



UBCCE QUARTERLY BULLETIN

Summer 2008 N°6

WELCOME ADDRESS

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UBCCE SECOND BUSINESS FORUM "INVEST IN GEORGIA – INVEST IN THE REGION"

to be held in Tbilissi, Georgia,
on October 23, 2008.

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The sixth issue of UBCCE's Quarterly Bulletin comes at a very interesting time right after the presentation of the EU Commission's Report on the progress achieved during the first year of the "Black Sea Synergy" initiative launched in April 2007, the initial results of which show the practical benefits that this new regional approach can bring and its potential for the future of the Region. The European Economic and Social Committee's "Setting up civil society organizations networks in the Black Sea Region" was also available a few days ago. There are various conferences, seminars, forums being organized and important reports (like OECD's recently published Black Sea and Central Asia Outlook Report) concentrating mainly on the Black Sea and the Caspian Region, two regions which we believe are complementary to one another.

Within this framework, the NGOs of the Black Sea and Caspian have an important responsibility to play for shaping the future of this part of the world. Business must especially take the leading role in this process for the economic and social development and welfare of the people of the Black Sea and Caspian. UBCCE, as the first non-governmental business oriented NGO of the Region, is a very timely initiative in this sense and is determined to achieve this challenging mission in cooperation with regional and international partners. The Second Business Forum of our Union which will be held in Tbilissi, Georgia on October 23 will hopefully be another important step in this way. We target also publishing the "Mare Negra and Caspium Strategy Paper" of UBCCE with the contribution of our members before the end of the year to reflect the views of the business community on matters of regional interest. Our activities will continue for drawing the attention to Black Sea and Caspian's still mostly undiscovered potential and strategic significance.

UBCCE Secretariat

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EVENTS & CONTACTS

INTERNATIONAL CONFERENCE: EU & TURKISH PERSPECTIVES ON BLACK SEA REGIONAL COOPERATION

Berlin, Germany, May 29 – 30

The Südosteuropa-Gesellschaft (Southeast Europe Association, Munich based German think-tank) together with TÜSIAD Berlin Office and UBCCE organized an international conference on “EU and Turkish Perspectives on Black Sea Regional Cooperation” in Berlin on May 29 - 30. The aim of the Conference was to identify common interests between the EU, Turkey, and other countries adjacent to the Black Sea, and to develop common projects with concrete objectives.



Speakers of the Session on “Turkish Perspectives on Black Sea Region”

The conference which was supported by the German Federal Ministry for Economic Cooperation and Development brought together participants from Germany, Turkey and the Wider Black Sea Region. Experts and decision makers from think tanks, politics, business, civil society, IFIs, representatives of the existing organizations of regional cooperation, the European Commission and other International Institutions were invited to present and discuss their views.

For more information : www.suedosteuropa-gesellschaft.com

CONTACTS of the SECRETARIAT

On May 2, Participation at the 11th Eurasian Economic Summit in Istanbul, Turkey.

On May 2-3, Visit to Beirut, Lebanon to participate at the Management Committee Meeting of UMCE – BUSINESSMED.

On May 7, Meeting with ATAMEKEN Vice President Yekaterina Nikitinskaya and International Relations Expert Aziz Kozhamvetov in Istanbul, Turkey.

On May 15, Meeting with Veselin Iliev of BIA and Ognyan Ivanov, Economic Counsellor of Bulgarian Consulate in Istanbul.

On May 19, Participation at the second meeting of the European Economic and Social Committee's Study Group on setting up civil society networks in the Black Sea Region in Brussels, Belgium.

On June 6, Meeting with Armenia's Permanent Representative to BSEC Garen Mirzoyan in Istanbul, Turkey.

On June 9 – 10, Visit to Kiev, Ukraine with TUSIAD International Delegation.

On June 18 – 19, Participation at the Black Sea Pack Forum organized by the Black Sea Trade and Investment Promotion Programme of UNDP in Istanbul, Turkey.

On June 18, Participation at the Meeting of the Confederation of Italian Entrepreneurs Worldwilde (CIIM) in Istanbul, Turkey.

On June 19, Meeting with Inga Sarkisyan, Head of International Relations Department of the Union of Manufacturers and Businessmen of Armenia (UMBA).

BLACK SEA & CASPIAN Events

MedBusinessDays

Marseille, France, 3-4 July

5th Energy Forum of Turkey Grand Innovation in Energy for Sustainable Living

Istanbul, Turkey, 1-3 July

19th World Petroleum Congress

Madrid, Spain, June 29 - July 3

5th Russian Petroleum & Gas Congress

Moscow, Russia, June 26 - 28

EU - Eastern Europe Business Forum

Ljubljana, Slovenia, June 26 – 27

7th General Meeting of the Anti- Corruption Network for Eastern Europe and Central Asia

Tbilisi, Georgia, June 25 – 27

Black Sea Pack

Istanbul, Turkey, 18-19 June

Vienna Economic Forum - Albania Meeting

Tirana, Albania, June 8 - 9

Turkey Business & Investment Summit

Istanbul, Turkey, June 5 - 6

CASPIAN OIL & GAS 2008

Baku – Azerbaijan, June 3 - 6

International World Transport Union (IRU) 31th World Congress

Istanbul, Turkey, May 15 - 16

11th Eurasian Economic Summit

Istanbul, Turkey, May 1 - 3

5th Energy Forum of Turkey Grand Innovation in Energy for Sustainable Living & An Emerging Regional Power in Energy: Turkey

Istanbul, Turkey, July 1 – 3

In a time when Turkey's contribution to energy supply security on global and regional scale has gained increased importance, the fifth Energy Forum of Turkey took place on 1-3 July in Istanbul under the main theme of "Grand Innovation in Energy for Sustainable Living, An Emerging Regional Power in Energy: Turkey". The National Energy Forum of Turkey gathered the national and international representatives of energy industry in Adile Sultan Palace, Kandilli for 3 days. In line with the Forum's main theme, discussions focused on enhancing energy supply security; liberalising energy trade; encouraging and protecting investments; access to national and international capital markets; energy production, conversion, transportation, storage, distribution, and transmission; maximising energy utilisation efficiency; and minimising environmental issues.

19th World Petroleum Congress

Madrid, Spain, June 29 - July 3

The 19th World Petroleum Congress opened in Madrid on June 29, with key players in the sector meeting to discuss the future of the industry amid soaring oil prices and a widening gulf between consumer nations and producers. Held every three years, the World Petroleum Congress brings together thousands of delegates from around the world. Dominating the agenda during the four-day congress were the hot topics of safeguarding world oil supplies, balancing supply and demand, the fragile state of reserves and the sudden jump in the price of refined products.

BLACK SEA & CASPIAN Events

EU - Eastern Europe Business Forum

Ljubljana, Slovenia, June 26 - 27

The International Trade Centre (ITC) in collaboration with the International Centre for Promotion of Enterprises and the support of the Government of the Republic of Slovenia and the Chamber of Commerce & Industry organized a Business Forum for the EU and Eastern Europe, in Ljubljana, Slovenia on June 26–27, focusing on enhancing trade opportunities. The meeting was attended by the representatives of private sectors from the EU Member States, Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, FYROM, Georgia, Moldova, Montenegro, Russia, Serbia and Ukraine.

Black Sea Pack

The First Black Sea Partnership Forum for the Packaging Industry

Istanbul, Turkey, June 18 – 19

United Nations Development Programme (UNDP) organized the first Black Sea Partnership Forum for the Packaging Industry, “Black Sea Pack” in Istanbul, on June 18 – 19, within the framework of the Black Sea Trade and Investment Promotion Programme (BSTIP).

Some 100 companies attended the Forum, representing the business community of the 12 countries of BSEC, engaged in the packaging industry. During the event, face to face meetings were organised on behalf of the companies to provide them with a platform to discuss such opportunities as well as explore other options such as joint ventures, transfer of know-how and networking arrangements.

The Second Partnership Forum of the Trade and Investment Promotion Programme will be held in Kiev, Ukraine, in November and will focus on cereals.

Vienna Economic Forum

Invest in Albania – Invest in the Region

Tirana - Albania, June 8 - 9

Vienna Economic Forum – Tirana Meeting under the Patronance of Albanian Prime Minister Sali Berisha, was held successfully with more than 250 people attending. Participants came from 20 countries, 33 companies from Austria and 140 companies from the region. The Regional Cooperation Council (RCC), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF) and the Energy Community Secretariat were also present in the Meeting. As an important proof showing the intense cooperation between Albania and Austria, Vienna Economic Forum – Tirana Meeting hosted the Ceremony of Signing of the Agreement “Technology related cooperation in the health sector” between Austria and Albania.

Three Plenary Sessions dealt with the following topics:

- Investment Policy : How to support and develop Investors Interests and Investment Projects.
- Sustainable Economical Development in the Region - Cases of Problems, Needs and Solutions in different Sectors of the Economy.
- Energy Sector: The European Priorities and the Regional Development.

11th Eurasian Economic Summit

Istanbul, Turkey, May 1 - 3

The 11th Annual Eurasian Economic Summit was held in Istanbul on May 1-3 at the Istanbul Chamber of Commerce. Under the motto “The Future of Eurasia”, the high-level meeting was organized by the Marmara Group for Strategic and Social Research Foundation in order to provide a forum for the Turkic countries of Central Asia, Turkey and other interested parties to meet and discuss economic cooperation.



MedBusinessdays

Under the theme “**Companies, boosting Mediterranean region**”, Medbusinessdays took place on July 3 – 4 in Marseille, France. Co-organized by MEDEF - French Business Federation, BUSINESSEUROPE and UMCE-BUSINESSMED, this major Euro-Mediterranean event brought together 2.000 participants from European and South Mediterranean countries, including businessmen, executives, authorities, policy makers and EU officials to brainstorm on the companies’ role in the development of the region.

While the debate in the plenary session was centered on ways to move forward the Barcelona process and on the new initiative for the Mediterranean Union, businessmen had the chance to hold individual meetings and discuss on existing or potential partnerships. A business open space was also available to facilitate contacts between companies and help investments in the region. The next MedBusinessdays is planned to be held in Greece within 2009.

Invest in Med Project

The official launch of **Invest in Med**, a 12 million euros project took also place for this occasion on July 1, in Marseille. The project, aiming at encouraging European investments in the Mediterranean region and developing solid links between Med and European companies, will run for 36 months involving the 27 EU Member States and the 9 Southern ENPI partner countries.

INVEST IN MED

A Euro-Mediterranean Network of organisations committed to investment promotion and trade facilitation, strengthening SME collaboration and exchange of best-practices.

It aims at obtaining concrete results in the field of investments in the Mediterranean. To this end, it will develop FDI and trade flows into the Mediterranean region, by making the Mediterranean site an attractive and safe destination for business, and develop sustainable co-investment and partnerships on the two Mediterranean banks.

The "Invest in Med" programme, launched in April 2008, will have a regional component (Euromed) as well as a sub-regional one (South-South) and most of its activities will be organized around a sectoral approach.

The programme is managed by the Med-Alliance Consortium made up of ANIMA, Eurochambres, ASCAME, UMCE - BUSINESSMED, Euroméditerranée, GTZ and UNIDO.

Euromed Trade Ministerial Conference

The day before the MedBusinessDays, Marseille also hosted the **7th Euromed Trade Ministerial Conference** bringing together the ministers for trade from the 27 countries of the European Union and from 13 Mediterranean partners (Albania, Algeria, Egypt, Israele, Jordan, Lebanon, Morocco, Mauritania, Syria, Palestinian Territories, Tunisia and Turkey with Libya as an observer).

In Marseille the ministers took stock of the economic integration in the area and review the progress of ongoing trade negotiations. The current trade discussions are focused on four new aspects: the service sector and the

right of establishment, the liberalisation of agricultural trade, the mechanism for settling trade-related disputes, and the regional integration through the liberalisation of South-South trade. The ministers had also an initial debate on the reflections carried out by the Commission with regard to the preparation of a roadmap for the future of the Mediterranean economic integration project up to 2010 and beyond.

Paris Summit for the Mediterranean

The discussions and conclusions of this conference helped to prepare the work of the Paris Summit for the Mediterranean on July 13 where the heads of state from 43 countries officially launched the Union for Mediterranean at the Grand Palais in Paris, raising prospects of increased unity in a region marked by conflict and wealth disparities between North and South. The partnership, France hopes, will provide new impetus to regional cooperation by agreeing a set of priority development projects.

Expectations are also high that the structure of the Med Union, based on a shared presidency between north and south, will "increase co-ownership" in the process and give it more political authority via regular summits, to be held every two years.

Meanwhile, France used the summit to ease its relations with Turkey, which had been clouded by President Sarkozy's repeated criticism against the country's EU aspirations.

During a brief meeting with Turkish Prime Minister Recep Tayyip Erdoğan, the French President said he will not block progress in Turkey's EU accession negotiations, which were officially opened in 2005. The summit's final declaration allayed Turkey's concerns by stating clearly that the Union for the Mediterranean "will be independent from the EU enlargement policy, accession negotiations and the pre-accession process".

TRADE BETWEEN THE EU AND MEDITERRANEAN COUNTRIES (in millions of euros)

Year	Flow of imports into the EU	Annual fluctuation (%)	Share of the flows in EU imports (%)	Share of the flows in total Mediterranean country exports (%)
2003	69,550		7	52
2004	77,414	11.3	8	50
2005	91,488	18.2	8	48
2006	102,323	11.8	8	47
2007	106,888	4.5	8	46

Year	Flow of EU exports	Annual Variation (%)	Share of the flows in EU exports (%)	Share of the flows in total Mediterranean country imports (%)
2003	80,124		9	50
2004	94,529	18.0	10	46
2005	105,395	11.5	10	44
2006	111,113	5.4	10	43
2007	119,416	7.5	10	41

EUROSTAT

BLACK SEA & CASPIAN Reports

Way forward for the Black Sea Synergy

The European Commission has presented on June 20 the Report on the progress achieved during the first year of the Black Sea Synergy, a regional cooperation initiative which was launched in April 2007 intending to boost cooperation ties between the Black Sea countries within the region itself and between the European Union and the region as a whole.

The Black Sea Synergy initiative is complementary to the European Neighbourhood Policy and other EU policies applied in the Black Sea region. It completes the “chain” of regional cooperation frameworks in the EU’s neighbourhood, adding to the Euro-Mediterranean Partnership and the Northern Dimension.

The Black Sea Region is crucial to Europe principally because of its geo-strategic location at the crossroads of the East-West corridor which puts it on the way of multiple oil and gas transit routes. With the incorporation of Bulgaria and Romania to the European Union in January 2007, the EU thus became a Black Sea power which obviously urged the Union to initiate a more enhanced and coherent strategy in the Region.

The initial results show the practical benefits this new regional approach can bring, and its potential for the future. The initiative’s main goal remains to invigorate action at regional level promoting stability and prosperity in the Black Sea area. A wide range of projects and activities have underlined the EU’s commitment and have reinvigorated cooperation within the region since April 2007. The initiative has deepened contacts with governments, local and civil society actors, as well as regional organisations, like the Organisation of the Black Sea Economic Cooperation (BSEC).

Experience in the first year also demonstrates that the development of EU-supported Black Sea regional cooperation is a process taking place in a complex environment. Continued progress requires the consistent and active involvement of a growing number of actors, including both EU Member States and Black Sea partners.

The Report sets out proposals for the next phase of the initiative:

- Long-term measurable objectives could be set in areas such as environment, transport, energy or maritime safety to mobilise efforts by the Black Sea Synergy partners.
- Lead countries or organisations could be selected to coordinate actions to meet these objectives.
- Sectoral partnerships could be established to provide a framework for co-financing of projects involving some or all of the Black Sea Synergy partners.
- To increase the involvement of civil society and people to people contacts, a Black Sea Civil Society Forum and an Institute of European Studies in the Black Sea are proposed.

Source: http://ec.europa.eu/external_relations/blacksea/index_en.htm

BSEC, the Black Sea Economic Cooperation established in 1992 after a Turkish initiative, with the participation of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Montenegro, Romania, Russia, Serbia, Turkey and Ukraine.

GUAM, the Organisation for Democracy and Economic Development established in 2001 as a regional organisation grouping Georgia, Ukraine, Azerbaijan and Moldova.

Blackseafor established in 2001 as an organisation specialised in search and rescue operations, minesweeping, environmental protection and the organisation of goodwill visits.

The Baku initiative established in 2004 as a policy dialogue between the EU and the Black Sea and Caspian basin.

UBCCE established in 2006 by the private sector organizations of 12 countries of the Region: Albania, Azerbaijan, Bosnia and Herzegovina, Bulgaria, FYROM, Georgia, Greece, Iran, Kazakhstan, Romania, Serbia and Turkey.

The Black Sea synergy initiative launched in April 2007.

BLACK SEA & CASPIAN Reports

OECD's Black Sea and Central Asian Economic Outlook Report

The Black Sea and Central Asian Economic Outlook, released on June 23 in Bucharest, Romania, is an OECD assessment of economic performance and underlying policies in the Black Sea and Central Asian regions. The theme of the 2008 Outlook is "Promoting Work and Well Being: Policy Challenges in the Global Environment."

World Bank's Doing Business in South East Europe Report 2008

The World Bank released on July 14 in Bitola, FYROM its Doing Business in South East Europe 2008 Report. Doing Business in South East Europe 2008 covers 22 cities of the Region. For the first time, Doing Business goes beyond the most populous city to compare cities in the same economy with each other and with other cities in the region. The report highlights that, while some economies achieved remarkable progress in improving their investment climate at the national level - Croatia and FYROM were among the top 10 reformers globally last year - there is scope to extend reforms to the local level.

EBRD Sustainability Report 2007

The European Bank for Reconstruction and Development (EBRD)'s Sustainability Report looks at the Bank's 2007 investments in sustainable development across the 29 countries where it operates from central Europe to central Asia. The 2007 Report covers a wide range of EBRD investments and achievements and these include the Bank's Sustainable Energy Initiative, investment in municipal infrastructure, micro and small business finance and donor support. The Report also looks at the way in which the EBRD operates and how the Bank engages with its stakeholders.

EU Competition Policy Report 2007

The Commission has adopted on July 1 its 2007 Annual Report on Competition Policy,

which gives an overview of the main developments in competition policy. It outlines key changes to competition rules and policy as well as major enforcement actions. Using concrete examples it demonstrates how the tools of competition policy were used to reinforce Europe's competitiveness and to protect consumers and businesses from anticompetitive conduct.

OECD Economic Outlook Report

The OECD published its latest Economic Outlook, containing analysis and projections for major world economies, on June 4.

World Development Indicators 2008

The World Bank released on May 5 the World Development Indicators 2008 including more than 800 indicators in over 80 tables organized in 6 sections: World View, People, Environment, Economy, States and Markets, and Global Links. Developing economies now produce 41% of the world's output, up from 36% in 2000, according to the World Development Indicators 2008. The combined output of the world's economies reached \$59 trillion in 2006. Using new measurements that take into account the differences in price levels between countries, China now ranks as the second largest economy in the world, and 5 of the 12 largest economies are developing economies.

World Bank's Global Development Finance Report 2008

World Bank's annual review, "Global Development Finance 2008: The Role of International Banking", analyzing the recent market trends and prospects for financial flows to developing countries has been released on June 10. According the report, developing countries as a whole have so far shown resilience in the face of US-based financial turmoil and soaring energy and food prices, partly because of improved policies, higher investments and technological progress in recent years.

BLACK SEA & CASPIAN Agenda

ECONOMY

Economic development in Azerbaijan

The volume of GDP grew by 14.6% in Azerbaijan in the first five months of 2008 in comparison with the same period of 2007 and reached \$17.3 billion while the total volume of investments made to the fixed capital grew by about 22% and reached \$3.3 billion. The considerable increase in investments was influenced by a sharp growth in exports. The volume of exports increased by about seven times and the volume of imports by 23% in the same period.

Latest trends of Bulgarian Economy

During Bulgaria's first year as a member of the European Union, the economic growth of the country has reached 6.2%. The direct foreign investments have reached the record €6.1 billion, according to the government report approved on July 3 on the implementation of the state budget last year. However, according to the data of the Bulgarian National Bank, Bulgaria's foreign trade deficit for the January-April 2008 period stands at a total of €2.55 billion while the deficit for the corresponding period of 2007 amounted to €2.1 billion.

Bulgaria has become more competitive

The Bulgarian economy takes 39th place in the IMD World Competitiveness Yearbook 2008 chart. The prestigious chart selects among the 55 most competitive economies in the World. Bulgaria is included in the chart for the third consecutive year. In 2006 and 2007 Bulgaria was in 41st place, as the main challenges for Bulgaria's competitiveness were disloyal competition, grey economy, corruption and the bureaucratic and regulator obstacles in the way of business.

Georgia's trade deficit widened

Georgia's trade deficit widened to \$2 billion in May as energy costs pushed up the value

of imports. The shortfall increased from \$1.5 billion in April, according to the Tbilisi-based statistics department. The value of all goods traded rose 40.5% to \$3.2 billion, with exports led by copper, metal and concentrates increasing 40.3% to \$611.4 million and imports rising 41% to \$2.6 billion. Turkey remained the largest trade partner, followed by Azerbaijan and Ukraine. Trade with Azerbaijan increased 82%, while trade with Ukraine rose 51%. Russia and Georgia resumed direct flights in March after Russia cut all air, road and rail links with Georgia in 2006. Russia still bans the import of some Georgian products such as wines, fruit and mineral water.

Greek current account deficit falls by 7%

The Bank of Greece announced in May that the country's current account deficit shrank by 7% in the first 3 months of 2008, to 8.3 billion euro, reflecting higher absorption of community funds and higher shipping foreign exchange revenues.

Latest trends in Romanian economy

The total value of foreign trade of Romania in the first five months of 2008 was €36.14 billion. The exports reached €13.69 billion, 17.2% higher than last year same period. The imports were €22.45 billion, 14.6% higher than in 2007. The intracommunity trade represents around 70% from the total foreign trade, exports reaching €9.56 billion and imports €15.61 billion.

IMF and OECD hopeful about Turkish economy

The International Monetary Fund (IMF) has predicted that Turkey would be ranked 16th among twenty biggest economies of the world in 2013. According to the IMF's predictions for the 2008-13 period, Turkey's GDP in terms of its purchasing power parity will increase to \$942 billion as of the end of 2008. This amount is envisaged to rise to \$1.3 trillion in 2013. According to the Agricultural Report of the Organization for

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Economic Cooperation and Development (OECD), Turkey's growth rate is expected to rank third after China and India in coming years and to pass India and take the second spot by 2017.

LAWS & REGULATIONS

Iran Lowers Its Caviar Export Quota

To protect the Caspian sturgeon stock, Iran has voluntarily reduced its caviar export quota from 43 tons to 42 tons in 2008. Pollution, over-fishing, poaching and smuggling has dangerously lowered the Caspian sturgeon stock, since it targets reproductive females. Over 90 per cent of the world's caviar is produced in the Caspian Sea, harvested by Iran, Azerbaijan, Kazakhstan, Turkmenistan, and Russia and the caviar export quotas set for the five Caspian littoral states were about 92 tons last year.

Turkish property sales to foreigners finally approved

Turkish Parliament passed a bill on July 3 regulating property sales to foreigners after it was re-arranged bearing in mind the Constitutional Court's annulment of previous legislation. Foreigners and foreign foundations will be able to own up to 10% of land within a building scheme, according to the new amendment. The Council of Ministers will be authorized to determine the sales of land in areas of importance to water, mining and energy supplies or in religious and historical sites.

INVESTMENT & PRIVATIZATION & COMPANIES

Bulgartabac to be privatized soon

Bulgartabac will once again be available for privatization, this time with new rules. The strategy for the privatization of the tobacco holding will be ready by late July. After the Council of Ministers and the Parliament approve it, the details would be announced.

An additional 191 companies in Bulgaria will be privatised through compensatory instruments, after changes in relevant legislation were approved by the Bulgarian government on June 26. Thus, the total number of companies with state shares to be sold through compensatory instruments on the Bulgarian Stock Exchange will rise to 322.

Bulgaria's Public Procurement Agency's Annual Report

The annual report of Bulgaria's Public Procurement Agency, adopted at the end of June by the Council of Ministers, states that in 2007 the state had granted public procurement contracts worth over BGN 5 billion (\$4.06 billion). The total number of the contracts in 2007 was 15.214. The Public Procurement Agency Report points out that this sector was very important in the fight against corruption because the large amount of the awarded sums created immense corruption opportunities.

Edison eyes Greek power company

Edison, Italy's second-biggest power generator and Greece's Hellenic Petroleum signed on July 3 a final agreement to create a joint company on power generation and trading in Greece. The partnership is seeking to become Greece's second-largest power producer behind former monopoly Public Power Corp. The company aims to produce as much as 2,000 megawatts of electricity in the Greek market and will have a 75% stake in a thermal power generation unit in which Halcor, a Greek producer of metal parts including tubes and sheets for the power industry, will also participate.

Acquisition of Slovenian Hermes Softlab by Serbia's ComTrade

Shareholders of Slovenia's software company Hermes Softlab accepted an acquisition offered by Serbia's ComTrade Group. The merger will produce the largest IT company in Southeastern Europe, one

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able to provide an entire range and distribution of IT solutions and services. The acquisition is estimated to cost somewhere below €40 million, with half of the money supplied by ComTrade and the other half by UniCredit Bank.

Turkey to get €800 million auto investment

Turkey is close to signing an accord with one of the biggest international carmakers to build a factory worth €800 million in the country. The unidentified carmaker will start production in three years, and it is expected to export vehicles worth €500 million a year and create up to 5,000 jobs.

Tekel became a British company

The tobacco unit within Tekel (Turkish State Liquor and Tobacco Monopoly) was officially taken over by BAT, the British company which had won the tender, with the agreement signed on June 24. \$1,720 billion, the tender price, was put in the cash box of the Treasury via Ziraat Bank. The President of Privatization Administration, has stated that the privatization of Tekel, which was preceded by those of Tupras and Petkim, has demonstrated that privatization program is being applied decisively.

First Turkish high-speed train plant

The high-speed train plant founded by Eurotem, a Turkish-Korean joint venture, in Adapazarı has started production in July. New wagons of Istanbul subway will be the first products of the plant which costed \$15 million.

ArcelorMittal raises shares in Erdemir

ArcelorMittal, the world's largest steel company, is engaged in a share-purchasing competition with Oyak, which controls Turkey's biggest steelmaker, Ereğli Demir Çelik, commonly known as Erdemir. After an unsuccessful bid to take over the formerly state-owned Erdemir in 2005, ArcelorMittal paid \$1.3 billion to increase its

stake in the Turkish steel producer. A company statement announced on June 17 it had paid \$869 million, buying 24.99% of the company.

Dedeman invests in Iran and Azerbaijan

Istanbul-based hotel investment and management firm Dedeman Tourism will build eight new hotels, two of which will be constructed in Azerbaijan and Iran. Hotels owned by the firm will increase to 28 with the construction of these hotels. The annual turnover of the firm will reach YTL 128 million (\$105 million), a 28% increase compared to last year. The firm's investment budget for this year amounts to YTL 26 million (\$21.3 million).

ENERGY

LUKoil Bulgaria to invest \$1 billion

LUKoil Bulgaria unveiled plans to invest hundreds of millions of US dollars in a new capacity at its Bourgas refinery. The news is consonant with the statement of LUKoil president Vagit Alekperov, who during his recent visit to Bulgaria said investments in the refinery would reach \$1 billion through 2013. The company, which is the sole producer and one of Bulgaria's largest fuel distributors, plans to have the capacity operational by 2013. Its product line will be low-sulphur fuels conforming to the Euro 4 environmental standard. Part of the planned investments are to enhance the capacities of its desulphurisation installations as well as the ones to produce black fuel. Currently, LUKoil Neftochim processes 7.5 million tonnes of crude oil a year.

Strategic Agreement on Energy by Hellenic Petroleum

Greece's largest refiner and British INEOS Chlor Vinyls have signed an agreement by which the former will trade in and distribute S-PVC resins in Greece that are produced by INEOS. This agreement strengthens the position of Hellenic Petroleum in the Greek

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market and the wider area of the Balkans. It will allow further optimization of the company's supply chain and increase the availability in a number of industrial applications. In the frame of this new agreement, HP is planning to make an investment of €700,000 in new logistics infrastructure in order to efficiently meet customer requirements.

Shell says in talks to export Iraqi gas via Turkey

Royal Dutch Shell Plc is in talks with Turkish Petroleum Corporation (TPAO), Turkey's state oil company, to build a pipeline to export Iraqi natural gas via Turkey. Shell and Türkiye Petrolleri are working on a memorandum of understanding on the project, to be run by the Turkish Energy Ministry, according to Canan Ediboğlu, Shell's country chairwoman in Turkey.

Turcas gets \$650 million loan for Petkim

Turcas, the Turkish fuel retailer that's buying state chemicals maker Petkim, borrowed \$650 million from Turkish banks for the purchase. Each oil refinery to be built in Turkey would reduce the country's current account deficit by up to 5% according to Turcas Chairman Erdal Aksoy.

Turkey among six new countries awarded right to extract oil in Iraq

Turkey will be included among the six new countries that will be granted the right to extract oil in Iraq. Six other state-owned oil firms from Turkey, Vietnam, Pakistan, Thailand, Angola and Algeria will also be awarded extraction deals.

Turkey keen to remove obstacles to energy investments

Turkey will build hydropower stations with a combined capacity of 16,500 megawatts within the next five years, according to the Environment Minister Veysel Eroğlu. The generators will be built by non-government

companies at a total cost of about \$25 billion and will play a key role in ensuring Turkey's energy security. Finance Minister Kemal Unakitan said the government is determined to remove the obstacles for investment by local and international companies in Turkey's energy industry.

Turkish - French partnership in energy

The French energy company Suez Energy International has announced that they have signed a memorandum of understanding with Mimag-Samko consortium in order to found a thermal power plant in Turkey with an installed capacity of 800-1300 Megawatt. Imported coal will be used in the thermal power plant. Within this joint venture, Suez's share will be 90%, while Mimag-Samko's share will be 10%.

Turkey and Syria to set joint energy company

Turkey and Syria are considering setting up a joint energy company and could build joint nuclear power plants for electricity. The two countries will announce the establishment of a joint energy company in the coming days, which could conduct oil exploration in Turkey, Syria and in third countries according to the Syria's Oil Minister.

Pipelines

Turkey, Israel committed to giant energy project

Turkey and Israel concluded talks to commit to undertake a thorough feasibility study on a new pipeline system in July 2008. The project aims to transport oil, natural gas, water and electricity from southern Turkey to southern Israel.

BP's Azeri-Turkey oil pipeline shipped record volumes in May

The BP Plc-led pipeline linking the Caspian Sea to the Mediterranean shipped a record amount of oil in May because of rising production in Azerbaijan. The Baku – Tbilisi

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- Ceyhan pipeline, which stretches 1,768 kilometers across Azerbaijan, Georgia and Turkey, pumped 949,393 barrels on May 11. The link has carried about 397 million barrels of oil and recorded \$2.5 billion in revenue within two years.

Bulgaria, Hungary push Nabucco gas pipeline project

Bulgaria and Hungary appear to be growing impatient with the slow progress of the EU's flagship Nabucco gas pipeline, with two top officials pressing for action on June 27. Bulgarian Economy Minister Petar Dimitrov said at a joint news conference in Sofia with Hungary's Nabucco gas pipeline coordinator Mihaly Bayer that the two countries were concerned the project was in danger of getting bogged down. More support was needed from consumer countries, but governments and the companies making up the Nabucco consortium also needed to intensify their efforts to ensure there was sufficient gas to feed the pipeline according to Minister Dimitrov.

Construction of Burgas - Alexandroupolis Oil Pipeline to be started in 2009

The construction of the Burgas - Alexandroupolis Oil Pipeline is going to start in 2009, according to Stefan Gunchev, Head of the Political Cabinet of Bulgaria's Regional Development Ministry. Gunchev announced that the speed of the execution of the project currently depended on the firms hired to perform the work. A meeting of the executive directors of the firms executing the pipeline construction took place in Moscow on June 10 where a business consultant and a firm were selected to carry out the exploration work.

According to the Bulgarian Prime Minister Sergey Stanishev, the medium-term goal of the country's energy policy is to have 10 - 12% of all natural gas destined for the EU get transferred through Bulgaria's territory. A special working group had been

set up in order to study the opportunities for the construction of new reactors at the Kozloduy Nuclear Power Plant, which already has six units, the first four of which had been closed after pressure from the EU.

Turkey's Samsun-Ceyhan pipeline shortened, starting point changes

The route of Samsun-Ceyhan Oil Pipeline was shortened 100 kilometers, as the starting point of the pipeline was changed to Unye district of Ordu province from the Samsun province. The change in the route of the pipeline did not have an impact on the investment plan. The project was planned to start to operate in 2010. The 550-km long (340 miles) pipeline is expected to cost \$1.5 billion and will ship an initial 1 million barrels per day to the Turkish port of Ceyhan on the Mediterranean, with plans to raise the capacity to 1.5 million bpd.

TRANSPORT & COMMUNICATION

Hellenic Telecommunications Organization SA

The Greek Parliament has approved the agreement between the Greek State and Deutsche Telekom for the German operator to acquire a stake in Greece's National Telecommunication Organization OTE. The agreement is still subject to the necessary regulatory and anti-trust approvals. Deutsche Telekom is acquiring a stake of 25% plus one vote in OTE for €3.2 billion from the Greek state, current OTE investor Marfin and the free float. The closing of the transaction is expected during the second half of the year by Deutsche Telekom.

New Highway in Montenegro

On May 13 the Montenegrin state company Monteput and the civic Engineering Institute of Croatia signed a contract on the construction of a highway along the Montenegrin coast. The 110-kilometer highway will connect Debeli Brijeg at the Croatian border to Ulcinj near the Albanian

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border. The purpose of the project is to connect Montenegro with the Croatian highway network and thus the Western Europe.

Turkey may launch 3G tender in November

Turkey may launch a tender for third generation mobile phone licences in November, Transport and Communications Minister Binali Yildirim told reporters on June 17. Turkey held a 3G tender last year, but only Turkcell bid and so the licence was cancelled. Turkcell competes in Turkey with Avea, owned by Turk Telekom TTKOM.IS and Vodafone.

BSEC

Albania takes over BSEC chairmanship

The BSEC Troika Meeting and the Joint Coordination Meeting of the BSEC Chairmanship-in-Office, the BSEC Related Bodies and BSEC PERMIS took place on May 12, in Istanbul. The Meeting was attended by the representatives of the Member states of the BSEC Troika (the Republic of Albania as of the Chairman-in-Office, Ukraine and the Republic of Armenia) and by the representatives of the Parliamentary Assembly of the Organization of BSEC, BSEC Business Council, Black Sea Trade and Development Bank and International Center for Black Sea Studies. The Republic of Albania made a detailed presentation on the Priorities of the Albanian Chairmanship-in-Office. The following priorities were emphasized: Implementation of BSEC structural reforms, BSEC relationship with international actors – strengthening the BSEC-EU cooperation, relationship between BSEC and the UN and its specialized agencies, including the UNDP, interaction with other international organizations and regional activities and the further development of multilateral cooperation in the BSEC Region.

WORLD BANK

Top 10 Reformers Receive Doing Business 2008 Award

For the second year, the International Finance Corporation (IFC) and the World Bank have welcomed top reforming countries to the Doing Business Reformers Club to recognize their success at reforming business regulation. Ministers from seven countries - **Bulgaria**, Colombia, **Croatia**, Egypt, **FYROM**, **Georgia** and Saudi Arabia - recently accepted awards on behalf of their governments at an event held at the New York Stock Exchange. The awards are based on the IFC-World Bank Doing Business 2008 report, which presents quantitative analysis on business regulation across 178 economies. Rankings are based on 10 indicators that track the time and cost to meet government requirements in business start-up, operation, trade, taxation, and closure.

(Top 10: Egypt, **Croatia**, Ghana, **FYROM**, **Georgia**, Colombia, Saudi Arabia, Kenya, China, **Bulgaria**)

World Bank funds improvements to FYROM's roads, assists with reforms

The World Bank Board of Directors approved on May 13 two projects to FYROM for a total of \$125 million to develop regional and local roads and support policy reforms. The Regional and Local Roads Program Support Project will be supported by a loan of \$100 million from the international Bank for Reconstruction and Development and will aim to reduce the cost of access to markets and services for communities served by regional and local roads. The Third Programmatic Development Policy Loan will be supported with a \$25 million loan from the IBRD and will support the Government in tackling reforms to improve the investment climate and governance and efficiency of the public sector.

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Trade corridor links Asian countries with Russia and Europe

Kazakhstan and the World Bank Group announced on June 20 plans to jointly finance a \$2.5 billion road project to help upgrade the trade route between Asian countries and Russia and Europe. It is expected to boost Kazakhstan's competitiveness and to bring significant economic benefits both to Kazakhstan and to the broader Central Asia region. Implementation of the project will begin in 2009. This will be the largest infrastructure project of the World Bank in Central Asia.

Turkey's exporters to Benefit from New World Bank Financing

The World Bank approved on May 22 a \$ 600 million Export Finance Intermediation Loan for Turkey, which will help to expand capacity and improve competitiveness of exporting firms by providing medium and long-term working capital and investment finance. The project also aims to continue developing the capacity of banks and leasing companies as financial intermediaries to provide credit to firms.

IFC announced Largest Financing Package in Turkish Private Power Sector

IFC, Akbank T.A.ª., and WestLB AG, have arranged a €865 million debt package for Turkey's EnerjiSA Enerji Üretim A.S., as part of a €1.44 billion financing for the initial phase of the company's investment program. EnerjiSA is owned jointly by Hacı Ömer Sabancı Holding S.A. and Verbund Österreichische Elektrizitätswirtschafts-Aktiengesellschaft, the equity providers. The first phase will develop the company's capacity to generate 12,000 gigawatt-hours of electricity a year, potentially reaching 5.7 million consumers.

Improving Access to Finance for Corporate Clients in Ukraine

Raiffeisen Bank Aval is the first issuing bank in Ukraine to join the IFC Global Trade

Finance Program. IFC's \$30 million trade finance line to the bank will support corporate clients and SMEs in the country.

EBRD

Turkey approved to become full member of EBRD

European Bank for Reconstruction and Development governors approved on May 19 a proposal for a timetable to decide by October on Turkey's inclusion in the bank's line-up of investment countries. Turkey's formal application was approved "in principle," however the final approval process will take place 2 - 3 months later. Following the approval of full membership, Turkey will be included among the active members of the Bank and a new finance opportunity will emerge for the private sector.

BUSINESSEUROPE

BUSINESSEUROPE's Council of Presidents meets in Maribor

The Council of Presidents met in Maribor on June 13 at the invitation of the Employers' Association of Slovenia (ZDS). Energy and climate change, trade issues and the current economic situation were on the agenda of the meeting chaired by President Ernest - Antoine Seillière. Presidents of BUSINESSEUROPE's member federations also had the opportunity to meet the President of the Republic of Slovenia, Danilo Türk, as well as Prime Minister Janez Jansa and Minister for Growth Ziga Turk. This was the occasion to exchange views on the achievements of the Slovenian EU presidency and priorities for the European Council on June 19 - 20.

European business priorities for the French Presidency

A few days before the start of the French EU Presidency, BUSINESSEUROPE President Ernest - Antoine Seillière sent a

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letter to French President Nicolas Sarkozy. The letter summed up the expectations of European business from the French Presidency in the fields of growth and job creation, the internal market, the Small Business Act, energy policy, global trade negotiations and the Common Agricultural Policy. While expressing European companies' concern about the negative outcome of the recent Irish referendum BUSINESSEUROPE's letter underlined that the European Union cannot afford to be bogged down in another long constitutional crisis, adding that confidence and strength of the European economy now depend on the political orientations that the European Council will follow during the French Presidency.

BUSINESSEUROPE hosts CONFEU

BUSINESSEUROPE hosted on June 4, the Confederation of Employers of Ukraine (CONFEU) for a joint meeting on deepening EU - Ukrainian economic cooperation. Ukraine has recently acceded to the World Trade Organization (WTO) under very ambitious terms and into bilateral trade and investment negotiations with the EU. The objective of the future trade agreement is to foster much closer economic integration through free trade and regulatory convergence. A joint statement on the main issues in the future bilateral agreement were discussed. These views were also advocated to key Commission officials dealing with enterprise, trade and external relations. BUSINESSEUROPE will organise a visit to Kiev in the Autumn to further support economic integration with Ukraine.

Advocating for an EU - Russia bilateral trade and investment agreement

Philippe de Buck participated on June 6, at the EU - Russia Industrialists Roundtable in Saint Petersburg in the margins of the Saint Petersburg Economic Forum. He highlighted the importance of overcoming the main obstacles to launching bilateral

trade and investment negotiations between the EU and Russia. BUSINESSEUROPE called on business leaders to play a more active role in driving the bilateral trade and investment relationship forward. With its partner in Russia, the RSPP, the organisation has been jointly advocating for a bilateral trade and investment agreement for several years.

EUROPEAN UNION

French EU Presidency

Under the motto "a more protective Europe", France takes over the six-month rotating EU Presidency with an additional challenge, getting the EU out of an institutional crisis triggered by the rejection of the Lisbon Treaty in Ireland on June 13. Ireland ranks in surveys as one of the EU's most pro-European states. But the treaty's opponents persuaded voters that the pact would reduce the influence of small countries and undermine Ireland's neutrality. President Nicolas Sarkozy has laid out four priorities for France's six-month presidency of the 27-nation European Union.

IMMIGRATION: France wants to hammer out a new immigration and asylum pact that would toughen European policy toward foreigners.

DEFENCE: Sarkozy has linked the decision to take France back into NATO's integrated command to building European defence.

ENERGY & ENVIRONMENT: France hopes to shepherd an accord on climate change that would put it in a strong position to negotiate new targets for curbing greenhouse gas emissions at a world conference in Copenhagen next year. The EU wants to cut its CO2 emissions by 20% by 2020 but modalities on how to achieve that goal have yet to be fully agreed among the 27 member states.

AGRICULTURE: France hopes to open up debate on future of the Common Agricultural Policy, which gobbles up 40% of the entire EU budget.

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EU - Russia Summit: Start of a New Age

The 21st EU - Russia Summit, the first with President Dmitri Medvedev, took place in Khanty Mansiisk, Siberia on June 26-27. One of the centrepieces of this Summit was the official launch of negotiations on a new agreement which presents an opportunity to update the legal framework underpinning the EU - Russia relationship, to reflect the substantial changes that both Russia and the EU have undergone since concluding the first Partnership Cooperation Agreement in the early 1990s. The Summit also looked at issues of global concern, such as the stability of financial markets, the rise of Sovereign Wealth Funds, climate change and global warming, energy security and the current food crisis.

Meeting to boost energy co-operation with Mashrek countries, Iraq and Turkey

European Commissioner for External Relations and ENP, Benita Ferrero-Waldner, and European Commissioner for Energy, Andris Piebalgs, met representatives of the Mashrek countries, Iraq and Turkey on May 5 in Brussels to discuss improving energy security in the region and in the EU, in particular by deepening co-operation on natural gas. The meeting was designed to support finalisation of the Arab Gas Pipeline.

International Partnership for Energy Efficiency Cooperation launched

Energy Commissioner, Andris Piebalgs, welcomed the Ministerial Declaration signed on June 8 by Energy leaders of the G8 countries, China, India, South Korea and the European Community in view of the establishment of a new multilateral energy initiative: the "International Partnership for Energy Efficiency Cooperation". The signature took place during the G8 Energy Ministerial Meeting attended by Commissioner Piebalgs and organised by Japanese G8 Presidency.

European Council welcomes the proposals for developing the eastern dimension of the ENP

The European Council welcomed on June 20 the proposals for developing the eastern dimension of the European Neighbourhood Policy. It agreed on the need to further promote regional cooperation among the EU's Eastern neighbours and between the EU and the Region, as well as bilateral cooperation between the EU and each of these countries. This process should respect the character of the ENP and be complementary to the already existing and planned cooperation, in particular the Black Sea Synergy and the Northern Dimension. In line with this, the European Council has invited the Commission to present to the Council in Spring 2009 a proposal for modalities of the "Eastern Partnership".

Commission opens up new prospects for transport links with the Western Balkans

The European Commission opened on June 24 negotiations on a treaty establishing a Transport Community with the Western Balkans. This first meeting, held in Brussels with the region's Transport Ministers, will be followed in the autumn by technical meetings with a view to concluding the Transport Community Treaty in 2009. The treaty aims to establish an integrated market for infrastructure and land transport, maritime transport and inland waterways and to align the relevant legislation in the Balkans region with the EU legislation, so as to enable transport users and the general public to benefit sooner from the advantages of accession.

An opinion on Black Sea adopted by the European Economic and Social Committee

The European Economic and Social Committee adopted on July 9 an opinion "Setting up civil society organisations networks in the Black Sea region". This opinion argues that the Black Sea Synergy,

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launched by the Commission in April 2007, should also contribute to the promotion of the European social model, and the principle of social and civil dialogue. The EESC calls on the Black Sea governments and regional and international organisations to involve civil society in regional dialogue and cooperation and to offer a fresh perspective on major topics, such as sustaining political stability, democracy, the rule of law, human rights and fundamental freedoms; promotion of economic reforms, development, and trade; cooperation in the field of transport, energy and the environment; and people-to-people contacts.

EU trade with Bosnia and Herzegovina enters new phase

The European Commission has welcomed on July 1 the entry into force of the Interim Agreement (IA) with Bosnia and Herzegovina. The IA effectively creates a free trade area, with progressive opening of the market of Bosnia and Herzegovina facilitating economic and social development. The two sides signed the Stabilisation and Association Agreement (SAA) and the IA on June 16 in Luxembourg. Until the ratification process is finalised the trade provisions of the SAA are applied through the IA.

Sanctions against Iran

The EU agreed on June 23 new financial sanctions aimed at pressuring Iran to halt uranium enrichment, over its refusal to meet demands to curb its nuclear program. The new sanctions will target businesses and individuals that the West alleges are linked to Iranian nuclear and ballistic programs. Iran's biggest bank, Bank Melli will face an asset freeze under the moves, while visa bans will target "very senior experts" inside Iran's nuclear and ballistic programs.

EU and Serbia signed the Stabilization and Association Agreement

The EU signed the Stabilisation and Association Agreement with Serbia on April 29 in Luxembourg while European Commission Vice President Jacques Barrot, in charge of Justice, Freedom and Security officially presented the Roadmap on visa liberalisation with Serbia in Belgrade on May 7. Since 1 January 2008, Serbian citizens enjoy the benefits of a visa facilitation agreement with the EU. Up to 80% of Serbian citizens can currently be exempt of a visa fee. Yet the EU sent another strong message of openness/encouragement to all Serbian citizens. The Roadmap follows a balanced approach setting benchmarks which are realistic and achievable in the near future. It sets clear requirements for the reforms to be implemented in key areas such as security of documents, border management, fight against illegal migration, fight against organised crime and corruption and fundamental rights.

EU pushes Turkey on reforms

The European Parliament adopted on May 21 a very critical report on Turkey, expressing concern about the slowdown of reforms and the AKP closure case. The 2007 Progress Report on Turkey, prepared by Dutch centre-right MEP Ria Oomen-Ruijten, was adopted by an overwhelming majority, with 467 votes in favour, 62 against and 61 abstentions.

EC - Turkey Association Council Meeting

The EC - Turkey Association Council held its 46th meeting in Brussels on May 27. The meeting was chaired by Turkish Foreign Minister and Chief Negotiator Ali Babacan while the Slovenian Foreign Minister Dimitrij Rupel led the EU delegation. The Association Council meeting provided a timely opportunity to review EU - Turkey relations, after almost two years.

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Croatia and Turkey opened new chapters in EU accession negotiations

EU Foreign Ministers at a meeting in Luxembourg in June 17 decided to open two new chapters in Turkey's EU accession talks, the chapters on corporate law and intellectual property law. That makes a total of eight opened since accession talks began in 2005. Croatia also opened two new negotiating chapters on social policy and employment and on workers' freedom of movement, which make a total of 20 chapters opened so far.

Turkey, Romania, Bulgaria to cooperate on EU building standards

Turkey launched its participation on June 18 in the EUBuild project, which raises awareness about the potential impact of European Union accession and promotes cooperation in the building materials sector. The project aims to familiarize local building industries with the EU acquis and European standards in the construction sector, establishing connections with Business Representative Organizations, or BROs, in Bulgaria, Romania and Turkey. It also aims to establish a network to address the common issues in the sector regarding EU standards.

ELECTIONS

Pro-EU alliance wins Serbia election

The pro-European Union alliance led by Boris Tadic, Serbia's president, won the advantage over hardline nationalists in snap elections on May 11 as voters demanded EU integration despite the Kosovo problem. The pro-EU list captured 38.7% of votes and won 103 seats in the 250-seat parliament. The nationalist Radical party took 29.1% and 77 seats.

Georgian Parliamentary Elections 2008

Mikheil Saakashvili's United National Movement won about 120 out of the 150 parliament seats in parliamentary election

held on May 21. About 50,000 opposition demonstrators walked on May 22 across Georgia's capital to protest parliamentary election results they said were rigged in favor of the ruling party.

Early parliamentary elections in FYROM

Early parliamentary elections were held in FYROM on June 1st after the Assembly voted to dissolve itself on 12 April 2008. The early election was proposed by the Democratic Union for Integration after Greece voted FYROM's bid to join NATO at the 2008 Bucharest Summit over the naming dispute. Elections on June 1 were affected by some violence and irregularities, led to reruns in 183 polling stations on June 15. Those reruns were also marred by complaints of irregularities, prompting FYROM's election authorities to annul the results from 12 polling stations on June 20 and hold ballots for a third time in 10 of them on June 29. FYROM's Prime Minister and the leader of governing center-right VMRO-DPMNE party Nikola Gruevski finally declared victory.

BILATERAL

Greek Prime Minister visited Moscow

Greek Prime Minister Kostas Karamanlis visited Moscow on April 29 to continue on-going cooperation on energy policy. With the signing of the Intergovernmental Agreement between Russia and Greece regarding the South Stream Pipeline, Greece will increase its influence and upgrade its role in the region, as it now constitutes a fundamental part of the energy chain in Europe.

Turkey and Turkmenistan signed an economic protocol

Turkey and Turkmenistan signed on April 30, a Joint Economic Committee protocol in Ankara, Turkey. Speaking at the signing ceremony, Turkish Industry&Trade Minister

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Zafer Çağlayan stated that this protocol showed that both countries were eager to boost the cooperation in the areas of trade and economy.

Trade zone deal effective

A free trade deal that establishes a free trade zone between Turkey and Albania took effect on May 1st. The deal includes regulations on various issues, such as customs duty, amount restrictions, the exchange of agricultural concessions, internal taxation, structural adjustment, damping, government cartels and public procurement, according to the statement of Undersecretariat of Foreign Trade.

Turkey offers joint zone at Iraqi border

A Turkish commercial delegation led by Trade Minister Kürşad Tüzmen paid a two-day visit to Iraq on May 8 – 9 to foster commercial relations between the two countries and to attend to the inauguration of Turkish - Iraqi Business Forum in Baghdad. Turkish State Minister Tüzmen proposed for this occasion the establishment of a joint industrial zone at the Turkish-Iraqi border. The delegation representing 22 Turkish companies in health, transport, construction and services sectors met finance, energy, trade, planning and housing ministers on cooperation and investment opportunities in the country.

Turkey, Austria prepare for cooperation on energy

Turkish and Austrian ministers and presidents discussed cooperation in energy and Nabucco project in separate meetings on May 20. The energy issue came up during Austrian President Heinz Fischer's visit to Turkey, during which OMV also opened discussions with the Turkish Energy Ministry. The plan discussed is for Turkey to cooperate with OMV in the Turkish domestic market, and to establish international energy links.

Turkish President Gül to visit Croatia

President Abdullah Gül paid a three-day official visit to Croatia on June 10 - 13 upon the invitation of his Croat counterpart Stjepan Mesić. The aim of the visit was to enhance bilateral economic relations and to attend the Turkish - Croatian Business Council Meeting.

Bosnian Prime Minister's visit to Greece

Prime Minister of Bosnia – Herzegovina Nikola Spiric paid a two-day visit to Greece on June 26-27. During his visit, Prime Minister Spiric met also with SEV members to present to the Greek business community the economic situation and reforms underway in his country.

Russian FM in Ankara

Russian Foreign Minister Sergei Lavrov paid a visit to Ankara on July 1 to hold talks with top Turkish officials. Minister Lavrov met Turkish Foreign Minister Ali Babacan to discuss the most pressing regional and international issues, including Iraq, the Middle East peace process, Iran's nuclear dossier, Kosovo, the situation in the Caucasus and Central Asia and Cyprus peace settlement. The foreign minister also discussed cooperation within the Black Sea Economic Cooperation and international exercises, such as the Blackseafor and the Turkey-led Operation Black Sea Harmony.

Russian President visit's to Azerbaijan

Russian President Dmitry Medvedev concluded talks with Azerbaijani President Ilham Aliyev by pronouncing Baku to be Moscow's strategic partner. During their meeting in Baku on July 3 - 4, Medvedev and Aliyev issued a declaration of friendship and presided over the signing of four intergovernmental agreements covering such areas as customs and privatization. Meanwhile, the head of Gazprom, Alexei Miller, announced that talks would soon begin on the Russian firm's purchase of Azerbaijani gas.

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Turkish President's visit to Kazakhstan

President Abdullah Gül traveled to Kazakhstan on July 4 to attend the 10th anniversary of Astana becoming the country's capital. Russian President Dmitry Medvedev, Georgian President Mikhail Saakashvili and Azerbaijani President Ilham Aliyev also attended the celebrations. President Gül invited the Azeri and Georgian presidents for a groundbreaking ceremony for the Baku-Tbilisi-Kars railway line to be held on July 24. He also held talks with the new Russian President, marking the first high-level dialogue since the election of Dmitry Medvedev in March. The two leaders discussed Turkish - Russian relations, trade and huge infrastructure projects.

Erdoğan paid an historic visit to Iraq

Turning a new page in post-Saddam Turkish-Iraqi relations, Turkish Prime Minister Recep Tayyip Erdoğan paid a visit on July 10 to Iraq “the first by a premier in 18 years” and signed an agreement with his Iraqi counterpart Nouri al-Maliki to establish a High Council for Strategic Relations. Under the agreement, the countries' prime ministers will meet once a year, Cabinet ministers of both countries will meet three times a year, and various technical delegations will meet four times a year. The agreement is also meant to facilitate training for Iraqi officers and teachers.

MULTILATERAL

The 15th Summit of Central Europe Heads of State

The 15th Summit of Central Europe Heads of State was held in Ohrid, FYROM on May 2-3. A total of 17 state presidents took part at the largest gathering in FYROM since its independence. Ten of the participant-countries are EU member-states, three have a candidate-status, whereas the rest are in different stages in the Euro-integration process. Turkish President Abdullah Gül was invited as special guest.

International Business Conference was held in Azerbaijan

EVSEN Group of Companies and Ministry of Economic Development of the Republic of Azerbaijan organised the first International Conference entitled “Commerce and Investment in Shamakhi, Azerbaijan” on May 27 in Baku, Azerbaijan. Foreign ambassadors, state officials and economic representatives and business leaders from 25 countries participated in the two-day event to discuss the direction of foreign investments to the real sector, the development of private sector and the economic perspectives of Azerbaijani - Chinese, Azerbaijani - Turkish, Azerbaijani - Russian and Azerbaijani - Iranian relations.

Third GUAM Summit held in Batumi

The Third Summit of the Organization for Democracy and Economic Development – GUAM was held in Batumi, Georgia on July 1 under the motto “GUAM – Integrating Europe's East”. The meetings of the Council of Heads of State, Ministers of Foreign Affairs, GUAM-USA, GUAM-Japan, GUAM-Czech Republic/Vyshehrad Group, GUAM-Poland, Council of National Coordinators, joint sessions of the heads of sector ministries and agencies and other events took place in the framework of the Summit.

Civil aviation dialogue with Black Sea /Caspian Basin partners: towards a strong partnership

A strong commitment for strengthening safety and aviation cooperation was the main outcome the third meeting of the Traceca Expert Working Group on Civil Aviation organised on July 15 at Issyk-kul Lake in the Kyrgyz Republic. The meeting aimed at strengthening bilateral aviation relations between the EU and countries in Central Asia and the Black Sea / Caspian Basin region and to discuss the perspectives and the development of the aviation market in Central Asia.

From Members

ATIB - Azerbaijan

First meeting of ATAF Board of Trustees held

The first meeting of the Board of Trustees of Azerbaijan Turkey Historical Research Foundation (ATAF) was held in the Turkish Historical Foundation on June 14, in Ankara. Representatives and leading public and political figures from state authorities, scientist institutions, NGOs, business community of the Azerbaijan Republic and the Republic of Turkey attended the meeting where the structure, strategy of the foundation, and defined its vision, mission and activity areas were discussed.

Azerbaijan Turkey Historical Research Foundation was established on the basis of Baku Declaration and Quadrilateral Cooperation Protocol signed at the conference entitled “Common problems in the history of Azerbaijan and Turkey”. The aim of the initiative is to investigate the history of Azerbaijan and Turkey and support the definition of common problems, to determine the ways for their solution, work out proposals, to contribute to the peaceful coexistence of the Caucasian people and solution of problems hampering economic integration, as well as within this frame to increase economic welfare of the region.

BIA – Bulgaria

BIA Weekly Electronic Bulletin

BIA resurrects the issuing of the weekly electronic bulletin with information about procurement notices and invitations from Bulgarian Government, governmental agencies and municipalities, selected according to the divisions of the Common Procurement Vocabulary. The bulletin is issued every Friday. Interested parties are advised to send an e-mail to silvia@bia-bg.com for more information on how to subscribe.

European Round Table of Industrialists Business Advisory Council Meeting

The president of BIA participated in the European Round Table of Industrialists Business Advisory Council Meeting together with the Bulgarian PM Sergei Stanishev on July 7, in Sofia.

Center for Digital Innovations in Industry

President of BIA, Bojidar Danev together with the Executive Director of David Holding, Balio Dinev presented on June 16 the newly founded “Center for Digital Innovations in Industry”. In his speech BIA President highlighted that one of the main issues for the Bulgarian economy is the lack of enough products with high added value which can be overcome only through investments in innovations. He specified that only 16% of the Bulgarian enterprises are into innovations compared to an average of 40% for EU-27. To answer the needs of the Bulgarian economy for raising the innovative activity David Holding, in cooperation with Siemens PLM Software and BIA, created the Center for Digital Innovations in Industry.

Markets and Trade seminars

The Bulgarian Institute for Foreign Trade (BIFT) created with the participation of BIA, held a seminar on “Markets and Trade with Poland, Romania and Hungary”, which was attended by managers of small and medium enterprises on June 30. Participants were given a rich and useful information on practical matters of bilateral trade relations by the lecturers and the consultants at the Institute. The next market-targeted course of BIFT, will be held in July 24, 2008 on “Markets and Trade with Greece and Turkey”.

New seminar on Environment in the frames of the BOSMIP Project

Second seminar in the frames of the BOSMIP Project conducted by BIA and

From Members

BUSINESSEUROPE was held in Albena, on June 4-5. The lecturers of the seminar on environment were from Holland, Lithuania and Bulgaria. The forum was held in few panel discussions dedicated to the link between the industry and the preservation of the environment. In the frames of the mutual project between BIA and BUSINESSEUROPE to the end of the year will be conducted two more seminars in Bulgaria on the following topics “Transport and Energy” and “Health and safety work”.

SEV – Greece

Greek Business Delegation to Russia

A sizeable Greek delegation of 250 businessmen and executives visited Moscow in June 1-3, accompanying the Deputy Minister of Foreign Affairs Doukas. SEV and the Business Council Greece - Russia were involved in organizing the delegation and the Greek - Russian Business Forum, which focused on specific thematic areas of common interest. SEV Vice-Chairman of the Board and Head of International Affairs Athanase Lavidas stressed that the road towards the Balkan and European markets for Russian investment and trade passes through Greece. Energy, constructions, telecommunications, agro-industry and tourism were high at the bilateral business agenda while the interest of Greek enterprises for the Russian market was rising. SEV and the Business Council are committed to the enhancement of the ties between the two business communities and plan the next meeting of the two chapters of the Council in Russia later in autumn.

Greek - Algerian Business Forum

SEV in cooperation with the Greek Ministry of Foreign Affairs organized a Greek – Algerian Business Forum to inform interested Greek companies on developments in the Algerian economy and on the prospects for doing business in the country. The rapidly developing economic

environment of Algeria, the investment framework and the sectors that could attract direct Greek investments and commercial partnerships were presented by Algerian officials to a vivid audience of 70 executives.

Greek - Vietnamese Business Forum

SEV, in cooperation with the Vietnam Chamber of Commerce and Industry (VCCI), organized on June 10, a forum on economic and business relations with guest speaker Vietnamese President Hguyen Minh Triet who paid a state visit to Greece. The President of Vietnam was accompanied by 60 Vietnamese businessmen from several sectors, who came to meet Greek counterparts and explore possible synergies. SEV and VCCI signed a Memorandum of Understanding to establish a permanent collaboration and will cooperate for a Greek business delegation scheduled to visit Vietnam in autumn in the occasion of the state visit of the Greek President Karolos Papoulias.

Workshop on Latin America

SEV, in cooperation with the Business Council Greece – Latin America organized on May 30 an event devoted to the developing markets of Latin America and the business opportunities that can be identified. The Ambassadors and Commercial Counselors of Argentina, Mexico, Peru, Uruguay, Venezuela, Panama and Cuba presented the commercial and investing environment of their countries to more than 50 company representatives.

Greek – Chinese Business Forum

A Greek business delegation with members from SEV and the Greek-Chinese Business Council visited China accompanying Greek President Karolos Papoulias in his state visit. Forums on bilateral economic relations were organized on June 24 – 26, in Beijing and Shanghai to high-light the areas and the prospects for further enhancement.

From Members

ICEA – Iran

ICEA attended the meeting of IOE

ICEA Secretary General Mohammad Otaredian accompanied by Shohreh Tasdighi, International Affairs' advisor attended on May 27 the annual meeting of the International Organization of Employers in Geneva, Switzerland.

ICEA attended at the International Labour Conference

The member States of the International Labour Organization (ILO) meet at the International Labour Conference, held every year in Geneva, Switzerland, in the month of June. The 97th session of the conference held between May 28 and June 13, included items of interest to employers, such as skills for improved productivity and promotion of rural employment for poverty reduction and strengthening the ILO's capacity.

This year, ILC was also mandated by election of ILO Governing Body for the 2008-2011 term of office. For this occasion, ICEA Secretary General Mohammad Otaredian was also elected as a substitute member of the ILO Governing Body.

UPS – Serbia

General Assembly held on May 9

The General Assembly of the Union of Employers of Serbia took place on May 9 where Stevan Avramovic was elected as the new President of the Organization while Bogdan Savic was appointed as the Secretary General and Dejena Kuzmic as the person in charge of international relations. According the new Statute adopted by the Assembly, the english version of the organization's name was also changed to "Serbian Association of Employers", with abbreviation SAE.

TÜSİAD – Turkey

TÜSİAD Bosphorus Prize

TÜSİAD's Bosphorus Prize for "European Understanding" was presented to Swedish Minister of Foreign Affairs, Carl Bildt on May 2 with a ceremony also attended by Turkish Prime Minister Recep Tayyip Erdoğan. TÜSİAD presents the Bosphorus Awards since 2003 to institutions or personalities who contribute to the EU bid of the country.

New Releases

"Turkey's Public Gender Inequality: Problems, Priorities and Suggestions"

A new report by TÜSİAD and Women Entrepreneurs Association of Turkey (Kagider) entitled "Turkey's Public Gender Inequality: Problems, Priorities and Suggestions" was introduced at a public conference in Istanbul on July 15. According to the report, the gender gap in Turkey is narrowing, however still far behind most of Europe. The report, an update of an earlier 2000 report, studied female education, employment, political involvement and the role the EU plays in narrowing the gender gap.

"Dynamics of Turkish Growth"

TÜSİAD and Central Bank of Turkey jointly released the third report within "Growth in Global Integration Process" project aiming to contribute to the creation of a strong and sustainable economic structure. The report entitled "Dynamics of Turkish Growth: Sources, Fundamental Problems and Potential Growth Rates in 1987-2007 Period" was introduced to public opinion with a seminar on June 3.

"Industry Policy: Sectors, Developments and Trends"

TÜSİAD and Sectoral Associations Federation (SEDEFED) introduced a report on "Industry Policy: Sectors, Developments

From Members

and Trends” with a seminar on May 27. The report gives an overall picture of the current situation of all sectors of Turkish industry basing on criterias of competitiveness, legal framework, environmental factors, employment, regional development, creation of high added value and integration to the international production processes.

“Energy Strategy for Turkey”

TÜSİAD introduced the first three reports of the serie “Energy Strategy for Turkey” in May 22. The Reports are bringing concrete propositions to the solution of energy supply security matter of Turkey.

“Agriculture and Food in Turkey: Developments, Policies and Suggestions”

TÜSİAD introduced its “Agriculture and Food in Turkey: Developments, Policies and Suggestions” report on May 7. The Report underlines that Turkey's agricultural sector is wrestling with significant structural problems and the country should revise its agricultural policy and benefit from the current level of global food prices to enhance its competitive power.

Conferences and Seminars

TÜSİAD and TİSK together with BUSINESSEUROPE organized an education seminar on June 26-27 on “EU acquis: Professional Healthcare and Security and Environment” within the framework of EU Commission backed BOSMIP II Project.

TÜSİAD organized a conference entitled “Turkish Banking Sector in the Light of Recent Developments in Foreign Financial Markets: Tendancies and Risks” on May 28. The Conference concentrated on the effects of the latest developments of the international markets on Turkish financial market and the ways to minimize these negative effects.

A TÜSİAD Delegation headed by Chairwoman Arzuhan Doğan Yalçındağ held meetings with some US officials within the framework of the visit realized for the occasion of the 10th anniversary of inauguration of TÜSİAD Washington Office on May 15 - 16. A joint conference was also organized together with the Brookings Institute, a leading US think tank, on “the Foundations of US-Turkey Relations in the 21st Century”. During the Conference, a TÜSİAD report authored by David Saltzman entitled “U.S. H. Res. 106: Factual and Legal Deficiencies” was also introduced underlining the deficiencies of the proposition of law brought to American Congress on Armenian issue.

TÜSİAD International

TÜSİAD International, the strategic business development unit of TÜSİAD and China Council for the Promotion of International Trade (CCPIT) co-organized a seminar entitled “Turkey: The closest European country to China” in Shanghai on May 8 demonstrating Turkey’s investment potential to potential Chinese investors.

TÜSİAD International made a business development trip to Kiev on June 9 - 10. Within the framework of the visit, TÜSİAD International delegation had meetings with Turkish Embassy in Kiev, Ukrainian League of Industrialists and Entrepreneurs (ULIE), European Bank for Reconstruction and Development (EBRD), Turkish and Ukrainian Businessmen Association (TUID), InvestUkraine (Foreign Investment Promotion Agency of Ukraine) and CONFEU (Confederation of Employers of Ukraine). UBCCE Secretary General Murat Zöngür also participated to the meetings.

RECENT MACRO ECONOMIC DEVELOPMENTS IN THE BLACK SEA & CENTRAL ASIAN REGIONS: NEW CHALLENGES AND OPPORTUNITIES¹

By Cengiz Orun, OECD Policy Analyst

It goes without saying that The Black Sea and Central Asian regions are fascinating because of their political, cultural and economic diversity. With the exception of the OECD members, Turkey and Greece, all the countries are emerging from transition of the centrally planned economies of Soviet era into market based economies. The transition, needless to say, has created opportunities and challenges as this needs to be addressed from different perspectives, including macroeconomic developments, trade and financial flows.

Macroeconomic Developments

The economies of the Black Sea Economic Cooperation (BSEC) and Central Asia (CA) regions largely continued to prosper in 2007 and the Republics of the Former Soviet Union, in particular, have experienced rapid growth in the first years of the 21st century. This is, in fact, a welcome contrast to the 1990s, when the formerly centrally planned economies of Europe and the Commonwealth of Independent States (CIS) underperformed most regions of the world, experiencing an output collapse that far exceeded expectations.

During the period 2001-06, the simple average growth rate of the 11 CIS countries was around 8% per year, which compares favourably even with the high performing Asian economies. Part of this impressive

performance is recovery from a deep trough, and some countries have benefited from large terms of trade gains, but it also reflects substantial improvement in macroeconomic policies as well as productivity increases. Many of the countries' governments are running fiscal surpluses and, where the public budget is in deficit, the magnitude is small. Only Albania and the Kyrgyz Republic had deficits greater than 3% of GDP in 2006, and these were being reduced from much higher percentages a few years earlier.

Inflation rates are also much reduced from the high rates of the 1990s, although the record is mixed. In 2006, Albania, the Kyrgyz Republic, Armenia and Greece all had consumer price inflation in the 2 to 4% per year range. Romania, Bulgaria, Azerbaijan, Turkmenistan, Kazakhstan, Ukraine, Georgia, Turkey and Russia had higher single-digit inflation. Tajikistan, Moldova and Uzbekistan all had double-digit inflation; Uzbekistan's inflation appears to be higher, estimated at almost 20% by the IMF, although government estimates would place it even below the 10 - 13% range of the other two countries in this group.

All of the countries have open economies. Greece, at 28%, has the lowest merchandise trade-to-GDP ratio. Bulgaria and Tajikistan have the highest merchandise trade-to-GDP ratios. The countries' external positions, however, vary considerably, depending in large part on terms of trade changes, which have favoured energy exporters since the late 1990s and have had a more volatile impact on cotton, aluminium and gold exporters.

Trade

For most countries in the BSEC-CA regions, Russia is the main regional trading partner, accounting, for example, for 34% of Ukrainian imports and 33% of Moldovan exports. The exceptions are Albania (main intra - regional trading partner Greece), Serbia (main intra - regional trading partner

Bulgaria) and Romania (main intra - regional trading partner Turkey). For most of the BSEC countries, the second largest trading partner in the region is Turkey, whose significance is particularly high for Georgia, Bulgaria, Albania and Azerbaijan. Serbian exports and imports in the region are relatively concentrated in the Balkan region. Greek and Turkish trade within the BSEC region accounts for a very small part of their total trade, particularly if one excludes Russia. Moldova conducts around 48% of its total trade with three countries, namely Russia, Ukraine and Romania. Bulgaria conducts a considerable proportion of its trade within the BSEC region, particularly with Russia, Turkey and Greece. Romania's degree of regional integration is lower, despite substantial exports to Turkey and imports from Russia. In the south Caucasus, there are significant trade flows between Georgia and Azerbaijan, equal to almost 9% of total trade of the former, and to a lesser extent between Georgia and Armenia. Besides Russia and Turkey, Ukraine is also an important trade partner for these countries. Overall, the countries with the highest degree of regional integration (share of intra-BSEC trade to total trade) are Moldova and Georgia, while the largest economies (Russia, Turkey and Greece) are the ones that display the lowest degrees of regional trade integration.

Trade with Russia makes up a very large share of total trade of CA countries. Kazakhstan buys 38% of its imports from Russia, while that figure is 25% for Uzbekistan, 21% for Tajikistan and 19% for both Tajikistan and the Kyrgyz Republic. Exports to Russia also represent very large shares of total exports, although slightly smaller than in the case of imports. The notable exception is Turkmenistan, which receives 13% of its imports from Russia and directs only 1.5% of its exports to Russia, although much of its gas exports transit through the Russian pipeline system.

Excluding Russia, trade flows between the BSEC countries and CA are limited and, in some cases, practically nonexistent, although the pattern varies significantly. Azerbaijan is, for instance, a considerable trade partner for Tajikistan and Turkmenistan. Turkey accounts for a substantial share of total trade of all CA republics, especially Tajikistan, Turkmenistan and Uzbekistan. Finally, Ukraine is the main destination of Turkmenistan exports, receiving 45% of their total value, much of it natural gas. For other primary products, notably oil and cotton, it should be noted that reported bilateral trade may be a misleading guide to final destination; contracts are concluded at cotton exchanges in England or Switzerland and oil contracts may be signed anywhere, without the exporting country knowing, or caring, where the cotton or oil ends up.

The importance and intensity of trade relations within CA display significant variations. Kazakhstan appears to be in the centre of these relations, providing almost 13% of the imports of the Kyrgyz Republic and 12% of the imports of Tajikistan, while absorbing 11% of Kyrgyz and almost 6% of Uzbek exports. At the same time, however, intra-regional trade accounts for a negligible share of Kazakhstan's total trade. There are substantial trade flows between Uzbekistan and Tajikistan, running in both directions; 11.7% of Tajikistan's total trade is with Uzbekistan. The Kyrgyz Republic engages in some trade with Uzbekistan and Tajikistan, mainly exporting to these countries, while Turkmenistan has very limited ties with the four CA countries. Tajikistan exhibits the highest degree of regional trade integration with 22.8% of its total trade taking place within the CA region; the respective values are also quite high for the Kyrgyz Republic and Uzbekistan, especially taking into account the fact that the region comprises only five countries, and excludes Russia.

All five CA nations conduct the majority of their trade with developing, rather than developed, countries. Especially on the side of imports, the share of trade with developing countries to total trade is never below 70%, and reaches 91% in the case of Tajikistan.

In accordance with these numbers, trade with the EU is very limited, especially when one compares it with the respective shares in the BSEC region discussed earlier. Kazakhstan is, relatively, the most open to EU trade, while the Kyrgyz Republic lies at the opposite end with less than 8% of its total trade taking place with EU countries.

Trade with China represents between 1.3% and 6.3% of total trade for all the countries in the BSEC region, with imports being of slightly higher importance than exports. The countries that import the most from China (always as part of their total trade) are Russia, Romania and Turkey, whereas on the side of exports China represents a significant market only for Russia. For the CA countries, apart from Turkmenistan, the second most important trade partner in the wider region (after Russia) is China. The Kyrgyz Republic imports a striking 40% of its total trade from China (some of which is sold on to consumers in Uzbekistan) and Kazakhstan 14%. These two countries, followed by Uzbekistan and to a lesser extent Tajikistan, conduct a substantial share of their total trade with China.

BSEC-CA countries are relatively specialised in exports of agricultural products and raw materials. The Balassa index generally shows higher values for product groups 0-4 in Standard International Trade Classification. On the other hand, the BSEC-CA countries are least specialised in chemical products (SITC 5) and machinery (SITC 7), which require a higher level of technological intensity: the values of the Balassa index² are very low for those products, and only in one

group (SITC 5 for Greece) are they above one. On a country level, the specialisation of the four energy exporters (Azerbaijan, Kazakhstan, Russia and Turkmenistan) lies clearly in oil and natural gas. Moldova, Georgia and Armenia specialise in beverages and tobacco. Serbia, Greece and Ukraine specialise in foodstuffs, mostly oils in the case of the latter two countries. Uzbekistan and Tajikistan have strong specialisation in inedible crude materials (SITC 2), attributable to exports of cotton and aluminium respectively, and the Kyrgyz Republic in gold exports (included in SITC 9).

The potential for trade competition in the BSEC-CA region is another factor that affects, and can highlight, integration into the global economy. The highest degrees of export similarity are observed between Bulgaria and Romania, and between Greece and Turkey. Russia, on the other hand, does not seem to pose a serious threat to the exports of Greece and Turkey, and only a very moderate one to those of Bulgaria and Romania. Bulgaria, Romania, Serbia and Ukraine all have similar export structures and are therefore potential competitors and the same is true of Serbia and Greece, while Albania and Moldova do not exhibit strong similarities with any other countries, with the possible exceptions of Romania and Bulgaria respectively.

Armenian and Georgian exports exhibit some degree of conformity with each other, but not when one compares them to exports of third countries. Azerbaijan, in contrast, has very high conformity coefficients with Kazakhstan (0.61)³ and Russia (0.44), and very low ones in all other cases; this is due to the relative specialisation of these countries in oil and gas exports. Russia and Kazakhstan share similar export structures with only one-third country in the sample, Azerbaijan. The Kyrgyz Republic has a distinctly different export structure to every other country, mainly due to its heavy reliance on gold

exports, which are classified under a different product category (SITC 9) than exports of other extractive industries.

Financial Flows

External financing, including capital inflows (both equity and debt flows), workers' remittances and official development assistance (ODA) compensates for low saving region has seen a significant increase in private rates in many of the BSEC-CA countries. The capital inflows over the last few years, but still lags behind other emerging economies.

Investment flows have been unevenly distributed with a few countries in the BSEC-CA region (Greece, Russia and Turkey in BSEC and Kazakhstan in CA) accounting for the bulk of investment. Foreign investment in natural resource-based industries is also relevant. Remittances also play an important role, although their contribution to external financing and GDP varies considerably across countries. ODA played an important role in supporting the transition to market economies in many countries and remains a significant source of financing for the lower income ones. In 2006, total external financing to the BSEC-CA region as a whole amounted to \$304 billion, or 14% of the 17 countries combined GDP. In particular, capital inflows reached a record high of \$275.7 billion. This represented a 30% increase over the previous year, while ODA and workers' remittances remained at about the same level of 2005. Such growth in capital inflows was mainly due to a strong increase in foreign direct investment, which almost doubled between 2005 and 2006.

Portfolio inflows slightly declined, while "other flows", which include financial derivatives and other investment liabilities (currency transactions, deposits, loans and trade credits), continued their strong rise, although at a slower pace than in 2005 (they

rose by 22% in 2006, against 130% in 2005). On average, private flows to the BSEC-CA region have grown at a compound rate of 32% per year since 1995. The strongest growth took place over the last five years, with an average annual increase of 45% between 2002 and 2006.

This aggregate picture needs qualifications as there are important differences between the BSEC and CA regions, as well as within them. The BSEC countries accounted for the bulk of capital inflows, receiving \$241 billion, or 90% of overall inflows in the BSEC-CA region – a figure that mirrors their share in the GDP of the region as a whole (95%). The overall performance of the BSEC region is influenced heavily by the three largest economies: Greece, Russia and Turkey. In terms of flows, "other investment liabilities" accounted for the largest share, although the importance of FDI has increased dramatically since 2002. The nine other BSEC members only received 26% of total capital inflows in 2006, mainly as FDI, while portfolio flows and other capital flows played a less important role for these countries. The degree of openness to capital inflows – as measured by their share in a country's GDP – is highest in Bulgaria, Serbia and Ukraine, while in Albania, Russia and Armenia they account for less than 10% of GDP. Both workers' remittances and ODA remained relatively stable over the last ten years.

¹ *This article, only expressing the views of its author, draws on an OECD publication "The Black Sea and Central Asia: Promoting Work and Well Being", 2007, Paris.*

² *Balassa index measures the extent to which a country specialises in each of the ten broad product groups in the Standard International Trade Classification (SITC).*

³ *Conformity coefficients was developed by the OECD Development Centre, Paris and can be found in the OECD publication of "Black Sea and Central Asia: Promoting Work and Well being, An OECD Development Centre Outlook".*

Upcoming Events

UPCOMING EVENTS

Third KazEnergy Eurasian Energy Forum

Astana, Kazakshtan, September 4 – 5

➤➤➤➤ Read for more

ATIB Second Annual Conference on “Azerbaijan-Turkey-US Relationship in Eurasia: Georgia from the Caucasus, Kazakhstan from Central Asia”

Baku, Azerbaijan, Sept 17 – 18

➤➤➤➤ Read for more

5th Pan-European PPP Forum “Infrastructure Investment & PPP Finance in Ukraine 2008”

Kiev, Ukraine, Sept 30 – Oct 1st

Black Sea Energy Conference "Energy Investments and Trade Opportunities"

Athens, Greece, October 8 – 9

UBCCE Second Business Forum "Invest in Georgia, Invest in the Region"

Tbilissi, Georgia, October 23

➤➤➤➤ Read for more

World Economic Forum on Europe and Central Asia

Istanbul, Turkey, Oct 30 – Nov 1

Tirana Trade Fair

Tirana, Albania, Oct 30 – Nov 3

Fifth Vienna Economic Forum

Vienna, Austria, November 10 - 11

UBCCE High Level Contact Visit to Brussels

Brussels, Belgium, November

AZERBAIJAN – TURKEY - USA RELATIONSHIP IN EURASIA: GEORGIA FROM THE CAUCASUS, KAZAKHSTAN FROM CENTRAL ASIA

ATIB 2nd ANNUAL CONFERENCE

Baku, Azerbaijan, Sept 17 – 18

UBCCE Member ATIB will organize its 2nd Annual Conference on “Azerbaijan-Turkey-US Relationship in Eurasia: Georgia from the Caucasus, Kazakhstan from Central Asia”, which will take place on September 17 - 18 in Baku, Azerbaijan.

The 2nd Annual “Azerbaijan-Turkey-US Relationship in Eurasia, Georgia from the Caucasus, Kazakhstan from Central Asia” will discuss the cooperative roles of all five countries in furthering the development of Eurasia.

Bringing together representatives from the government, economic, academic, and policy realms of all five countries in an effort to continue to define the importance of the trilateral relationship of the initial three countries and two other important players in the region, the conference will discuss the top issues of the Eurasian geopolitics such as Energy Security, Regional Economic Development and Cooperation, and Entrepreneurship & Innovation.

Last December, ATIB along with its US partners - the Center for Eurasian Policy (CEP) of Hudson Institute and the Central Asia-Caucasus Institute (CACI) at John Hopkins University organized the first of its kind tri-lateral international conference entitled “The Azerbaijan-Turkey-US relationship and its Importance for Eurasia.”

For more information please visit the website of the event (www.atus.az) or check ATIB’s website (www.atib.az).

Upcoming Events



THIRD KAZENERGY EURASIAN ENERGY FORUM “GLOBAL CHALLENGES – ENERGY SOLUTIONS

Astana, Kazakhshtan, September 4 - 5

The Third of Eurasian Energy Forum which became a new landmark in development of fuel and energy complex in Kazakhstan will take place in Astana, Kazakhstan on September 4 – 5.

Organized annually by Kazakhstan Association of Oil-Gas and Energy Sector Organizations (KazEnergy), the main aim of the Forum is to involve the most representative circle of strategists and practitioners of the energy industry and science into the discussion of problems and challenges faced by the energy sector in the Republic of Kazakstan in the context of global search for sustainable solutions.

Given that Eurasia is home to almost 35% of the non-OPEC hydrocarbon reserves, whatever happens in this region will inevitably affect the rest of the world. The inevitable depletion of traditional energy resources, high competition for long-term investments, increasing industry costs, disturbance of ecological balance, the problem of technology transfer, shortage of qualified personnel, complication of the risk management system – all these and other challenges of the energy industry have long gone beyond the limits of individual energy markets and require consolidated approach in the search for efficient and sustainable solutions.

In the context of the universal objective of ensuring energy security, this year’s Eurasian Energy Forum will feature “Global Challenges – Energy Solutions”.

*For registration please contact
Saule Yermekbayeva (saule@kazenergy.com)*

IN THE FOCUS OF THE III EURASIAN ENERGY FORUM

GLOBAL ENERGY CHALLENGES OF THE XXI CENTURY

World energy outlook: Today & 2030

- need for massive investment
- energy security concerns for consumers & producers
- climate change & alternative energies
- rising demand from China & India
- energy efficiency and conservation

Regional energy challenges

- Russia
- Turkmenistan/Uzbekistan
- Azerbaijan

Kazakhstan: Long-term strategy of energy development

- Role of Kazakhstan in the global system of energy security
- Major oil & gas projects
- Investment environment: challenges & opportunities
- Perspectives of development of electric power industry
- Diversification & industrial innovation strategy
- Sustainable development activities
- Energy project financing/ risk management
- Resolving local environmental problems
- Corporate responsibility initiatives
- Improvement of personnel education & training system for energy industry
- ITEI & expectations of the society

SUSTAINABLE SOLUTIONS IN ENERGY INDUSTRY

Role of innovations & high technologies in resolving global energy problems

- Off-standard IT-solutions for energy industry
- Geophysical remote sensing
- Non-invasive methods of geological exploration
- New technologies for dealing with wastes, sulphur & water
- International cooperation projects in technologies

Technical sections:

- Geology of oil & gas
- Renewable energy sources
- Development of oil & gas fields
- Oil refining & petrochemistry
- Gas: exploration, production, transportation & refining

Upcoming Events

UBCCE SECOND BUSINESS FORUM “INVEST IN GEORGIA, INVEST IN THE REGION” Tbilissi, Georgia, 23 October 2008

Following its successfully held First Business Forum on “Foreign Direct Investment in the Black Sea and Caspian Region” in Baku, Azerbaijan last October, UBCCE, the first independent and voluntary business organization of the Region, will be holding its Second Forum in Sheraton Metechi Palace Hotel in Tbilissi, Georgia on October 23, 2008.

The Forum which will be hosted by Georgian Employers’ Association (GEA) is targeting potential investors, business leaders, financial institutions and SMEs to present the Georgian Market in particular by putting accent on its role also as a regional gateway.

During the Forum representatives of the business community and state officials will have the chance to discuss the current and projected opportunities in the country. The Event will be another step to achieve the main objective of UBCCE: to strengthen economic cooperation among its member countries.

The Forum is expected to focus on areas such as energy, agro industry, infrastructure, many of which are to be of interest not only to the business community but also Governments of the region and international investors.

A detailed programme of the Event with all the logistic details will be available soon on UBCCE website (www.ubcce.org) in the coming days. Please note that **there is no participation fee** for this Event.

10 REASONS TO INVEST IN GEORGIA

- 1 Among the World’s Leading Reformers (World Bank “Doing Business” Survey)
- 2 Strategic Geographic Location
- 3 Stabilized Macroeconomic Environment
- 4 Competitive Trade Regimes
- 5 Low Taxes
- 6 World’s Leader in Labor Freedom and Literacy
- 7 Simplified Licensing and Permitting Procedures
- 8 Aggressive Privatization Policy
- 9 Dynamic Banking Sector
- 10 Corruption-Free Environment

www.investingorgia.org



*View from Kakheti
The heart of traditional wine region in Georgia*

Upcoming Events

GEORGIA



Population	4.6 millions
Land	69 700 km ²
GDP	10 645 (\$ millions)
GDP/capita	2 297 \$
Inflation	11%
Exports	1 240 (\$ millions)
Imports	5 217 (\$ millions)
FDI	1 400 (\$ millions)

Main investors

Kazakhstan, Turkey, Azerbaijan, USA, UK.

Largest trade partners

Turkey, Ukraine, Russia, Azerbaijan, Germany, Turkmenistan, US, China, UAE, Bulgaria.

All figures are 2007 figures

DID YOU KNOW THAT ?

WHEN TRADING

- One of the three most liberal import duty systems in the world with an average weighted import duty of 1.5%
- 90% of imports having 0% duty with no export duties
- Export and import permits and licenses are required only for 8 exceptional types of goods
- Free trade with CIS countries
- Special preferential trade regime with the EU and Turkey

WHEN TRANSITING

- Trade routes connecting major economic regions pass through Georgia, a key link in the historic "Silk Road"
- Construction of Baku-Tbilissi-Kars Railway which will extend the country's international connections
- New Free Economic Zone under development near the Black Sea Port of Poti
- Privately operational international ports in Batumi and Poti
- Direct maritime links with EU through the Black Sea
- Under its "Open Sky" policy, 14 foreign airlines operating in Georgia
- Investment in a long term state program for road construction and rehabilitation
- Three oil and gas pipelines crossing the country

WHEN INVESTING

- Fewer taxes & lower rates, including flat tax rates on personal income (25%) and corporate profits (15%), VAT 18%.
- New Labor Code hailed as the World's best by the Heritage Foundation
- Competitive prevailing wage rates
- Total number of licenses and permits required to do business slashed by 84%
- Some leading international companies who have preferred Georgia: HSBC, Societe Generale Group, ING Bank, Heidelberg Cement, KazMunaiGas, EFES Breweries International, Kempinski Group...
- Foreign Direct Investment increase from 2005 to 2006 %154

WHEN TRAVELING

- There is no visa entry for the citizens of EU, Turkey and most CIS Countries and if visa is required it can be obtained at Tbilissi's new world class international airport upon arrival.
- Regular flights to Tbilissi by major airlines including Lufthansa, Austrian, British, Turkish Airlines with direct flights from London, Paris, Vienna, Munich, Istanbul, Baku, Astana, Almaty, Kiev, Athens