

THE BSEC: ITS REGIONAL INTEGRATION PROSPECTS FOR ARMENIA

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Today the Black Sea Region must make a choice between developing internal integration in close relation with other structures and preserving the tension on its borders. The BSEC provides a good opportunity for further promoting mutually advantageous economic cooperation. The organization is primarily valuable in that it gives a boost to the development of production, rather than commerce. Today, along with Greece, Russia and Turkey are playing the main

organizational roles, striving to develop the BSEC as a structure equal in status to the EU.

Armenia has also been interested in implementing Black Sea integration programs, especially the building of the Black Sea Ring Highway (HWBSR). Making use of regional potential will promote a leap in economic development similar to the one Europe once made, although the world economic crisis may have a certain slowing impact on this process.

1. The BSEC and the Black Sea Region

1.1. The Organization of Black Sea Economic Cooperation

The Organization of the Black Sea Economic Cooperation (BSEC) was instituted in May 1999 on the basis of an Agreement on Black Sea Economic Cooperation entered in 1992. Eleven countries—Turkey, Greece, Armenia, Georgia, Azerbaijan, Russia, Ukraine, Moldova, Bulgaria, Rumania, and Albania—are the founders of the organization, Serbia joining them later. Hereafter, when referring to these countries, we will use the term “Greater Black Sea Region.”

The BSEC not only encompasses countries located in the littoral region of the Black Sea, but also those that do not have access to it. The organization has an institution of observers, they are rep-

representatives from European and Mediterranean countries, such as France, Germany, Austria, Egypt, Israel, Italy, Poland, the U.S., and others.¹ The BSEC also has the status of observer in the U.N.

The Council of Foreign Ministers is the organization's main working structure, which meets once every six months. There is also the BSEC Parliamentary Assembly, which represents the national parliaments of the member states and provides ongoing consultations.

The population of the BSEC countries amounts to 330 million people. It is one of the world's most dynamically developing regions in the economic respect. The organization's headquarters are in Istanbul, while the Bosphorus Strait provides a gateway to the Black Sea.

1.2. Member States

Most of the BSEC member states are at the transition stage in their development and lag economically behind the West European countries. In contrast to the Southeast Asian states—Japan, Singapore, and China—they are developing chaotically without any clear long-term plan.

The following table provides a better idea of the situation in the organization's member states:

Table

	Size of population (million), 2008 ²	Coastline (km)	GDP, \$bn, 2008 ³	PPP per capita	Average increase in GDP in 2006-2008 (%)
Azerbaijan	8.18	—	53.26	9,000	21.8
Albania	3.64	—	13.52	6,000	5.9
Armenia	2.97	—	12.07	6,400	11.5
Bulgaria	7.26	354	49.43	12,900	6.2
Greece	10.72	—	373.5	32,000	3.7
Georgia	4.63	310*	13.28	4,700	8.1
Moldova	4.32	—	6.2	2,500	5.0
Russia	140.70	475	1 757	15,800	7.3
Rumania	22.25	225	213.9	12,200	7.2
Serbia	7.38	—	52.18	10,900	6.1
Turkey	71.89	1,595	798.9	12,000	4.3
Ukraine	45.99	2,782	198	6,900	5.7

* 210 of them constitute the Abkhazian section.

¹ For a complete list of observers, see: [http://web.archive.org/web/20070928091304/http://www.bsec-organization.org/main.aspx?ID=About_BSEC].

² "The Demographic Status of the World's Population," *Geohive.com*, available at [<http://www.geohive.com/earth/world.aspx>].

³ *CIA World Factbook 2009*, available at [<https://www.cia.gov/library/publications/the-world-factbook/index.html>].

Although Armenia is the smallest country in terms of population, it outstrips Georgia, Albania, and Moldova with respect to standard of living, drawing almost level with Ukraine in terms of this index. As for its general economic potential, the country is only ahead of Moldova.

It is worth noting that the Turkish coast of the Black Sea is a very heterogeneous region. Its western part has a higher level of economic development on a par with Eastern Europe, while the eastern part consists of depressive regions, the population of which is declining due to emigration to the west of the country and abroad. This is generally typical of the entire Black Sea Region.

Another important factor is the extremely rapid economic growth of the countries of the region, which is one of the largest in the world. Whereas the average annual increase in the world economy reached 4-5% in recent years, in Greece it amounted to 3.7% and in Azerbaijan to 21.8%.

1.3. Special Features of the Black Sea Region: Domestic Political Crises in Turkey, Ukraine, Moldova, Armenia, and Georgia

It should be noted that almost all the countries of the region are currently experiencing a political crisis. In Turkey, the military and Islamists, who are currently the ruling party, have been locked in conflict for several years now.

Ukraine's political structure was formed during the Color Revolution of 2004; today it is undergoing a crisis. The country's president is weak and holds very little clout with the people, which has had an effect on all echelons of power. It is still not clear what this will lead to, while the future elections in 2010 might even aggravate the situation.

In April 2009, parliamentary elections were held in Moldova, which ended in victory for the communists. This generated an internal crisis—mass youth meetings were held and the parliament building was set on fire. The authorities soon took the situation under control, but the tension remained—relations with Rumania worsened.

There has been a stand-off for two years now between the authorities and opposition in Georgia, and after the country's defeat in the armed conflict with Russia in August 2008, the situation became even more aggravated.

Tension also continues in Armenia—after the elections in March 2008, acts of protest led to uprisings and the deaths of ten people. The situation has largely been normalized, but the crisis is still not over.

Instability in the region is the result of unequal, "catching up" development—there are no specific plans or the possibility of implementing them in any consistent manner. For example, in the countries of southeastern Asia everything is under the government's strict control.

The countries of the Greater Black Sea Region are attempting to link the democratic development process with economic growth, but this is only increasing the population's discontent since the results are not meeting its expectations.

1.4. Post-Soviet Chaos and Integration Possibilities

Another distinguishing feature of the Black Sea Region is the fact that the countries belonging to it do not regard it as united and independent. Until recently, most of the countries were orientated

toward the strong nations, maneuvering between their interests. Whereby, although the declarations have been loud, only lip service was and still is paid to democratic values.

After the collapse of the Soviet Union and destruction of the entire Eastern bloc, a new situation developed in the region—the independent states that formed looked for their own development model. But after almost two decades neither orientation toward the strong actors nor maneuvering between their interests have helped the countries to advance along their chosen path. The only solution is to develop interregional relations.

1.5. Georgia's Example

Georgia's example is worth our attention. Relying on a pro-Western policy, it expected integration support from the West both at the global and regional levels. And this support was forthcoming: the U.S., for example, called on other countries to support Georgia's entry into NATO; there were also plans for the state to join the European Union, which struck a debilitating blow at relations between Georgia and Russia. Now, after the war with the Russian Federation, Georgia's prospects for integration into NATO and the EU seem extremely illusive.

On the other hand, until recently Georgia has been participating in integration projects such as Eastern Partnership, but only as a mere formality in order to establish direct relations with the West. The country has still not recovered from the consequences of the war and has not yet determined its plans for the future. But, judging from the development trend in Armenian-Georgian relations, which Mikhail Saakashvili spoke about during his visit to Erevan, it can be presumed that the state will pursue regional integration, including within the framework of the BSEC.

1.6. Armenian-Turkish Relations in the Context of Regional Dynamics

We should also take a look at the normalization of Armenian-Turkish relations in this context, something which is very important for the region. Opening the border between these states will have a strong impact on all the countries: their economic projects will become more realistic and they will be able to emerge from their state of political confrontation.

In addition, the network of land transport routes, which has not been functioning for many years now, will be restored and prerequisites will appear for more stable economic growth.

All of these measures will help to improve the region's image in the eyes of the international community and to develop more harmonious interrelations, as well as promote peaceful conflict settlement.

1.7. Other Problems of the Black Sea Region

Ukraine also has problems in its relations with Russia, while it is also somewhat disappointed in the lack of specific integration results with the European Union.

Moldova's position is unclear, which is constantly fluctuating between a pro-Western and pro-Russian orientation. This is graphically illustrated by the republic's attitude toward GUAM—for two

years now the country's president has considered this organization unviable, but the state has not withdrawn its membership from it.

When talking about Bulgaria and Rumania, it is important to recall that these countries integrated into the European Union very recently but still lag greatly behind the countries of southern and western Europe (not to mention northern) in development. For example, in terms of parity purchasing power, Bulgaria's index amounts to only 40.1% of the average index for Europe (27), Rumania's to 45.8%, and Turkey's to 45.5%. (For comparison, in the U.S. it is 152.4% and in Norway 190%.⁴) Such disproportion will continue for quite some time to come.

On the other hand, a large part of the revenue supplementing the economy of Bulgaria, Rumania, and Turkey comes from tourism and the seaside resorts. The same can be said about Georgia.

For Russia, access to the Black Sea is important for other reasons—this is shown by the attempts to lay underwater pipelines, retain its fleet in Sevastopol, and other things.

As for Armenia, Azerbaijan, and Moldova, Black Sea integration is only advantageous for them economically, and it would be a mistake to exclude them from the region.

Armenia chaired in the BSCE from November 2008 to April 2009, handing over the chair to Azerbaijan⁵ (for the period from May to October 2009) at the April summit of foreign ministers of the organization's member states in Erevan. This important event confirmed the following: economic cooperation within the organization is capable of pushing political disagreements into the background.⁶

2. Organizations Functioning in the Region

The BSEC is not the only organization functioning in the region, the countries belonging to it also participate in other structures and programs.

A list of the relevant organizations and programs is presented below, and the similarities and differences between them and the BSEC are analyzed. Whereby these data do not reflect the goals they have declared, rather the role and area of their activity. The dynamism and competence of this organization is also interesting, since it, by encompassing many states, could well be an inefficient structure. Several conclusions about its role can be drawn on the basis of an analysis of these data.

In order to classify regional and global international organizations, it would be convenient to divide them into the following groups: economic, political, military, integration, and so on. But this is impossible.

- First, the declared goals and actual activity of the organizations may not coincide.
- Second, frequently the organizations that declare one sphere of activity function in several, that is, they are combined.

In addition, because of changes in the current situation, some of them change their sphere of activity or cease it altogether.

⁴ Eurostat. Table: GDP per Capita in PPS—GDP per Capita in Purchasing Power Standards (PPS) (EU-27 = 100), available at [<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb010>].

⁵ "Armeniiia peredala predsedatel'stvo v OChES Azerbaidzhanu," available at [<http://www.regnum.ru/news/1152008.html>].

⁶ "...The heads of the Armenian and Azerbaijani delegations gave a good example to the other meeting participants yesterday in Erevan" (V. Vorobiev, "Bez shtorma. Chernomorskomu regionu propisali men'she politiki i bol'she ekonomiki," *Rossiiskaia gazeta*, 17 April, 2009, available at [<http://www.rg.ru/2009/04/17/vizit.html>]).

2.1. The CIS

The Commonwealth of Independent State was created at the end of 1991 along the lines of the British Commonwealth of Nations aimed at carrying out a “civilized divorce” among the states of the former Soviet Union. Over time, the CIS began to flag; only nine of the countries of the former union fully participate in it. As of today, the main functions of the Commonwealth are to preserve and strengthen the relations among the former union republics with the aid of various trade agreements and the holding of forums for discussing different issues.

The geographic factor has gradually been diminishing the pertinence of the first function, and history and politics are reducing the second to naught, since the organization is associated primarily with Russia. Of the countries in the Greater Black Sea Region, Azerbaijan, Armenia, Moldova, and Russia have the status of full-fledged members; Georgia completed its withdrawal from the Commonwealth in 2009, while Ukraine has not ratified the CIS charter and rather holds the status of an observer. The only thing that can realistically be said about the organization’s future is that it will continue to decline.

2.2. The CSTO

The Collective Security Treaty Organization was founded in 2002-2003 on the basis of the Collective Security Treaty entered as early as 1992. It is officially a military-political organization and designed to coordinate the self-defense efforts of its member states, as well as the fight against terrorism and other threats. But it is not very active and is a pro-Russian integration structure.

In 2009, Russia made several attempts to revive the organization, and an agreement on creating a rapid reaction joint force was signed. But all the decisions remained on paper. The CSTO is sometimes called “Russia’s pocket union,” but this statement is incorrect since its participants usually do not coordinate their positions. One of the organization’s spheres of activity was arms trade.

The leadership of the CSTO has been trying to draw Georgia and Azerbaijan into its ranks.⁷ This shows the absence of any ideology or political vector, but confirms the opinion that this organization is an integration structure. Only Armenia and Russia, of the countries in the region under review, currently participate in it. It is difficult to forecast the organization’s future, although the current situation, whereby the states do not interact with each other but only maintain relations with Russia, will in all likelihood continue.

2.3. GUAM

The organization’s name is an abbreviation and stands for its member states—Georgia, Ukraine, Azerbaijan, and Moldova. Turkey is an observer. All of them are currently members of the BSEC and several other regional and global organizations. In reality, GUAM can be called a political bloc that has attempted to integrate into the post-Soviet expanse (as an alternative to Russia). The organization, which was created in 1997-2001, was in opposition to Russia. It became active after the Color Rev-

⁷ See, for example: “Nikolai Bordiuzha: ODKB privetstvovala by vzaimodeistvie s Azerbaidzhanom po voprosam bezopasnosti,” IA Noyan-Tapan, Armenia, 23 March, 2009, available at [<http://www.noyan-tapan.am/news.php?p=0&c=0&t=0&r=0&year=2009&month=03&day=23&shownews=1013235&LangID=7>].

olutions in Georgia and Ukraine, while the collective vote made on the frozen conflicts was the basis for cooperation.

After Uzbekistan withdrew from the organization in 2005, GUAM gradually began to flag. As of today, it could be completely absorbed by Eastern Partnership and the BSEC.

2.4. NATO

The North Atlantic Treaty Organization is not new to the region. Turkey and Greece have been members of NATO since 1952, Bulgaria and Rumania since 2004, and Albania since April 2009. As for the talk about Georgia joining NATO, after the 2008 war with Russia this became a moot point. Ukraine's NATO membership has also been postponed.

The Partnership for Peace program functions in the region, in which Serbia, Azerbaijan, Armenia, and Moldova participate in addition to Georgia and Ukraine. In this way, in one form or another, the entire Black Sea Region is involved in cooperation with this organization.

Incidentally, Russia's participation is a mere formality: it perceives NATO as a remnant of the Cold War and has a very negative attitude towards many of its initiatives,⁸ particular toward its "extension to the East."

Russia-NATO relations are still extremely tense, but as the number of new members increases, the North Atlantic bloc is becoming less mobile, although it is still a dynamic and efficient military-political structure and will evidently remain so in the near future.

2.5. The EU

The European Union is a strong player in the Black Sea expanse. There are only three EU members among the countries of the Greater Black Sea Region: Greece (since 1981), Bulgaria and Rumania (both since 2007). Turkey has been trying to gain full-fledged membership in the union for many years now, the other countries of the union have also been showing an interest in this cooperation and participating in various special programs, such as Eastern Partnership.

The EU is a major economic organization—the sum GDP of all its members amounts to 18.85 trillion dollars, that is, around 30.3% of the world economy.⁹ It is a dynamically forming structure that is drawing more and more countries and regions into it and offering them large benefits and subsidies. The Union is one of the world's largest sales markets.

The Eastern Partnership Program envisages several types of benefits for post-Soviet countries. Ukraine, Belarus, Moldova, Armenia, Azerbaijan, and Georgia participate in it. Although there are people in Europe today who think that it was a mistake to grant Rumania and Bulgaria membership in the Union,¹⁰ the EU continues to expand and it is possible that other countries of the Black Sea Basin will join it. The quantity and quality of the region's economic and social contacts with Europe will rise in the next few years.

⁸ Russia was against NATO's military exercises in Georgia in May 2009 and expressed its discontent about certain countries participating in the exercises, as a result of which several countries, including Armenia, Switzerland, Kazakhstan, Latvia, Estonia, Moldova, and Serbia, refused to participate in them (see: Rogozin: Otkaz semi stran ot uchenii NATO v Gruzii—zasluga rossiiskoi diplomatii, available at [<http://www.apsny.ge/2009/mil/1244578558.php>]).

⁹ *CIA World Factbook. GDP (Official Exchange Rate) 2008*, available at [<https://www.cia.gov/library/publications/the-world-factbook/fields/2195.html>].

¹⁰ "Priniatie Rumynii i Bolgarii v ES okazalos' bol'shoi oshibkoi: interviu Vernera Vaidenfel'da," available at [<http://www.regnum.ru/news/1137772.html>].

2.6. The EurAsEC

The Eurasian Economic Community is another organization functioning in the region. Created in 2000-2001, the EurAsEC has not become an active player in the Black Sea Region: its sphere of activity embraces primarily Central Asia. Russia and Kazakhstan are the largest participants in the community; Armenia, Moldova, and Ukraine have the status of observers, whereby Armenia also participates in several other programs.¹¹ If it is put to use, the community's ten-billion reserve fund will be an effective step toward boosting the organization's activity, which, like the CIS, GUAM, and CTSO, has so far taken only passive part in the processes going on in the Black Sea Region.

2.7. Other Regional Organizations

A multitude of other organizations also function in the region, such as the Stability Pact for South Eastern Europe, the Central Asian Initiative, the Community of Democratic Choice, the Black Sea Forum for Partnership and Dialog, the Organization of the Islamic Conference, and others.

2.8. Special Features of the BSEC and its Prospects

Now we can compare the BSEC with the other organizations functioning in the region. The first difference is that the organization (in contrast to NATO and the EU) does not require its members to have any economic or political clout or that they declare any particular political form of activity (like NATO, the CSTO, and GUAM). In compliance with one of the articles of the BSEC's charter, any country can join the organization with the consent of its members.

In compliance with Article 4 of the charter, the main spheres of economic cooperation are: trade, finances, energy, transport, agriculture, health care, and tourism. The BSEC also declares the importance of cooperation between border posts, contacts between people, and fighting organized crime, illicit drug circulation, terrorism, and illegal migration.¹²

Despite certain political disagreements among its individual countries, the entire region is involved in the organization. The BSEC is also distinguished by its efficiency and relative efficacy. As of today, it is the only organization that is having any success in expanding the countries' internal contacts, while the other organizations listed link the region with other territories—Central Asia, Western Europe, Eastern Europe, the Middle East, or the North Atlantic expanse.

The BSEC is a convenient tribune for dialogue, a forum of sorts, where various projects are discussed. Any country, regardless of the size of its territory and GDP, can actively participate in it.

There appear to be two ways for the organization to develop in the future:

1. **The pessimistic scenario.** Gradual absorption by the European Union programs, such as Eastern Partnership, as well as other integration organizations. One of the factors for implementing the pessimistic scenario might be the failure of the region's countries to overcome their

¹¹ "Dogovor ob uchrezhdenii antikrizisnogo fonda EvrAzES budet podpisan pri uchastii Armenii, 9 June, 2009," available at [<http://www.armtown.com/news/ru/noa/20090609/42087206/>].

¹² See: *BSEC Charter*, available at [http://www.mintrans.ru/Pressa/BSEC/BSEC_Ustav.htm].

differences, primarily with respect to the Georgian-Abkhazian and Armenian-Turkish problems.

2. The optimistic scenario. Overcoming political discrepancies, settling conflicts, or separating political from economic issues. Independent development of the organization and region, right down to creating a structure reminiscent of the EU. Formation of a free trade zone and expanse for moving people and capital.

It cannot be said with any certainty at present which of the scenarios will ultimately be played out, since both are quite likely, and the region has still not re-examined its position on many issues (due to the economic crisis and the Russian-Georgian war). It is interesting that Russia, Bulgaria, and Rumania, as the most economically developed countries, were worried that Eastern Partnership would torpedo the Black Sea Economic Cooperation. This confirms once again their interest in the BSEC, not to mention that of other countries.

3. The Black Sea Ring Highway and Other Projects— A View from Armenia

The most serious BSEC project today is coordinating road development in order to build a Black Sea Ring Highway along the coast of the Black Sea. This idea was first voiced at the 15th BSEC summit in Istanbul in June 2007. Russia was the initiator of this construction project and, with its support, a memorandum of mutual understanding was signed last September in Sochi on its coordinated development.¹³

The project has aroused the interest of all the BSEC participants. According to Article 9 of the memorandum, the contract will last for five years and at the end of this term it will automatically be extended unless any of the sides raises an objection no later than one year before its termination: so far no such objections have been forthcoming.

The construction, use, and reconstruction of the highway will be financed from the budgets and investment funds of the BSEC member states, as well as with the help of the private sector.

According to BSEC Secretary General L. Chrysanthopoulos, implementing the project will help to develop trade in the region, join the road networks of Europe and Asia, and promote the development of tourism in the region's countries.¹⁴

3.1. Characteristics of the Black Sea Ring Highway

The Black Sea Ring Highway is a high capacity highway consisting of two thoroughfares each of which will have at least two lanes. The HWBSR is around 7,140 km in length and will pass through the following cities: Istanbul (Turkey)-Samsun (Turkey)-Trabzon (Turkey)/the Turkish part of the

¹³ Russian Ministry of Transport. Memorandum on Mutual Understanding on the coordinated development of a ring road around the Black Sea. Full text of the project is available at [http://www.mintrans.ru/prensa/BSEC/mem_rus.html].

¹⁴ "Dva krupneishikh proekta OChES poluchili razvitiye v period predsedatel'stva Rossii," *Kommersant*, 17 January, 2008, available at [<http://www.kommersant.ru/doc.aspx?DocsID=842696>].

highway coincides with the TRACECA route/-Batumi (Georgia)-Poti (Georgia)-Novorossiisk (Russia)-Rostov-on-Don (Russia)-Taganrog (Russia)-Mariupol (Ukraine)-Melitopol (Ukraine)-Odessa (Ukraine)-Kishinev (Moldova)-Bucharest (Romania)-Khaskovo (Bulgaria)-Edirne (Turkey)-Istanbul (Turkey)-Komotini (Greece)-Alexandroupoulos (Greece)-Istanbul (Turkey).

3.2. The Abkhazian Factor

There are several issues of interest to Armenia here. It is obvious that the southeastern points of the highway are ports and the roads between them will pass along the coast of the Black Sea. As for the northwestern points, they penetrate somewhat deeper into the European continent, moving from Odessa to Kishinev and on to Bucharest, then returning to Istanbul. The link between the Batumi-Poti and Novorossiisk-Rostov-on-Don sections is not clear.

Keeping in mind breakaway Abkhazia, as well as the Russian-Georgian conflict, this issue has not been openly discussed so far. All the land links between Russia and Georgia have been severed. It was only very recently that the republic made a decision to open the checkpoint at Verkhniy Lars, which was voiced by President Saakashvili during his visit to Erevan at the end of June 2009.¹⁵

But it is unlikely that this part of the route can be used: in the winter it is impassible and it is economically unprofitable with respect to including it in the Black Sea Ring Highway, since it will increase its length by more than 500 km. What is more, Georgia is unlikely to approve the possibility of this highway being extended through Abkhazia.

So solutions to these problems must be found immediately by means of talks. A similar situation could also arise with respect to Transnistria and Moldova. And no one knows how events will further develop regarding the Georgian-Abkhazian conflict after the events of August 2008: Georgia has still not recovered and has not determined its new position. But talks on the highway are continuing, and this means that the issue is still on the agenda.

This situation is also having an impact on Armenia, since the severed communication with Russia, which has been going on for almost two decades now, is unwittingly leading to a continuation of the blockade. In other words, the republic is a hostage of the Georgian-Abkhazian and Georgian-Russian conflicts.

3.3. Additional Links for Countries that Do Not Have Access to the Black Sea

There is another important aspect of the building of the highway for Armenia. The BSEC member states that do not have access to the Black Sea and through which the new highway does not pass can join it by means of additional links.¹⁶ Erevan and Baku have also expressed an interest in joining the highway in this way.

Three of the eight additional links are associated with Armenian territory (two directly and one indirectly). One of them is the Georgian-Turkish road (reconstruction of the existing one)—Khopa (Turkey)-Artvin (Turkey)-Vale (Georgia)-Akhaltzikhe (Georgia)-Khashuri (Georgia).

¹⁵ "Gruzia gotova vesti peregovory s Rossiei ob otkrytii KPP 'Verkhniy Lars'—Saakashvili," available at [<http://www.arka.am/rus/economy/2009/06/24/15472.html>].

¹⁶ See: Appendix 1 to the Memorandum, available at [http://www.mintrans.ru/prensa/BSEC/mem_app_rus.htm].

Another route, which leads directly to the republic, will sort of be its southeastern ring extension: Akhaltsikhe (Georgia)-Gumri (Armenia)-Erevan (Armenia)-Razdan (Armenia)-Tbilisi (Georgia). The length of this road is 525 km. The second route of the HWBSR system, which passes through Armenia, will encompass the northern regions of the country—Gumri (Armenia)-Vanadzor (Armenia)-Tbilisi (Georgia); it is 210 km in length.

Implementation of this project is extremely important for Armenia, both the building itself and its subsequent realization. Gumri, the second largest city in the republic, is currently undergoing a decline. During the past four years its population has shrunk by almost 2%. Whereas in 2004, 149,500 people lived here, in 2008, only 147,000 remained; the annual decrease in this index amounts to approximately 0.45%.¹⁷

This situation has been caused by the debilitating earthquake of 1988, the unfavorable situation in the Armenian provinces, as well as the proximity of the Turkish border (which is not functioning) and the Georgian border (which is not entirely functioning).

The other city in the north of the republic, Vanadzor, is only a little better off. Including it in the highway system will have a positive effect on its socioeconomic state.

3.4. Transborder Cooperation as a Way to Develop the Southern Regions of Georgia and the Northern Regions of Armenia

Building the road through the regions of Akhalkalaki and Ninotsminda, which are primarily populated by ethnic Armenians, will have a positive effect on employment in this area of Georgia and on its subsequent integration into the Black Sea Region.

Javakhetia, for example, was isolated during the entire existence of the Soviet Union. This situation continues today, which is causing constant emigration and an outflow of workers to Armenia and Russia.

So building a new road (or restoring the old one) between Georgia and Armenia through Javakhetia and Gumri fits in with the conception of a future regional transport structure. A decision has already been made despite the fact that this project is rather expensive—it will require approximately 170 million dollars to carry out.¹⁸ Implementation of this plan will take approximately two years; export and import to Armenia through Georgia will be much cheaper, while the Akhaltsikhe-Gumri road will make it possible to shorten the route and reduce transport costs by almost 20%.

As for Azerbaijan, it will participate in this project directly by means of the Poti-Tbilisi-Baku highway, and indirectly via the Rostov-on-Don-Volgograd-Astrakhan-Baku route.

3.5. Some Results

In light of the countries' economic backwardness, the highway in itself poses a bold challenge to the existing order throughout the entire region. So far the situation is not developing in

¹⁷ *Demograficheskiy sbornik Armenii*, 2008, Part 2, "Naselenie," p. 23, available at [http://www.armstat.am/file/article/demos_08_2.pdf].

¹⁸ "Gruziiia i Armeniia sozdadut konsortsiium po stroitel'stvu avtomobil'noi magistrali mezhdru dvumia stranami," available at [<http://www.intermost.ru/news/117693/>].

the most propitious way: the Armenian-Turkish border is closed, the conflicts between Armenia and Azerbaijan, Georgia and Abkhazia, and Moldova and Transnistria have not been settled, and the Georgian-Russian border is also closed. Relations between Turkey and Greece also leave much to be desired.

For many years, certain difficulties in Javakhetia have been making building the highway in Armenia and Georgia difficult. In the event the Black Sea Ring Highway project and the building of additional links are realized, we will be dealing with a new reality in the region.

3.6. The Black Sea Bank of Trade and Development

Among the structures functioning within the BSEC, the Black Sea Bank of Trade and Development deserves special attention. The agreement to establish the bank was signed in 1997, but it did not begin functioning until 1999.¹⁹ Its headquarters are in Greece. Its official purpose is to promote private business, which it does by financing programs and lending money to banks and companies in these countries.²⁰ Moody's investment service assessed the bank's rating at BAA1 at the end of 2007.²¹

Greece, as the region's most economically developed country, plays the most active part in the bank's activity. A new financial structure was created—the Hellenic Development Fund. The BSEC, which is included in the official development assistance programs of the Organization of Economic Cooperation and Development, was able, with the new structure's help, to finance a program of economic cooperation and development in the region.

3.7. Other Initiatives of the BSEC

In 2007, the UNDP offered the Black Sea Trade and Investment Promotion Program aimed at developing commercial relations and investment policy among the BSEC member states. The program makes it possible for companies functioning in the Black Sea Region to take advantage of the trade and investment programs being carried out here. This is one more step toward creating a positive business environment in the region.

In addition, a development fund operates within the framework of the BSEC, the pool of which amounts to 660 million dollars. It was created in order to facilitate the drawing up and implementation of projects designed to promote the organization's regional cooperation and economic development, it renders financial assistance to various programs. It operates on the principle of voluntary donations from the BSEC countries, other organizations, observers, and third parties. Each contribution should be no less than 30,000 dollars or euros. The organizations of countries that invest this amount have the priority right to use the fund.

¹⁹ BSTDC. Key facts, available at [<http://www.bstdb.gr/keyfacts.htm>].

²⁰ In recent years the bank has made investments amounting to 2.1 million euros in OOO "Erevanskoe pivo," 23 million dollars in OOO "RusAl Armenia," and 3 million dollars in the ACBA Bank.

²¹ [<http://www.forbes.com/feeds/afx/2007/12/12/afx4429562.html>].

4. The BSEC and Armenia: Expectations and Possibilities

Armenia is a cofounder of the BSEC and has a representative office in Istanbul. It also participates in other structures and subdivisions of the organization. This will help to remove the economic blockade that has been in place for more than 15 years now, as well as enable the entire region to ultimately overcome the crisis caused by the collapse of the Soviet economy.

However, when listing all the things the republic can gain from the organization, we must ask: but what can Armenia give the BSEC? In addition to its official participation in all the organization's structures, the country put forward several initiatives during its chairmanship.

According to the republic's ministry of transport, Armenia's chairmanship in the BSEC has been very efficacious.²² In March 2009, a meeting was held of the ministers of the BSEC member states, which resulted in the adoption of the Erevan Declaration on the Prospects for Cooperation in Transport, one of the main points of which envisages building the Black Sea Ring Highway and simplifying the visa regime for professional drivers. Standardization of road legislation in the region's countries was also carried out.

The BSCE secretary general also agrees with the positive assessment of Armenia's chairmanship and he points out its other achievements during this time. This primarily applies to its mediation in the organization's contacts with Iran—it acquired a partner status in the organization.²³ The state can also act as a mediator between the BSEC and some of the Near and Middle Eastern states with which it maintains traditionally friendly relations.

Conclusion

So it can be said that the BSEC is merely a working form for organizing cooperation among the countries of the Black Sea Basin. How it will function depends only on its willingness to achieve mutual understanding. A foundation for launching bold projects has already been laid and their technical implementation has already begun, but everything will ultimately depend on the participants' ability to overcome the difficulties, of which there will be quite a few.

The organization is also a good forum for discussing various issues, and there are real possibilities for establishing strong internal ties in the region.

²² "Predsedatel'stvo Armenii v OChES bylo ochen' effektivnym: ministr transporta i sviazi respubliki," available at [<http://www.regnum.ru/news/fd-abroad/serbia/economy/1162092.html>].

²³ [<http://www.regnum.ru/news/1152008.html>].