



UBCCE QUARTERLY BULLETIN

July 2007 N°2

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Business in the Caspian and Black Sea region faces serious challenges: Globalization is deepening changing and speeding up the division of labour between economic regions. Climate changes, the use of non-renewable natural resources and environmental degradation need to be addressed on a global level. Finally high and volatile energy prices are affecting growth.

In this context UBCCE's vision is to enable business to meet the challenges of globalization and to ensure the continuing development of a responsive business and environment. To achieve this vision, UBCCE dedicates itself to promoting and encouraging leadership, innovation, research, excellence and professionalism in carrying out its role as the representative voice of business in the region, and in the delivery of member services.

UBCCE will promote the interests of business and employers in the region by working to foster the continuing development of a competitive environment that encourages sustainable growth, and within which both enterprise and people can flourish.

Translating knowledge and creative potential into economic values will be the greatest challenge. The region has the potential to meet challenges and to turn them into opportunities by building on strong knowledge base and other inherent strengths.

The region must go innovative. By increasing efforts in the entire innovation system the region can improve competitiveness. It is about developing cooperation, services, business models and operational methods.

Sometimes it is about continuing renewal and amelioration. Accepting change and risks is essential.

George Constantin Paunescu
UBCCE First Vice President & ACPR Co-President

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Proprietor: Arzuhan Doğan Yalçındağ

Editor in Chief: Murat Zöngür **Editorial Committee:** Murat Zöngür, Seda Köknel

Union of Black Sea and Caspian Confederation of Enterprises

Meşrutiyet cad. No: 46 34420 Tepebaşı Istanbul TURKEY

Tel: (+90 212) 249 19 29 Fax: (+90 212) 292 53 75

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Thematic Committee I Meeting on “Regional Economic Integration” Bucharest, Romania, 23 May 2007



Hosted by Alliance of Employers Confederations of Romania (ACPR) and Turkish Businessmen Association in Romania (TIAD), the First Thematic Committee I Meeting on "Regional Economic Integration" was held on May 23, 2007 in Intercontinental Hotel in Bucharest, Romania with the participation of representatives from ATIB (Azerbaijan), BIA (Bulgaria), SEV (Greece), UPS (Serbia) and TÜSIAD (Turkey).

The meeting, attended by over 60 people, was held in two sessions. The morning session held as an open session was attended by the representatives from above mentioned member organizations along with Romanian, Turkish and Azeri officials including HSH Prince Radu, the special representative of the Romanian Government, H.E. Ahmet Rıfat Ökçün, Ambassador of Republic of Turkey to Romania and Romanian officials from the Ministries of Foreign Affairs and Economy & Commerce and the Romanian Agency for Foreign Investment.

Representatives from United Nations Development Programme (UNDP), Black Sea Trade and Development Bank (BSTDB) and European Bank for Reconstruction and Development (EBRD) were also present in the meeting.

Following the welcome remarks of Secretary General of ACPR Prof. Mihai Manoliu (in the name of Mr. George Constantin Paunescu Co-President of ACPR and UBCCE First Vice President), HSH Prince

Radu and TIAD President Mr. Halit Öztürkmen, the morning session continued with the speeches and presentations of Romanian officials and representatives of UNDP, SEV, EBRD and BSTDB underlining the need to cooperate in the Black Sea and Caspian Region in line with the theme of the Meeting.

Subsequently, Mr. Yahya Üzdiyen, President of Strategy Group of Doğan Holding (Turkey) shared the experience of Turkish private sector in the region with the audience followed by presentations on the economies of participating countries. The open morning session ended with the press declaration made by Prof. Mihai Manoliu to the representatives of Romanian mass media.

The second session was held as a closed session in the afternoon, moderated by Mr. Murat Zöngür, Acting Secretary General of UBCCE, in which the issues on the Agenda were discussed. The issues on the agenda were; discussion on the content and details of TC I Activities, evaluation of the results of UBCCE Questionnaire, discussion on the preparation of “UBCCE Economic Outlook Report” and “Mare Negra and Caspium Strategy Paper” under TC I.

Following the Meeting, UBCCE delegates participated at “The Evening of the Turkish Businessmen” which took place at the Elisabeth Palace, in the presence of HRH Princess Margarita and HSH Prince Radu.



UBCCE Vice President Mr. Ahmet Erentok presenting UBCCE plaque to HRH Princess Margarita.

CONTACTS of UBCCE Secretariat

July 18- Participation at the meeting of TÜSIAD Energy Working Group at TÜSIAD Headquarters.

July 5-6 - Visit to Baku, Azerbaijan for establishing initial contacts with Azeri and international organizations represented in Azerbaijan to promote UBCCE Business Forum to be held in October.

June 28- Participation at the breakfast meeting of TÜSIAD Energy Working Group during which Mr. Fatih Birol Chief Economist of International Energy Agency made a presentation on the “World Energy Outlook”.

June 27- Preparatory Meeting on the First UBCCE Business Forum in Istanbul with the presence of ATIB Chairman and UBCCE Vice President Mr. Ahmet Erentok, ATIB Board Member Mr. Hakan Özalpay and TÜSIAD Secretary General Mr. Haluk Tükel.

June 26- Participation at the Turkish – Azerbaijan Business Council where Mr. Ahmet Erentok delivered a speech on Turkish - Azeri bilateral economic relations.

June 25- Participation at the Vienna Economic Forum Istanbul Meeting entitled “Investing in Turkey, Investing in the Region”.

June 18- Joint presentation with Mr. Ioannis Patsiavos of SEV on UBCCE at the Black Sea Business Day in Chisinau, Moldova organized by BSTDB and the government of Moldova.

June 15- Participation at the “Democratization and Security in Central Asia” Conference organized by Ari Movement of Turkey.

June 13- Meeting with UMCE (Union of Mediterranean Confederations of Enterprises) Secretary General Ms. Monia Skhiri and TÜSIAD External Relations

Department Chief Mr. Zafer Gazi in Istanbul.

June 5- Participation at the "Turkey and the EU: Together for a European Energy Policy" Conference.

May 28- Participation at the official presentation of UNDP Black Sea Trade and Investment Promotion Programme (BSTIP) at BSEC Headquarters along with Ms. Louetta Ragusa ATIB projects advisor and Ms. Tülay Kılıçdağı, TÜSIAD International Department Chief.

May 24- Meeting with Mr. Ovidiu Siloghi, Romanian Minister responsible for SMEs together with TIAD President Mr. Halit Türkmen in Bucharest.

May 14- Meeting with Lovita Ramguttee from UNDP Black Sea Trade and Investment Promotion Programme (BSTIP).

May 2- Participation at the TÜSIAD “Neighbourhood Policy Report” Presentation.

May 2- Meeting with BSEC Secretary General H.E. Amb. Leonidas Chrysanthopoulos, First Deputy Secretary General H.E. Amb. Murat Sungar and Deputy Secretary General H.E. Altai Efendiev at BSEC Headquarters.

May 2- Participation at the 10th Eurasian Economic Summit.

CONTACTS of UBCCE President

June 12- Meeting with UMCE (Union of Mediterranean Confederations of Enterprises) President Mr. Jacques-Jean Sarraf.

June 5- Speech at the "Turkey and the EU: Together for a European Energy Policy" Conference.

May 2- Speech at the 10th Eurasian Economic Summit.

BLACK SEA&CASPIAN Events

The 5th World Chambers Congress

Istanbul, Turkey, July 4 – 6

1st Black Sea Games

Trabzon-Rize-Giresun, Turkey, July 2 – 8

Kazakhstan Growth Forum

London, United Kingdom, June 27 – 28

5th Russian Petroleum Congress 2007

Moscow, Russia, June 26 – 28

“East Meets West: New Frontiers of Energy Security” Conference

Istanbul, Turkey, June 25 – 28

BSEC Fifteenth Anniversary Summit

Istanbul, Turkey, June 25

Vienna Economic Forum

Invest in Turkey Invest in the Region

Istanbul, Turkey, June 24 - 25

Black Sea Business Day

Chisinau, Moldova, June 18

Ari Movement’s 9th Annual Security Conference “Democratization and Security in Central Eurasia”

Istanbul, Turkey, June 15

14th International Caspian Oil & Gas Conference “Incorporating Refining and Petrochemicals”

Baku, Azerbaijan, June 6 – 7

“Turkey and the EU: Together for a European Energy Policy” Conference

Istanbul, Turkey, June 5

Presentation of Black Sea Trade and Investment Promotion Programme

Istanbul, Turkey, May 28

Black Sea Business Day

Chisinau, Moldova, June 18

On the occasion of the Ninth Annual Meeting of the Board of Governors, BSTDB organized “Black Sea Business Day” on 18 June in Chisinau, Moldova.

The conference inaugurated by the Prime Minister of Moldova, H.E. Mr. Vasile Tarlev, attracted more than 250 participants representing High officials of the BSTDB Member States, international institutions, investors and businessmen. UBCCE Acting Secretary General Mr. Murat Zöngür and International Relations Manager of Federation of Hellenic Enterprises and Industries (SEV), Mr. Ioannis Patsiavos made a joint presentation on UBCCE which rose significant interest from the participants of the Event.

The main objective of the Black Sea Business Day was to facilitate contacts between economic decision makers in BSTDB countries and to promote regional cooperation and investments in the Black Sea Region and in Moldova in particular.

“Turkey and the EU: Together for a European Energy Policy” Conference

Istanbul, Turkey, June 5

“Turkey and the EU: Together for a European Energy Policy” Conference was held on June 5 in Istanbul, Turkey to discuss the common challenges and opportunities which both the EU and Turkey face in seeking to ensure their future energy security.

Jointly organized by Turkish authorities and European Commission, the Conference brought together key political and economic actors as Turkish Chief EU Negotiator Mr. Ali Babacan, Turkish Energy Minister Mr. Hilmi Güler, Commissioner for enlargement

BLACK SEA&CASPIAN Events

UBCCE First Thematic Committee Meeting “Regional Economic Integration”

Bucharest, Romania, May 23

Workshop on “Visa facilitation cooperation between the European Union and the countries of the wider Black Sea area”

Kos, Greece, May 18 – 19

10th Eurasian Economic Summit

Istanbul, Turkey, May 2 – 4

Mr. Olli Rehn, Commissioner for Energy Mr. Andris Piebalgs and German State Secretary of the Foreign Office Mr. Georg Boomgaarden. UBCCE and TÜSIAD President Ms. Arzuhan Doğan Yalçındağ was also among the speakers at the Conference.

Presentation of Black Sea Trade and Investment Promotion Programme

Istanbul, Turkey, May 28

The official presentation of UNDP Black Sea Trade and Investment Promotion Programme to the Turkish Business Support Organizations was held on May 28, 2007 at BSEC Headquarters, in Istanbul. UBCCE A. Secretary General Mr. Murat Zöngür and ATIB International Relations Advisor Ms. Louette Ragusa participated at the official presentation of the Programme during which UNDP has announced new business potentials for Turkish enterprises in the Black Sea region.

The overall aim of the programme is to support economic growth and development in the Black Sea sub-region through closer economic integration and to expand intra-regional trade and investment links among

Black Sea Economic Cooperation Member States.

The Black Sea Trade and Investment Promotion Programme is co-financed by the Turkish Ministry of Foreign Affairs, Greek Ministry of Economy & Finance, UNDP and BSEC and will continue between 2007 - 2009. It is the first programme jointly co-financed by the Government of Turkey and Greece under the auspices of UNDP. For more please visit:

<http://www.undpforblacksea.org/>

10th Eurasian Economic Summit

Istanbul, Turkey, May 2 - 4

10th Eurasia Economy Summit organized by the Marmara Group Strategic and Social Research Foundation, was held in Istanbul, Turkey between May, 2 - 4. Honoured by the participation of 4 Former Presidents, 18 Cabinet Ministers and 5 Members of National Parliaments, 10th Eurasia Economic Summit took place in the Istanbul Chamber of Commerce, with the participation of 30 countries.

Aiming to develop relations between European Union, Central Asia and Middle Eastern countries, the Summit focused on issues including global economy, the use of the global competition resources, the situation in the Middle East, economic cooperation in Eurasian countries and energy.

UBCCE and TÜSIAD President Ms. Arzuhan Doğan Yalçındağ also delivered a speech during the Summit underlining the necessity of regional cooperation.

BLACK SEA & CASPIAN Agenda

ENERGY

Pipelines

Russia and Central Asian leaders agree landmark gas pipeline deal

During a three-way summit in the Caspian Sea port of Turkmenbashi, the presidents of Russia, Turkmenistan and Kazakhstan agreed on May 12 on pipeline restoration and new construction from Turkmenistan to Russia via Kazakhstan – a route long favored by Russia. The concrete work on the project will begin in the first half of 2008, and is expected to increase capacity along the route by at least 12 billion cubic meters per year by 2012. This agreement will allow Russia to raise its total imports of Turkmen gas to 80 billion cubic meters per year.

Trans-Balkan oil pipeline ratified by Bulgaria's parliament

The Bulgarian Parliament ratified an agreement with Albania and Macedonia for the construction of a Trans-Balkan pipeline to transport oil from the Black Sea to the Adriatic by 2011 on May 31. The \$1.5 billion pipeline, known as the AMBO project, will link Burgas in Bulgaria to Vlore in Albania. The 895-kilometer pipeline is designed for long-haul oil transit, and will be better positioned to serve western European and North American markets.

South Stream pipeline Project

ENI Chief Executive Paolo Scaroni and Gazprom Vice-Chairman Alexander Medvedev signed a memorandum of understanding to build a gas pipeline from Russia to Italy under the Black Sea on June 23 in Rome. The 900 km “South Stream” pipeline will come ashore in Bulgaria and then branch to Austria and Slovenia in one spur and southern Italy in another. The new pipeline is planned ostensibly to carry 30 billion cubic meters of gas annually. South Stream is likely to increase hopes of

Gazprom joining the Nabucco pipeline project, a \$6.2 billion plan, led by Austria, to carry Caspian and Middle Eastern gas to Europe via Turkey and the Balkans.

Turkey, Azerbaijan agree on Shakh Deniz Project

Turkey and Azerbaijan have finally reached an agreement on the Shakh Deniz project that will transport Caspian natural gas to European markets. On July 2, Turkey received its first shipment of Azerbaijani natural gas from the \$4 billion Shakh Deniz pipeline. The shipment of Azerbaijani gas through the pipeline, operated jointly by BP and Statoil, had been delayed several times due to technical issues. The project is seen as a major source of gas diversification for the European Union and Turkey, both heavily reliant on Russian energy. Deliveries will be extended to Greece and Italy first, with Greece receiving its first supplies on August 10. The pipeline aims to link up to the EU-backed Nabucco pipeline project, which is still in the development stage.

Earnings from BTC reaches \$620 million

June 4 marked the anniversary of a tanker leaving the last stop of the Baku-Tbilisi-Ceyhan pipeline (BTC) located at the Ceyhan district of Adana, for the first time. BTC Turkey's Director Can H. Suphi said that since that date a total of 172 tankers have been loaded in the location and a total of 137.94 million barrels have been exported. Turkey's earning from BTC has been \$620 million during that period.

Turkey-Iran energy deal

Iranian Minister of Petroleum Seyyed Kazem Vaziri-Hamaneh and Turkish Energy Minister Hilmi Güler signed a memorandum of understanding on Iranian and Turkmen gas export to Europe via Iran and Turkey on July 13, 2007. Iran and Turkmenistan will pump 30 billion cubic meters of gas a year to Europe via Turkey, leaving no need for

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alternative supplies to the Nabucco pipeline project. The two countries rapprochement on energy will help Turkey transfer Iranian and Turkmen natural gas to Europe without net profit while Iran will have direct access to European markets.

China Turkmenistan signed natural gas deals

China has signed a 30-year contract to buy gas from Turkmenistan on July 17 during the visit of Turkmen President Gurbanguli Berdimukhamedov to Beijing. China's biggest oil company, China National Petroleum Corp. reported that it would import 30 billion cubic meters of natural gas annually for 30 years through a planned Central Asian pipeline.

Natural Gas and Petroleum

IEA sees stronger oil demand growth

According to the International Energy Agency (IEA), world oil demand will grow more quickly in 2008, though higher production and refinery capacity should ease pressure on supply. In its monthly oil market report, it was commented that the demand will rise by an average 2.2 million barrels a day in 2008, up from this year's expansion of 1.53 million bpd.

Gazprom aims to be “first trillion dolar firm”

Russian energy giant Gazprom wants to be the world's first firm with a stock market value of a trillion dollars, according to Alexander Medvedev, the company's deputy chief executive. Alexander Medvedev did not give a timetable for achieving the goal, but executives at the firm, which is nearly half owned by the state, believe this can be achieved within five to seven years. Gazprom would have to quadruple its current \$251 billion (184 billion euro) market value to achieve the objective. The firm is currently the eighth-most valuable in the world.

In the meantime, Gazprom and Austrian group OMV have signed a memorandum to jointly control the Austrian natural gas distribution center in Baumgarten in North Austria. The memorandum was signed by Gazprom CEO Aleksey Miller and OMV president Wolfgang Ruttensdorfer during President Vladimir Putin's visit to Austria on May 23-24.

Russia Turkey deal on natural gas

Gazprom will sell up to 750 million cubic meters of natural gas every year until 2021 to Turkish consumers under a deal signed on May 22 with the Turkish firm, Bosphorus Gas. In 2006, Gazprom exported a total of 20 billion cubic meters of gas to Turkey. Almost all of it was sold through Turkish intermediaries.

Gazprom Total deal to develop Shtokman

Gazprom and French oil group Total signed a 25-year deal on July 13 to develop the giant Arctic offshore Shtokman gas field, large enough to supply the world for over a year.

YUKOS buy makes Rosneft largest oil producer of Russia

State-run oil major Rosneft paid on July 12 around \$230 million dollars at auction for some of the last remaining upstream assets of bankrupt oil firm Yukos, once Russia's largest company.

Socar – Turcas to get permission for refinery in Ceyhan

Turcas (Turkish private petroleum distribution company) – Socar (Azerbaijan State Oil Company) joint venture and Petrol Ofisi and Çalık Indian partnership, is permitted to build up a refinery in Yumurtalık region of Adana. Turcas – Socar is expected to invest \$4 billion in the region. The total value of the three refineries will be around \$15 billion and provide employment for around 3,000 people.

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Greek - Azerbaijani Protocol signed

Greek Deputy Foreign Minister Evripidis Stylianidis and Azerbaijan's Economic Development Minister Heydar Babayev signed a protocol of cooperation on July 7 in Athens to strengthen bilateral economic ties. Stylianidis, referring to the Azerbaijan-Turkey-Greece-Italy natural gas pipeline, said that the protocol's signature is in line with the application of the EU's energy policy for the diversification of energy sources.

Iran plans to build five refineries in Asia

Iran plans to tie-up with Asian companies to build five refineries in the region as part of its efforts to boost energy cooperation. Iran is finalizing five Asian joint-venture refinery projects in China, Indonesia, Malaysia, Singapore as well as Syria with a total capacity of 1.1 million barrels a day.

Iran's petrol prices up 25%

Iran increased petrol prices by 25% on May 22. Oil-rich Iran has limited refinery capacity and therefore has to buy petrol on the world market. The increase is considered as part of a major plan to reduce state subsidies on petrol and try to stop smugglers who take advantage of the low price to sell it abroad.

Other Energy News

EU Energy market opened to competition

The entire EU energy market is thrown open to competition on July 1st, allowing consumers to choose their gas and electricity suppliers and spelling an end for monopolistic state-run utilities. The liberalization process has been resisted in some countries and welcomed in others, highlighting different attitudes to competition and the notion of protecting national interests in the energy sector.

Turkey Greece deal on electricity

Turkey is expected to sell electricity to Greece for the next two months starting from July 20. Turkey will use two units of the Hamitabat combined natural gas power plant in Lüleburgaz in northwestern Turkey to export 200 million to 250 million kilowatt-hour electricity to Greece. The agreement with Greece will allow Turkey to take its first step into the European electricity market.

\$1.8 billion investment in energy

The Turkish electricity energy sector is expected to receive annual investments totaling \$1.5 - \$1.8 billion in the next three years, according to a study by the Energy Research Unit of the Energy, Water and Gas Syndicate of Turkey. However, this figure provides only half of the investment needs of the private and public energy sectors, which need investments of at least \$3 billion dollars a year.

İç Enerji pairs up with AES

Turkish company İçtaş Enerji and U.S. based global energy giant AES launched a joint venture on May 25. The AES/İÇ partnership will provide a strong platform for privatizations and acquisitions, hydro-electricity generation plants and renewables. AES and İç Enerji will jointly invest \$600 million in existing hydropower projects in the next four year.

TRANSPORTATION

The Black Sea Ring Highway Caravan

The Black Sea Ring Highway Caravan organized by BSEC PERMIS, the International Road Transport Union and the Union of Road Transport Associations completed its journey from Belgrade to Istanbul on May 28. Composed of 12 vehicles from the BSEC countries, the 17-ton truck caravan covered a route of 7,500 kilometers through all 12 Member States in

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an effort to promote the Black Sea Ring Highway. A final welcoming ceremony, besides those organized in almost all BSEC Member States, was held at Dolmabahçe Palace in Istanbul.

Samsun-Edirne Black Sea Ring

Transport Ministers of the BSEC met on July 5 in Istanbul to discuss cooperation between the member countries and further development of the region. The meeting participants adopted a declaration which stresses the necessity of developing the transport system in the region, creation of favorable conditions for cargo transportation and enlarged partnership between the BSEC and international transport companies. Turkish Transportation Minister Ismet Yilmaz who attended the Meeting reported that Samsun-Edirne Black Sea Ring (in Turkey) will be connected to Europe through a third bridge in the Bosphorus.

EUROPEAN UNION

EU membership negotiations with Turkey and Croatia

The European Union agreed to extend membership talks with Turkey to two new policy areas or chapters, namely statistics and financial control, but stopped short of opening discussions on the key area of economic and monetary policy. In the meantime, the EU also decided to open six further new chapters with Croatia namely, Freedom to Provide Services, Company Law, Financial Services, Information Society and Media, Statistics and Financial Control.

The EU and Serbia has also resumed the negotiations for concluding an agreement for “stability and association” in June, the first step for the integration of Serbia into EU.

EU-Brazil Strategic Partnership

The European Commission proposed to launch a Strategic Partnership with Brazil at the first EU-Brazil Summit in Lisbon on July 4. President Lula da Silva of Brazil, Prime Minister José Sócrates of Portugal and European Commission President José Manuel Barroso met with participants in the EU-Brazil CEO Roundtable in order to discuss economic and business issues. The Portuguese Presidency of the EU wishes to reinforce the EU-Brazil dialogue, taking into account the increasingly significant role this country is playing in the global economy and in Latin America in particular. Brazil has been the only one of the ‘BRIC’ emerging countries (Brazil, Russia, India and China) not to have a bilateral partnership with the EU.

BSEC

BSEC 15th Anniversary Summit in Istanbul

The 15th anniversary of the Organization of Black Sea Economic Cooperation was celebrated in Istanbul on June 25 bringing together the heads of states and foreign ministers of the 12 member countries. UBCCE issued a press release for the occasion celebrating the anniversary of BSEC. The press release is available at: http://www.ubcce.org/PRESS/PDeclaration_25.06.07.pdf

Priorities of the Turkish Chairmanship of BSEC (May – October 2007)

As the new Chairman-in-Office of the BSEC, Turkey sets its priorities on three main pillars. Within the framework of the first pillar, Turkey will pursue the goal of making BSEC more active and effective by finalizing the ongoing process of transformation of the Organization. In this respect, the most important priority for Turkey will be to continue the reform and restructuring of BSEC to ensure a more effective decisionmaking mechanism as well as due

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and rapid implementation of the decisions taken at the Council level.

Another issue of organizational nature that Turkey will bring into focus is the strengthening of the financial structure of BSEC. In order to make BSEC more project-oriented and visible, Turkey aims to ensure a more effective support from the Black Sea Trade and Development Bank for BSEC projects and also attaches a special importance to further developing BSEC's partnership with other international organizations.

The second pillar of Turkey's priorities is related to BSEC's relations in the international arena. Turkey desires to deepen primarily BSEC-EU interaction during her Chairmanship.

The third main pillar of Turkey's strategy during her Chairmanship will be the endorsement of a sectoral approach which will also correspond with the project-oriented vision that BSEC has recently adopted. At the sectoral level, Turkey will give priority to making further progress in the fields of trade and investment, transport, environment, energy and combating organized crime.

BSEC-EU Meeting on Improving Relations

A meeting of the BSEC Troika was held in Brussels on May 21 with the COEST working group of the EU Council of Ministers, to discuss recent developments in BSEC-EU relations. Among the highlights of the meeting was the view that future collaboration work between the two sides should be concentrated on thematic issues so that projects could be made into concrete proposals.

BSEC enhances international cooperation with UNDP

The BSEC signed a cooperation agreement with the United Nations Development Program (UNDP) on June, 28

in Istanbul. The agreement, signed at the BSEC Headquarters by BSEC Secretary-General Leonidas Chrysanthopoulos and UNDP Governor Kemal Derviş, aims at stimulating and coordinating small and medium businesses in BSEC-member countries and also lure foreign investment to the region.

ECONOMY & FINANCE

Privatization

Turkey tops World Bank privatization list

In a sign of the massive amount of privatization that Turkey's government has pursued in recent years, Turkey ranked second highest for privatization volume during 2004 and 2005 in recently announced findings by The World Bank. "For the past four years the country has been on the top of the list ranking as number one," said Osman Demirci, Privatization Board Vice President.

Privatization of Electrica Muntenia in Romania

On June 11, the privatization contract of Electrica Muntenia with Enel-Italy has been signed. The value of the contract is 820 million euro.

Banking

Foreigner share in Turkish banking sector nears 40%

The total share in the banking sector owned by foreigners reached 38.8% at the end of April, according to a May report released by the Turkish Central Bank. According to the Financial Stability Report, by the end of April, the foreign share of the banking sector climbed to 22.4%, with foreigners holding 16.4% of public shares of the sector's total assets. The report showed that the foreign interest in the banking sector continued to grow. Thirteen foreign banks entered the Turkish banking sector via purchases and partnerships with local banks in the past two and a half years.

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Finally, ING, Netherlands' largest financial services company, has reached an agreement with OYAK, the Turkish Armed Forces Pension Fund, to acquire its subsidiary Oyak Bank for \$2.67 billion (2 billion euros) in cash. The deal is expected to close in the second half of 2007.

UniCredit Group penetrating the CEE market

UniCredit Group, the leading banking group in Italy, continues to grow penetrating the Central and Eastern European market. In Europe it is among the top 5 ranking banking groups in terms of efficiency and profitability, and among the top 20 on total assets. The Group holds a leading position in Poland, Bulgaria and Croatia, and ranks either among the top three or the top five in Bosnia, Turkey, Slovakia, Serbia, Romania and the Czech Republic. There are also significant banking presences in Russia, Ukraine, Hungary, Slovenia and the Baltic states. UniCredit Group has boasted a wide network of over 7000 branches in 19 countries and approximately 140 000 employees.

Investment

OECD Report on Trends and Recent Developments in Foreign Direct Investment

A new OECD report, Trends and Recent Developments in Foreign Direct Investment, forecasts FDI in its 30 member countries to increase by a further 20% in 2007. Inward FDI rose 22% to USD 910 billion in 2006, up from USD 747 billion in 2005 and USD 491 billion in 2004, according to the latest estimates from the OECD. The United States was by far the world's largest recipient of FDI in 2006, attracting USD 184 billion from OECD countries. France, Greece, Iceland, Poland, Slovak Republic, Switzerland and Turkey also recorded their highest-ever FDI inflows in 2006. In Central and Eastern

Europe, the report highlights that flows among new EU members have risen in anticipation of the entry and this is now gaining momentum.

World Economic Forum Russia CEO Roundtable

The World Economic Forum held its Russia CEO Roundtable in Saint Petersburg, Russia on June 9-10. This high-level series of industry workshops for CEOs and chairmen of Forum Members and Partners took place on the occasion of the XI Saint Petersburg International Economic Summit, organized by the Russian Ministry of Economy and held under the auspices of President Vladimir Putin. The first day of the Saint Petersburg International Economic Summit assessed opportunities and threats in Russia today, and the second day focused on regional integration trends and Russia's role in BRIC and other emerging markets. According to the Russia Economy Minister Mr. German Gref, the Forum brought deals worth a total of \$13.5 billion and \$4 billion of that amount was direct foreign investment and projects between Russian companies and the state accounted for the other \$9.5 billion.

German-Turkish agreement to boost investments

Germany's Business Development Corporation Mönchengladbach (WFMG) and the Middle East Industry and Commerce Center signed a collaboration deal to foster mutual investments at the Third Turkish-German Economy Congress. WFMG General Manager Ulrich Schückhaus said the deal supports German and Turkish investors wanting to operate abroad.

China's CREC to invest in Turkey

Chinese Railway Engineering Group (CREC), which built the 5,800-kilometer long and 6,000-meter high Chinese-Tibet railway line, is about to invest in property and

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infrastructure in Turkey. The Chinese group aims to make Turkey a base for its expansion to Balkan and Caucasian countries. CREC, as the first Chinese building contractor company to invest abroad, has participated in more than 1,000 projects worldwide. The company has finished more than 200 railway, motorway and airport projects in over 20 countries and invested in 60 countries in total. Total turnover of the group is \$26 billion.

Foreign investors give full support to Turkey

Foreign investors confirmed their continued confidence in the Turkish economy and absence of “post elections worries” at the Investment Advisory Council's (IAC) meeting in Istanbul on June 11. Attendees of the meeting included CEO's and many executives of 21 multi-national companies from 11 countries managing \$750 billion.

Investment Advisory Council (IAC) is a small, high-level private-sector driven initiative of the Government of Turkey with the objective of advising the Prime Minister and his cabinet on measures to improve the flow of investment into the country. The Council provides perspectives on the Government's measures to improve Turkey's investment climate and presents views on how to enhance its competitive position in the world economy. The meetings take place once a year in off-the-record roundtable discussions.

Aegean businessmen cast their nets in Crete

Expecting an increase in trade volume between Greece and Turkey a delegation of Turkish businessmen from the Chamber of Industry of the Aegean Region (EBSO) visited Crete, one of Greece's largest importing islands, to identify business opportunities in June. A Memorandum of Understanding has been signed outlining

guidelines for further cooperation and the promotion of business contacts between Crete and the Aegean region of Turkey.

Turkey poised for \$81 bln in Black Sea region business

Turkey has the potential to capture \$81 billion worth of untapped business in the Black Sea region, according to the preliminary findings of a trade flow analysis and investment survey conducted by the United Nations Development Program (UNDP). The survey is being conducted to identify areas for Black Sea region countries to collaborate in preparation for the launch of the Black Sea Trade and Investment Promotion Program (BSTIP) this September.

E.On to invest 6 billion euro in Turkey, Russia

German energy giant E.On AG unveiled a plan on May 31 to invest 6 billion euros (\$8.05 billion) in growth initiatives in Turkey, Russia and Southeastern Europe. The investment is part of a larger move to invest 60 billion euros (\$80.52 billion) toward building 18 new power plants in Europe.

Sabancı Holding to invest in energy

Turkey's Sabancı Holding set bigger goals after its strategic partnership with Austrian electricity company Verbund. Sabancı Holding will focus on gas trade and distribution and invest equally in electricity production from coal, hydraulics and natural gas.

Çelebi to bid for Athens airport

Turkey's Çelebi Ground Handling services announced it will participate in the Athens International Airport ground handling and cargo services tender with its subsidiary Çelebi Ground Handling Hungary (CGHH). If the company wins the tender it will administer the ground services at the airport between March 28, 2008 and March 27, 2015.

BLACK SEA & CASPIAN Agenda

OTHER NEWS

Facilitation of visa regulations between Turkey and Bulgaria

According to the new visa regulations between Turkey and Bulgaria put into effect as of May 10, Turkish citizens who possess visas from EU countries or Schengen states, along with citizens with residence permits in EU & Schengen countries, will have the right to cross through Bulgaria within five days without visa.

Black Sea Games

The first Black Sea Games, a sporting event which brought together some 1311 athletes from 11 Black Sea countries (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine) was held in Turkey between 2-8 July. Athletes slugged it out for supremacy in track and field, archery, gymnastics, swimming, taekwondo, wrestling, soccer, basketball and volleyball in the Black Sea cities of Trabzon, Rize and Giresun. For more please visit:

<http://www.2007blacksea.org.tr/>

General Elections held in Turkey

Early general elections were held in Turkey on July, 22. Prime Minister Recep Tayyip Erdoğan's ruling Justice and Development Party (AKP) secured another five years term in the (550 seat) Parliament increasing its votes from 34.4 to 46.6 since 2002, but with a slight decrease in the number of seats from 363 to 341. The Republican People's Party (CHP) retained its position as the main opposition, receiving 21 percent of votes. The Nationalist Movement Party (MHP), meanwhile, received 14.3 percent of votes. The two parties received 112 and 71 seats respectively. Unlike previous terms, the Turkish parliament will also host 26 independent deputies (mostly from southeastern part of Turkey) in the next five years. In the meantime, the number of

women deputies more than doubled (50) in comparison with the previous parliament term (24).

Efforts towards improving the business environment in Azerbaijan

Azerbaijan has the highest economic growth rate in the world mostly due to rapidly growing oil sector. Improving business environment for promotion of entrepreneurship in the non-oil sector is one of the main priorities of economic policy of the Government. Important measures were taken for the business development in Azerbaijan in the second quarter of 2007.

President Ilham Aliyev issued a decree at the end of April to improve the business climate and remove red tape obstacles in Azerbaijan. The measure aims to eliminate hurdles in the way of entrepreneurial development, in particular, the multi-stage procedure for business start-up, and to simplify the granting of permissions for doing business.

The principle of "one window" (unified registration body) is expected to be applied by the end of 2007 and it will provide an opportunity to carry out the whole registration process in one body. As a result of the application of the "one window" principle, it is intended to decrease the registration period from the current 53 days to 10-15 days.

Another important decision towards improving business climate is staged liberalization of capital flow and substitution of the resolution mode for reporting on this base made by Board of the National Bank in June 2007. National Bank has also been conducting systematic liberalization policy of the currency transactions regime since 1996; currency regime has been liberalized a few times within the bound of this strategy lately.

ATIB, Azerbaijan

Turkey Azerbaijan Business Council held in Istanbul

Turkey-Azerbaijan Business Forum organized by Foreign Economic Relations Board of Turkey (DEIK) was held in Istanbul on June 26-27. ATIB Chairman and UBCCE Vice President Mr. Ahmet Erentok was one of the speakers of the Forum. In his speech, Mr. Erentok underlined the importance of cooperation in the Black Sea and Caspian Region and invited all the participants of the Meeting to the “First Business Forum of UBCCE on Foreign Direct Investment” to be held in Baku, Azerbaijan on October 2.

BIA, Bulgaria

“Mobilizing Resources for a Common Future”:

10th CEI Summit Economic Forum, 20-21 November Sofia, Bulgaria

The 10th Central European Initiative (CEI) Summit Economic Forum (SEF) entitled “Mobilizing resources for a common future” will take place in Sofia, on 20-21 November under the CEI Bulgarian Presidency. Considered as a major event promoting economic cooperation, the Forum aims to attract representatives of governments, industries, national and international finance institutions and trade organizations on an annual basis.

The 2007 CEI SEF will pay close attention to the issues of energy infrastructure and efficiency, credit lines for the residential sectors, regional railway networks, technical cooperation, SMEs, capacity building and IST. The platform for all discussions will be jointly provided by South-East Economic Forum in cooperation with the CEI SEF.

Furthermore, as a highlight of SEF, the roundtable of the CEI Ministers of the Economic Sectors will provide valuable

information on the economic policies of the CEI Member States. For more information: <http://www.ceinet.org/main.php?pageID=30>

BIA in the 96th Session of the International Labour Conference

Bojidar Danev, Chairman of BIA, participated, as a member of the Bulgarian delegation, in the 96th Annual Conference of the International Labour Organization that drew some 3,000 delegates and advisers, including Labour Ministers and leaders of workers' and employers' organizations from the ILO's 180 Member States.

NASVETLO (Come to Light) initiative

BIA started on May 7 the NASVETLO (Come to Light) initiative to fight against the informal economy. Co-organized by The Association of the Industrial Capital in Bulgaria; Bulgarian National Television; bTV; Nova TV; Bulgarian National Radio; Darik Radio; “24 Hours” newspaper; “Trud” newspaper; “Sega” newspaper, the NASVETLO initiative aims to attract the public attention towards the grey economy in Bulgaria in attempt to find mechanisms for its overwhelming.

SEV, Greece

SEV General Assembly, May 24

The Annual General Assembly of SEV was held in Athens on May 24. This year's Assembly coincided with the centennial anniversary of SEV since its foundation and a special book was published providing the history for the development of industry in Greece throughout the years and the various phases SEV as a Business Organization has experienced being at the forefront of Greek enterprise.

To address the contemporary needs of companies and to strengthen the collective voice of business, this year's Assembly was marked by a historic change in SEV statutes

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enabling companies from any sector and economic activity to be included in its membership. Consequently, the new name of the Organization is “Federation of Enterprises and Industries” while the acronym SEV is kept as brand name. In his address to the Assembly Chairman Dimitris Daskalopoulos appealed to all healthy and creative forces calling them to join forces and lead the economic and business developments to re-position Greece as a competitive partner in the globalized markets.

The afternoon open session of the Assembly was honored by H.E. the President of the Greek Republic Mr. Karolos Papoulias who addressed the audience of more than 1000, while the Minister of Economy and Finance Mr. George Alogoskoufis presented the achievements in economy and described the strategy and policies the Government follows.

SEV and RSPP founded the Business Council Greece-Russia

SEV organized a high-level business delegation to Moscow and St. Petersburg on May 31 - June 2 within the framework of the state visit of the President of the Greek Republic H.E. Karolos Papoulias to Russia. The delegation was composed of businessmen and executives from 23 large Greek corporations with the aim to meet with Russian counterparts who are members of the Russian Union of Industrialists and Entrepreneurs (RSPP).

SEV and RSPP had signed an Agreement of Cooperation in September 2005 which had foreseen, among other activities, to establish a Business Council Greece-Russia. In the occasion of the state visit, the Business Council Greece-Russia was inaugurated on June 1st in a ceremony honored by H.E. the President of the Greek Republic. Signing the foundation document RSPP Chairman Mr. Alexander Shokhin and SEV Secretary

General & Head of International Affairs Dr. Athanase Lavidas declared their trust that the Council will act as a real catalyst in enhancing the bilateral economic relations mainly in energy projects as well as in several other sectors such as telecommunications & IT, constructions, pharmaceuticals, food, services.

In the Greek chapter of the Business Council Greece-Russia, the Chairman is Mr. Costantine Bakouris, Chairman of CORINTH PIPELINES & Board Member of VIOHALCO Group (largest in steel sector), the Vice-Chairman is Mr. Alexandros Manos, CEO of INTRACOM TELECOM (affiliate of INTRACOM Group, largest in electronics & IT) and 20 other companies participate as members. In the Russian chapter the Chairman is Mr. Vladimir Nekrasov, Vice-President of LUKOIL (major oil corporation) and 30 Russian firms are members. It was agreed that the next meeting of the Council will take place in Greece in the occasion of the Joint Ministerial Committee which will convene in Athens in October.

A forum for the Russian-Greek business relations was also organized on May 31 in Moscow by SEV and the Chamber of Commerce & Industry of the Russian Federation which was also addressed by H.E. the President of the Greek Republic as well as by Mr. Yevgeni Primakov, President of the Chamber and former Prime Minister.

Emmanuel Berck's visit to Greece

In the framework of the “Enterprise Experience Program” launched by the European Commission, Mr. Emmanuel Berck, Deputy Head of Enterprise Unit, Horizontal Aspects for SME Policy, paid a visit to Greece to be familiarized with the operation and the daily problems faced by the Greek SMEs. During his visit to Greece, Mr. Berck participated also at SEV's General Council as a guest speaker and made a presentation on Commission's priorities for

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boosting entrepreneurship, reducing bureaucracy, market access, innovation, financing and internationalization of SME's.

Event: "Innovation-Internationalization: The future of Greek Enterprises"

An event on "Innovation-Internationalization: The future of Greek Enterprises" was organized by SEV in cooperation with the Consultants "Mc Kinsey & Company" and under the auspices of Embassy of Finland in Athens on June 26. During the event, the results of a survey made among 1000 Greek companies were presented revealing that firms investing on R&D are the most successful and profitable. The discussion focused on the factors which still impede Greek companies to innovate and on ways to stimulate and facilitate investments directed to innovation. During the workshop three case studies were reviewed, one Finnish and two Greek companies, showing how they managed to increase their international presence and achievements and maintain their competitiveness in international markets through innovative products and services.

In his opening address SEV Chairman Mr. Dimitris Daskalopoulos stretched on the importance for Greek enterprises to increase their expenditures on innovation, while he called for a more favorable business environment in which companies will be encouraged to take risks and seek new markets. In delivering the conclusions Dr. Athanase Lavidas, SEV Secretary General, Head of International Affairs emphasized on the need to introduce a new philosophy which puts research activity at high priority with drastical increase of funds. He also pointed out that closer cooperation between companies and research centers will help increasing the number of scientifically and technologically based enterprises in order to attract foreign investments and creating stable joint ventures.

ICEA, Iran

IOE General Council, May 29, Geneva, Switzerland

As a member of the International Organization of Employers (IOE), ICEA participated at the annual meeting of IOE General Council on May 29 in Geneva. Attended by presidents and representatives from 145 national employer federations from 138 countries, the meeting of the IOE General Council was followed by a Special Session with the World Bank. During the session, the Chief Economist of the International Finance Corporation of the World Bank Group, Mr. Simon Djankov, outlined the real impact of the World Banks "Doing Business" Reports around the globe. He expressed that the Reports are acting as a key catalyst for regulatory reforms efforts on all countries and that they are helping to make it easier for enterprises to do business. The session closed with a focus on how the World Bank and employers' organizations could unite their forces in accurately validating the data gathered for these reports at a national level and with the recognition that the IOE and World Bank should be important allies in creating better regulated national environment conducive to enterprise creation and development. The IOE and the World Bank pledged to unite forces.

6th CAPE General Council Meeting

The 6th General Council Meeting of the Confederation of Asia Pacific Employers (CAPE) was held on June 4 in Geneva. As a member of CAPE, ICEA also attended the meeting among other members. The agenda of the Meeting included, inter alia, proposed activities and budget for 2008 and 2010, and progress report on the network group work to follow up action points adopted by the Asia-Pacific High-Level Employers' Conference held in Ulaanbaatar in July 2006. At this meeting ICEA President Mr. Mohammad Otaredian took the floor and

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officially informed the meeting of the foundation of an international Union under the name, UBCCE. While briefing the session on such a newly established body, he called for support of the UBCCE by CAPE. The meeting considered the issue interesting. To this effect, president of the meeting asked Mr. Otaredian to call on the UBCCE to communicate with CAPE, while sending all its establishment-related documents.

ILO Annual Conference

The 96th Session of the annual International Labor Conference was held within the first half of June in Geneva. ICEA - long recognized as the most representative employers' organization in the Islamic Republic of Iran, attended the 96th Session of the ILO upon an invitation extended by the IOE. This year's Conference Agenda was covering Sustainable Enterprises, strengthening the ILO capacity and the finalization of a Convention in the Fishing Sector. The debate on 'Sustainable Enterprises' was a major employer-driven topic whose aim was to promote an appropriate environment for enterprise creation and development. Consensus was reached on the main principles required for creating a new business-oriented environment by providing a clear and useful framework to guide policy at the national levels.

Other ILO Meetings

- Tripartite Asian Regional Forum on Growth and Employment to be held in Beijing, China on August 13-15.
- Symposium on Labor and Social Aspects of Global Production Systems: Issues for Business to be held in Geneva, Switzerland on October 17-19.

KazEnergy, Kazakhstan

KazEnergy Second Eurasian Energy Forum, Astana, Kazakhstan, 6-7 September

KazEnergy "Second Eurasian Energy Forum" will be held on September 6-7 in Astana. This year's forum entitled "Oil & Gas Industry and Energy" will focus on the major trends in oil & gas sector of Kazakhstan, the social and environmental aspects of developing oil & gas sector and the power supply sectors development in Kazakhstan. Like the first forum attended by over 200 delegates, the event is expected to gather together representatives from state agencies, the management of major oil and gas companies, the business community and industry experts from all around the world. The program of the Meeting can be reached from:

<http://www.kazenergy.com/en/events/2007/06/26/1125.htm>

TIAD, Romania

Turkish - Romanian Commercial Relations

By the end of April, the trade volume between Romania and Turkey reached 1.983,4 million dollars, being 46.3% higher than last year same period. The exports were 876.3 million dollars, 23.2% higher. The imports were 1.107,1 million dollars, 71.9% higher than last year same period. The trade balance registered a surplus in Turkey's favour of 230.8 million dollars. As of April 30, 9750 companies with Turkish capital are registered in Romania. Total invested capital (direct investments) from Turkey reached 593 million dollars, Turkey being 11th investing country in Romania.

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TIAD Board participated to “Financiar” Newspaper Conference

TIAD Board participated to a Conference regarding development of Romania’s economy organized by newspaper “Financiar”. Romanian PM Tariceanu, Labour Minister Pacuraru, State Secretary Vladescu, the Ambassador of EU, Mr. Chiarini, President of Banca Comerciala Romana, Vice Governor of Banca Nationala a Romaniei were main speakers to this event.

During the conference Romanian PM underlined the following:

- the economy was not influenced by the political crises, fact which confirm the solidity of the positive evolution in the last years;
- the government should cooperate with the business sector for assuring the positive evolution of the economy in future;
- development of investments in infrastructure, in energy, in agriculture and IT;
- there will not be increases in taxation in 2007-2008.

TIAD was an active participant debating aspects regarding lack of labour force and modification of legislation regarding payment of VAT at the custom points.

TÜSİAD, Turkey

TÜSİAD High Advisory Council

The TÜSİAD High Advisory Council was held in Istanbul on June 8. Following the opening remarks given by the President of the High Advisory Council, Mr. Mustafa Koç and TÜSİAD Chairwoman Ms. Arzuhan Doğan Yalçındağ, exchange of ideas followed by members. With this occasion, TÜSİAD Report on “Towards EU Membership on January 1, 2014: Strong Democracy, Strong Social Structure, Strong Economy” was presented to public.

Presidents Council Meeting of BusinessEurope

TÜSİAD and UBCCE Chairwoman Arzuhan Doğan Yalçındağ participated to the Presidents Council Meeting of BusinessEurope held in Berlin on July 15 attended also by German Chancellor Angela Merkel. Ms. Yalçındağ delivered a speech in the Meeting underlining the importance of the continuation of Turkey’s membership negotiations with the EU.

The inauguration of TÜSİAD Beijing Office

TÜSİAD Beijing Office will be inaugurated inside EU Chamber of Commerce in China-EUCCC- on November 27. The main motif behind the opening of the office is to follow more closely the developments in Asia Pacific Region, benefit from the tools of EUCCC, help its members in developing relations in the Region through TÜSİAD International and inform eventually chinese counterparts about turkish economy.

TÜSİAD International Meeting with Chinese Trade Minister

TÜSİAD International organized a meeting with its chinese counterpart All China Federation of Industry and Commerce (ACFIC) in Istanbul on June 15. A MoU was signed during the Meeting for developing economical relations between the two countries. On June 17, TÜSİAD International met with Chinese Minister of Trade, Mr. Bo Xilai. The Meeting was attended by Turkish Minister of State responsible for foreign trade, Mr. Kürşad Tüzmen and presided by TÜSİAD High Advisory Council President, Mr. Mustafa Koç. Both sides confirmed their will to develop further bilateral economic relations while the turkish side underlined the necessity to increase chinese investments in Turkey and to develop a more balanced trade between the two countries.

TÜSİAD Report on Environment

TÜSİAD Report on “Harmonization with EU Environmental Acquis in Industry” and “Environment Books for Children” Projects was presented on June 4. Following the presentations, a conference entitled “Sustainable Development, Industry and Environment” was also held.

TÜSİAD Conference on “Strengthening Women’s Position in Politics”

TÜSİAD organized a conference entitled “Strengthening Women’s Position in Politics” on June 12, in Istanbul within the framework of its strong belief that special measures should be taken in order to increase the status of women in the political life of Turkey. The purpose of the conference was to bring speakers from Turkey and abroad together to discuss the ways of improving women’s role in politics in the light of international examples.

TÜSİAD and UBCCE President met with UMCE Chairman

TÜSİAD and UBCCE President, Ms. Arzuhan Doğan Yalçındağ met with the President of Union of Mediterranean Confederation of Enterprises (UMCE), Mr. Jacques Jean Sarraf on June 12 in İstanbul. During the meeting possibilities of developing bilateral relations between UBCCE and UMCE were also discussed.

Conference on “Turkish Economy in Global Competition”

TÜSİAD and Konrad-Adenauer-Stiftung co-organized a conference entitled “Turkish Economy in Global Competition” on June 28 in Istanbul. Chaired by the Vice Chairman of TÜSİAD Board of Directors, Mr. Ferit Şahenk, the current and future position of the Turkish economy in global competition was discussed among professionals and academicians.

US Deputy Commerce Secretary visited TÜSİAD

US Deputy Commerce Secretary Mr. David Sampson visited TÜSİAD Headquarters on June 7 with US Ambassador to Turkey H.E. Ross Wilson. During the visit, the US official had the opportunity to meet with TÜSİAD Vice Chairman, Mr. Ferit Şahenk.

Investment Advisory Council Meeting

TÜSİAD and UBCCE President, Ms. Arzuhan Doğan Yalçındağ attended the Investment Advisory Council's meeting in Istanbul on June 11. Attendees of the meeting included CEOs and executives of 21 multi-national companies from 11 countries managing \$750 billion. Turkish Prime Minister Recep Tayyip Erdoğan was also present in the Meeting to deliver a speech.

SUMMIT ON DIVERSIFICATION OF EUROPEAN ENERGY MARKET: ODESSA-BRODY – PLOCK - GDANSK OIL AND GAS PIPELINE

By AMIN CHARKAZOV, Senior Expert on Economic Researches, Azerbaijan Turkey Businessmen Association (ATIB)

On May 11, the Presidents of Poland, Azerbaijan, Ukraine, Georgia Lithuania and deputy Minister of Energy and Mineral Resources of Kazakhstan attended Energy Summit in Krakow, Poland. The President of Kazakhstan was also invited to the Polish initiative, but due to the visit of the Russian President to Central Asia on May 9-15 he failed to attend the event.

The efforts of six countries are focused to transportation of energy resources of the Caspian region to Europe. Energy security is one of the key issues in which Europe is interested. All the states involved in the meeting rely very heavily on Russian energy imports and the possibility of striking a deal with Kazakhstan, a key oil and gas producer, was one of the objectives of the meeting. Summit aimed at reducing energy dependency on Russia. The goal of the summit will be achieved by diversification of energy supplies, as well as transportation of Azerbaijani and Kazakh energy resources to Europe via Georgia and Ukraine. The countries focused on a project to extend Ukraine's Odessa-Brody pipeline to pump Azerbaijani and Kazakh oil from the Caspian Sea to Poland's Plock and Gdansk on the Baltic and further onto Europe¹.

During the Summit the participants have signed an official Communiqué on cooperation in the energy sector. The Communiqué includes issues of development of transport infrastructure, transportation of oil and gas to the European markets, cooperation of the Baltic, Black Sea and Caspian countries and integration to Europe.

First practical steps to be taken were defined in the Summit. Parties agreed about creating a working group which will work on details of the project and establishment of a special company to organize supplies from the Caspian Sea region to Western Europe. The energy dialogue is planned to continue in October in Lithuania this year.

The Kazakh President Nursultan Nazarbayev was originally expected to attend the summit, but he failed to attend the event due to the Russian President's visit to Kazakhstan, who truly chose the time for the visit and signing of an agreement for the construction of the Caspian pipeline.

Kazakhstan has agreed to export up to 80% or 42 million tons of oil through Russia. At the same time, an agreement was signed between Russia, Kazakhstan and Turkmenistan in which they plan jointly to construct a Caspian gas pipeline from Turkmenistan via Kazakhstan to the territory of Russia. This project is also rivaled by proposals from the U.S. and Europe to build a pipeline under the Caspian Sea for delivering gas to southern Europe via Azerbaijan, Georgia and Turkey.

As a result, Russia prevented the energy supplies from Central Asian countries bypassing Russian territory to the world markets. Oil and gas export of Central Asian countries through the territory of Russia causes the loss of primary importance of the Odessa-Brody-Plock-Gdansk pipeline, as it would be impossible to find enough hydrocarbons from the Caspian Sea. In an

¹ The pipeline was originally designed to pump oil from the Caspian, or Azerbaijan and Kazakhstan, to Europe. Ukraine's Odessa-Brody section was completed in 2002 but suspended for lack of customers or suppliers until Victor Yushchenko came to power in 2004.

article on Mr. Putin's Central Asian tour, a leading Polish newspaper, Dziennik, has said that Russia "has torpedoed Poland's plans" to create an anti-Russian energy alliance.

Many analysts rated that the Russian President's visit to Kazakhstan deliberately delayed the Poland initiative. The main objective of Russia with the visit of President Putin to Kazakhstan on the same date of the Summit was to prevent the possible decision of transportation of energy resources from Central Asia to Europe bypassing Russia as has been done with the example in Azerbaijan. Azerbaijan Republic, after construction of Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum gas pipeline, has been able to export own oil and gas with alternative to Russia routes to the world markets.

Export potential of oil producers

Quoting Ilham Aliyev, the President of the Republic of Azerbaijan, there are good opportunities for regional cooperation. Azerbaijan has great potential in the energy sector and makes notable contribution to regional co-operation. There are new oil and gas fields in Azerbaijan. The country transports its natural resources to the European and world markets via different routes.

From next year oil production of Azerbaijan will be 50 mln. tons yearly. The country has several pipelines to transport that oil. Main export pipeline is Baku-Tbilisi-Ceyhan (BTC) oil pipeline and it is able to transport 1 mln. barrels of oil daily. Starting from next year BTC pipeline will be full of oil produced from Azerbaijan fields. Considering transportation of 1 mln. barrels of oil daily will not be the last limit and Government's plans on increasing the production, there will unambiguously be the extra volume to be transported via different routes. Natig Aliyev, the Minister of Industry and Energy of the

Republic of Azerbaijan stated in March that the country's oil production will double by 2010. In addition, Azerbaijan has discovered big gas fields and Azeri gas is already exported to neighbour countries' markets and can be transported to Europe from there.

Billions of dollars have been invested in construction of different oil and gas pipelines. Today, Azerbaijan has pipelines for transporting oil and gas to Europe and world markets. It is the diversification of supply. Government also understands consumers because they want to diversify their supply sources. At this stage Azerbaijan achieved strong balance of interests of supplier, transit and consumer countries.

Of course, BTC pipeline can be enlarged by taking extra technical actions. Azerbaijan can increase transport volume of the pipeline. Also diversification of supply is very important for the country. Azerbaijan has achieved three pipelines in a very short period. Via the first pipeline, oil is delivered to the Black Sea, the second takes it to the Mediterranean Sea and the third one transports it to European markets.

Kazakhstan exports 52 mln. tons of oil and is planning to increase the volume of exports up to 100 mln. tons in the coming years. This volume undoubtedly will require Kazakhstan to seek new ways of delivery to the world markets.



Regional interests

It should be noted that in the Krakow summit besides Azerbaijan and Kazakhstan all other member countries are importers of energy. Therefore, the non-participation of Kazakhstan can be assessed as a tactical victory of Russia to derail the event. In this case, there is a lack of guaranteed supply of energy from the Caspian region. But from the other side, it should not be forgotten that in the coming years the volume of oil exports from Kazakhstan will reach 100 million tons and the government will think of alternative routes. This oil will be produced mostly by the Western companies, and therefore a decision on which route to export hydrocarbons will be taken in conjunction with these companies. Further more, the President of Turkmenistan during the signing of the agreement with Russia noted that the country does not withdraw from consideration and implementation of alternative export routes for Turkmen gas.

Georgia participated in the Summit as the state, which may play the role of the major transit route for a possible diversification of energy supply routes from the Caspian basin. Moreover, this country was the first of consumers to reap the benefits of alternative energy supplies when Russia increased the price of natural gas deliveries and then was able to buy gas from Azerbaijan avoiding an economic crisis.

Lithuania, affected from Russia refused to make its territory available for export of Kazakh oil. Kazakhstan planned to privatize a refinery plant in that country and to undertake the production of oil products from their own oil. Following the refusal of Russia the only alternative route for oil imports for Lithuania will be the route which will run through Ukraine, Poland and Lithuania.

Azerbaijan is ready to support any alternative routes based on two principles. Firstly, the

projects will not financially burden the country and secondly, they will let the state to organize its own production of finished oil products in the markets of the countries to which the oil will flow.

Poland, in case of implementation of agreements on the key issues of the summit, would become a key actor in the development of alternative routes and would be a major transit hub.

Summarizing the above facts, one can conclude that the construction of the Caspian pipeline will not hamper the transportation of oil and gas resources of the Caspian Sea via alternative routes bypassing Russia. This idea can be backed up with the facts that

- the region is rich with energy resources and requires alternative transportation routes as the production of hydrocarbons both in Azerbaijan and Central Asia is increasing,
- western companies are involved in production and export of these resources, which are supporting the agreements on diversification of European energy market and
- oil exporters are interested in independent supply of their energy resources to western markets.

COMMERCIAL RELATIONS IN THE BLACK SEA AND CASPIAN REGION

By Murat Zöngür, UBCCE Acting Secretary General

At the crossroads of east and west, where the historical Silk Road was passing once, the Black Sea and Caspian Region is becoming an emerging and vital part of the world in the changing global balances. The economic and political landscape of the Eurasian region is rapidly changing, to say the least. China and India are on one side trying to increase their weight in world economy and Europe, Japan and US are struggling to keep their influence on the other side. Within this context, the diversified geographical position and coverage of UBCCE countries⁽¹⁾ can eventually form a global power base in the changing equation of the world since they present high potentials of growth - the yearly average GDP growth of these countries are nearly %8⁽²⁾ - especially in certain sectors like energy, transport, manufacturing, trade and services with their unsaturated market of more than 450 million people, a total GDP of around 2 billion USD and an annual trade surpassing 1 billion USD.⁽³⁾

The world is becoming increasingly aware of the great opportunities that the Region offers to the Global Markets especially in the field of energy with its rich resources in petrol and natural gas and its growing role as a hub and transport corridor. There is no doubt that the Black Sea and Caspian countries offer tremendous opportunities for the business community. However, although the countries of the Region have complementary economies and therefore the possibility to cooperate in various sectors, we can not say that they perform at desired level in terms of commercial relations among themselves. Trade and investment between a considerable part of them account only for a small portion of their total exchanges.

At this stage it should be noted that most of the countries of the Region are still continuing their transformation to become functioning market economies and they still rank down in the listings for world trade, although they are realizing high growth rates in merchandise trade in the recent years. For instance during 1995 - 2005 period, the exports of Bosnia grew by an annual average of %32, Azerbaijan by %21, Georgia by %19 and Kazakhstan by %18.⁽⁴⁾ In 2005, the growth rate in Russia's exports was %33.⁽⁵⁾

Parallely high rates of growth are being also observed in the imports of some of the countries of the Region. For instance the imports of Bosnia grew by an annual average of %21, Azerbaijan and Georgia by %20, Kazakhstan and Serbia and Montenegro⁽⁷⁾ by %16 during 1995 - 2005 period.⁽⁶⁾

More precisely, more than half of the total trade realized in the Region is performed by two countries; the Russian Federation (nearly 400 billion USD of total trade in 2005 of which approximately 245 billion USD are exports) and Turkey (nearly 200 billion USD of total trade in 2005 of which nearly 120 billion USD are imports) followed by Iran, Greece, Ukraine, Romania and Kazakhstan, each having a total trade volume of over 50 billion USD.⁽⁸⁾ With these figures Russia ranks 13th in global exports and 20th in global exports where as Turkey occupies 23rd place in world imports.⁽⁹⁾

Another point to be noted is that, an important part of the countries of the Region have foreign trade deficits. The trade balances of Azerbaijan, Iran, Kazakhstan, Russian Federation, Turkmenistan and Uzbekistan are positive thanks to the high share of petroleum and natural gas in their exports. The share of fuels and mining products can reach as high as 80 - 90% in some of these countries. For instance, the figure is %90.3 in the case of Iran and %85.8 in the case of Azerbaijan.⁽¹⁰⁾

Point of view

When we take a closer look at the commercial partners of the countries of the Region, the following are worth mentioning: With the exception of Turkmenistan and Uzbekistan, the EU is the first commercial partner of all the countries of the Region. The share of EU (25) is over %50 in the total trade of Albania (%73.8), Serbia and Montenegro (%72.8), Romania (%68.9), Bosnia and Herzegovina (%66.9), Croatia (%63.8), Macedonia FYR (%56.6), Bulgaria (%56.7), Greece (% 55.5) Azerbaijan (%54.5), Russian Federation (%52.9), and Turkey (50.1).⁽¹¹⁾ It is also worth mentioning that the EU gives significant trade surplus with all the countries of the Region except for Azerbaijan, Kazakhstan, Russian Federation and Turkmenistan (all due to import of energy).

UBCCE Countries at a Glance

	Indicators	Population	GDP	GNI (Atlas Method)	GNI per capita (Atlas Method)	Exports of goods and services/GDP	Exports FOB	Imports CIF	FDI Net Inflow*	GDP Growth	Inflation
	Countries	(million)	(US\$ Billion)	(US\$ Billion)	(US\$)	%	(US\$ Million)	(US\$ Million)	(US\$ Million)	%	%
1	Albania	3,10	8,40	8,10	2.580	23,50	652	2.397	426	5,50	2,40
2	Armenia	3,00	4,90	4,40	1.470	26,90	950	1.768	219	14,00	0,60
3	Azerbaijan	8,40	12,60	10,40	1.240	-	3.697	3.194	3.556	26,20	6,70*
4	Bosnia	3,90	9,40	9,50	2.440	28,90	2.068	5.191	613	5,30	1,80
5	Bulgaria	7,70	26,60	26,70	3.450	60,80	10.212	13.636	2.005	5,50	5,00
6	Croatia	4,40	38,50	36,90	8.300	47,10	8.619	16.808	1.243	4,30	3,30
7	Georgia	4,50	6,40	6,00	1.350	38,40	594	1.386	499	9,30	8,20
8	Greece*	11,10	203,40	184,10	16.610	-	14.760	53.082	717	4,20	2,90
9	Iran	67,70	196,30	187,50	2.770	31,90	55.265	44.302	500	5,90	13,40
10	Kazakhstan	15,10	56,10	44,40	2.930	54,50	28.301	17.979	4.104	9,40	7,60
11	Macedonia, FYR	2,00	5,80	5,80	2.830	45,00	2.041	3.228	157	4,00	0,50
12	Moldova	4,20	2,90	3,20	750	52,40	996	1.817	81	7,10	13,10
13	Romania	21,60	98,60	82,90	3.830	37,20	25.746	36.336	5.440	4,10	9,00
14	Russian Federation	143,20	763,70	638,50	4.460	35,30	243.569	130.303	12.479	6,40	12,70
15	Serbia&Montenegro	8,20	27,10	26,80	3.280	28,20	5.443	12.199	966	6,00	14,30
16	Turkey	72,60	363,30	342,10	4.710	27,40	76.863	116.553	2.733	7,40	8,20
17	Turkmenistan	4,80	8,10	7,60	1.580	65,30	4.944	2.947	354	9,60	10,70
18	Ukraine	47,10	81,70	71,60	1.520	-	39.322	33.592	1.715	2,60	13,50
19	Uzbekistan	26,20	13,70	13,50	520	39,60	4.749	3.667	187	7,00	6,50
	TOTAL	458,80	1927,50	1710,00			528.791	500.385	37.994		

World Bank "At a Glance" Reports 2006

All figures are 2005 figures if not stated otherwise

*2004 figure

FDI Net Inflow figure for Greece is for 2003

commercial power mostly thanks to its huge potential of natural gas and petroleum exports. Russia is either the second or the third trade partner of almost all the countries of the Region and gives significant amounts of trade surplus without exception with all these countries. For instance, Turkey's trade deficit with Russia reached more than 10 billion USD in 2005⁽¹³⁾ and Russia became the largest import partner of Turkey in 2006 in front of, Germany, Turkey's traditionally largest trade partner.

Turkey is another emerging commercial base in the Region whose trade volume reached more than 220 billion USD in 2006.⁽¹⁴⁾ With these figures, Turkey is an important trade partner for most of the countries of the Region usually ranking right after the EU and the Russian Federation. Excepting the Russian Federation -and Iran, Romania, Ukraine and Bulgaria to a less extend- the countries of the Black Sea and Caspian do not make up a determining place in Turkey's trade. The share of UBCCE Countries was around only %20 in Turkey's total trade in 2005, however the figure drops around %12 if we exclude Russia from the list.⁽¹⁵⁾

Strong commercial links are visible between the neighboring countries of the Region notably among Balkan countries. However, these trade relations tend to weaken as the distance grows between the countries of the Region. Last but not least, the role of frozen conflicts and unresolved problems can not be neglected as one of the major factors affecting the commercial relations between the Black Sea and Caspian Region countries. There is no doubt that peaceful resolution of these conflicts and problems will help to boost the regional trade and cooperation.

It is likely that high growth of trade in this strategic part of the globe will continue to grow over world average in the years to come thanks to the recovery of economies recorded especially in the last few years. On

the other hand, the crucial point at this stage should be to increase the intraregional trade and make the countries of our Region economically more inter-dependable, as to grant sustainable peace and stability in the Region.

(1) Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Greece, Iran, Kazakhstan, Macedonia FYR, Moldova, Montenegro, Romania, Russian Federation, Serbia, Turkey, Turkmenistan, Ukraine and Uzbekistan.

(2) (3) 2005 World Bank's "At a Glance Reports", <http://devdata.worldbank.org/>

(4) (5) (6) (8) (9) (10) WTO Statistics Database, <http://stat.wto.org/Home/WSDBHome.aspx>

(7) The figures used are that of 2005 when Serbia and Montenegro was still one single country.

(11) (12) 2005 Figures from EU Commission, <http://ec.europa.eu/trade/issues/bilateral/data.htm>

(13) (14) (15) Figures from Turkish Statistical Institute, <http://www.turkstat.gov.tr/VeriBilgi.do>

Upcoming Events

UBCCE FIRST BUSINESS FORUM

**Conference On Foreign Direct Investment:
Opportunities and Challenges For The Black Sea and
Caspian Region**

October 2, Baku, Azerbaijan

UBCCE's First Business Forum on "Foreign Direct Investment in the Black Sea and Caspian Region" will take place in Baku, Azerbaijan on October, 2. This "must attend" Event will be hosted by Azerbaijan-Turkey Businessmen Association (ATIB) and will be inaugurated by Ms. Arzuhan Doğan Yalçındağ (UBCCE and TÜSİAD President), H.E. Mr. Heydar Babayev (Minister of Economic Development of Azerbaijan) and H.E. Mr. Elmar Mammadyarov (Minister of Foreign Affairs of Azerbaijan).

This first exclusive event of our Union is expected to bring together not only the business community of our Region but also the high level officials from different countries and representatives of international organizations interested in this emerging part of the globe.

In the meantime UBCCE Management Committee II Meeting will also take place in Baku on October 3 where representatives from UBCCE member federations will have the opportunity to discuss the future activities of the Union.

Taking into consideration the high profile of the two meetings in Baku, senior level participation is expected from all UBCCE member federations.

Azerbaijan Export and Investment Promotion Agency (Azpromo, www.azpromo.org) and Azerbaijan Investment Company (www.aic.az) are ready to assist all the member companies in arranging b2b contacts with their Azeri counterparts.

The Business Forum is open to all participants interested. Further details will be announced through UBCCE Website in the coming days. (www.ubcce.org)

UBCCE HIGH LEVEL CONTACT VISIT TO EU COMMISSION & BUSINESSEUROPE

Brussels, October 10

More in the next issue

Black Sea Oil and Gas Conference

Istanbul, Turkey, Sept 5-6

II. Eurasian Energy Forum

Astana, Kazakhstan, Sept. 6-7

The Russian & CIS Investment Forum: Return of Risk?

Moscow, Russia, Sept 11-12

KIOGE Conference

Almaty, Kazakhstan, Oct 2-5

SME Innovation Forum

Yalta, Russia, Oct 4-5

Energy for Development 2007

Beja, Portugal, Oct 10-12

Russian Regional Investment Summit

Moscow, Russia, Oct 15-17

The 7th Regional Finance & Investment Conference for South East Europe

Dubrovnik, Croatia, Oct 16-17

Energy 2007: Challenges Across Europe

Brussels, Belgium, Oct 29-30

Power Kazakhstan

Almaty, Kazakhstan, 30 Oct

20th World Energy Congress

Rome, Italy, Nov 11-15

TIOGE Conference

Ashgabat, Turkmenistan, Nov.
14-15

The 3rd Annual European Energy Policy Conference 2007: "EU Energy Policy and Technology Challenges"

Brussels, Belgium, Nov 21-22

Energy in Central & Eastern Europe

Bucharest, Romania, Nov 21-22