine and BSEC (US\$ mln)

	2008		2009		2010		2011		2012	
	export	import	export	import	export	import	export	import	export	import
Albania	80,6	0,0	76,5	0,0	0,0	0,0	58,3	1,9	54,3	1,3
Armenia	263,6	25,4	165,6	28,1	201,5	17,8	227,4	18,5	179,3	23,1
Azerbaijan	910,5	75,8	546	282,8	610,8	951,3	708,5	643,4	766,7	79,5
Bulgaria	1105,8	239,5	395,5	151,9	450	218,1	755,4	269,6	568,6	280,6
Georgia	656,2	191,7	398,2	97,9	527,5	136,1	657,4	144,4	540,6	177,3
Greece	339,4	171,8	100,5	82,7	164	104	291,4	128,6	209,3	191,8
Moldova	1172	169,6	693,6	52,1	713,6	73,7	874,4	130,4	822,8	122,1
Romania	670,8	1171	319,4	488,1	705,9	682,3	950,7	1125,5	551,6	930
Russia	15 748,5	19 414,4	8495	13 235,8	13 428,2	22 198,1	19 819,8	29 132,1	17 631,6	27 418,4
Serbia	555,5	88	133,7	49,5	199	75,7	273,6	115,2	125,3	126,8
Turkey	4633,3	1950,1	2126,4	952,3	3023,8	1298,3	3748,6	1481,2	3685,1	1951,6

Source: Commission report for the Council and the European Parliament, Brussels, 11.04.2007, COM(2007) 160 last variant.

Investments are one of the key factors in the economic relations between Ukraine and the Black Sea Cooperation. According to the National Bank of Ukraine and the State Committee of Statistics the level of investment inward Ukrainian economy was as follows (Table 2).

Table 2. FDI flows from (out) megaregions' countries inward Ukrainian economy (US\$ mln)

Country	2008	2009	2010	2011	2012 (at the end of the year)
Albania	0,0	0,0	0,0	0,0	0,0
Armenia	1	1,6	4,3	4,4	4,8
Azerbaijan	7,2	15,2	20,3	33	56,9
Bulgaria	17,6	20	18,3	18,8	22,9
Georgia	29,9	36,9	35,9	36,7	12,5
Greece	151,6	309,9	331	327,9	466,1
Moldova	34,4	29,9	28	27,2	36,7
Romania	12	17,4	18,5	22,1	24,2
Russia	1462,4	1847,2	2566,4	3403,2	3785,8
Serbia	45,3	42,2	43,4	44,6	43,5
Turkey	116,7	127,2	138,9	153,3	189,4

Source: Commission report for the Council and the European Parliament, Brussels, 11.04.2007, COM(2007) 160 last variant.

According to the table, the growth of FDI was more considerable in the 2011–2012, during the post-crisis stabilization. In turn, the Ukrainian capital outward abroad also has several specific characteristics (Table 3).

Table 3. FDI flows from (out) megaregions' countries outward Ukrainian economy (US\$ mln)

Country	2008	2009	2010	2011	2012
Albania					
Armenia	12,8	13,5	-	-	-
Azerbaijan	-	-	-	-	-
Bulgaria	-	-	-	-	-
Georgia	28,5	26,9	32,4	31,1	32,8
Greece	-	-	-	-	-
Moldova	26,7	26,6	15,2	15,2	16,9
Romania	-	-	-	-	-
Russia	148,6	99,9	166,1	190,3	236,528
Serbia	-	-	-	-	-
Turkey	-	-	-	-	-

Source: Commission report for the Council and the European Parliament, Brussels, 11.04.2007, COM(2007) 160 last variant.

The most important investment Ukrainian partner is Russia, but including „trade wars” which took place during 2013, the level of investment coherence will steadily decline. However, Ukraine has reduced the amount of its investment in Moldova and Armenia, and has expanded its „presence” in the Russian Federation and Georgia

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Summary

The development of international economic cooperation at the Azov-Black Sea region is an essential component of continental "East-West" cooperation and can serve as a bridge of complex diffusion of economic, social and political systems of Eurasia. However, there are several confrontation zones and conflicting ambitions of the biggest participants in the BSEC (The Black Sea Economic Cooperation) which serve as a condition to development of good neighborly relations including economic sphere.

An effective cooperation of three EU countries neighbouring each other (Bulgaria, Romania, Greece) could have a positive influence on the development of economic cooperation in the Black and the Azov Seas, the feasibility of this trend towards interaction stems from the theory of localism. Thus, it appears that levels of using all advantages of European regionalism can be summarized as interaction of the BSEC in the formation of common recreational areas, obtaining minerals and dividing areas for fishing, because the part of the EU fisheries policy applies also in this area.

The necessary background for further development of the region is synchronizing the cycles of economic growth, the BSEC Member States that require the corresponding convergence of country models within a Free Trade Area (FTA +) and in the near future and harmonization of customs agreements with the EU (Turkey already has such agreement with the European Union). However, further development of this infrastructure will strengthen the Baltic-Black Sea corridor, whose importance shall not be overestimated.

Keywords: regionalism, localism, BSEC, The Azov-Black Sea region

Strukturalny model rozwoju współpracy w regionie Morza Czarnego

Streszczenie

Rozwój międzynarodowej współpracy gospodarczej w regionie Morza Czarnego i Azowskiego jest kluczowy dla pogłębiania współpracy kontynentalnej „Wschód-Zachód” i może służyć jako pomost dla kompleksowej dyfuzji systemów gospodarczych, społecznych i politycznych w Eurazji. Jednakże pomiędzy największymi państwami członkowskimi BSEC (*The Black Sea Economic Cooperation*) istnieje wiele spornych obszarów i kwestii, które istotnie warunkują (utrudniają) rozwój dobrosąsiedzkich stosunków w sferze gospodarczej.

Sąsiedztwo i efektywna kooperacja z trzema krajami członkowskimi UE (Bułgarią, Rumunią i Grecją) może mieć pozytywny wpływ na rozwój współpracy gospodarczej w rejonie Morza Czarnego i Azowskiego – takie przesłanki wy wpływają z teorii lokalizmu. Korzyści płynące z europejskiego regionalizmu prowadzą się przede wszystkim do zaangażowania organizacji BSEC w tworzenie wspólnych terenów rekreacyjnych, pozyskiwanie minerałów oraz wyznaczanie obszarów połowów, ponieważ polityka rybołówstwa UE ma zastosowanie także w tym rejonie.

Dla dalszego rozwoju regionu niezbędna jest synchronizacja cykli wzrostu gospodarczego państw członkowskich BSEC, co wymaga m.in. odpowiedniej zbieżności modeli państw w ramach strefy wolnego handlu (SWH +) oraz harmonizacji umów celnych z UE w najbliższej przyszłości (Turcja ma już taką umowę z Unią Europejską).

Słowa kluczowe: regionalizm, BSEC, region Morza Czarnego i Azowskiego