



BS/BF/WG/R(2008)1

**REPORT OF THE
MEETING OF THE BSEC WORKING GROUP
ON
BANKING AND FINANCE**

Istanbul, BSEC Headquarters, 18 November 2008

1. The Meeting of the Working Group (WG) on Banking and Finance was held at the BSEC Headquarters, on 18 November 2008.
2. The Meeting was chaired by Mr. Mher ABRAHAMYAN, the Head of Banking Methodology Division of the Financial Sector Policy and Analysis Department of the Central Bank of Armenia.
3. The Secretary General of BSEC PERMIS delivered an opening statement.
4. The Meeting was attended by the representatives of the following BSEC Member States:
 - Republic of Armenia
 - Republic of Bulgaria
 - Georgia
 - Hellenic Republic
 - Romania
 - Russian Federation
 - Republic of Serbia
 - Ukraine
5. The representatives of the Parliamentary Assembly of the Organization of BSEC (PABSEC), the BSEC Business Council and the Black Sea Trade and Development Bank (BSTDB) also participated in the Meeting as Related Bodies.
6. The Meeting was attended by the representative of the United States of America as an Observer.

The list of participants of the Meeting is attached as Annex I.

7. The draft agenda of the Meeting was discussed and adopted. The agenda, as adopted, is attached as Annex II.

EXCHANGE OF VIEWS ON MEASURES TAKEN IN EACH MEMBER STATE TO MINIMIZE THE EFFECTS OF THE INTERNATIONAL FINANCIAL CRISIS AND WAYS TO OVERCOME IT.

8. The delegations of the Member States presented the state of the economy in their respective countries, the actual or potentially adverse effects of the international financial crisis in their capital markets, as well as the measures taken or envisaged in order to stabilize their financial markets and minimize the adverse effects of the crisis. An exchange of views and discussion on the subject took place following the presentations by the Member States.

9. The Member States have been affected by the crisis in different ways and sectors and to a different extent depending on their integration to the global markets or their vulnerability to external shocks. Nevertheless, most Member States have had some turbulence in their financial markets and national currencies depending on the degree of their dependence to the international financial system.

10. Furthermore, all participating delegations expressed their concern regarding the necessity to continue efforts aiming to sustain economic growth which is, however, anticipated to slow down because of an expected decrease in FDI, remittances from abroad, consumer spending, global demand and credit restrictions.

11. Concern was also expressed regarding the socio-economic impact of the crisis in some Member States, namely the expected increase in unemployment and potential worsening of the standards of living in the Member States. Particularly, an increase of unemployment could take place from the shrinkage of the private sector economy, consumer demand and potentially a more austere government spending.

12. Several Member States present already had adverse effects on their export, due to a slowing down in global demand while three Member States are finalizing or have already concluded agreements with the IMF to provide funds for enhancing liquidity and restoring stability and confidence in their banking sectors. Four Member States have so far shown resistance to significant turbulence in their financial markets and are envisaging measures to prevent a downturn/worsening of their economies. One Member State has already provided significant liquidity to its banking sector with the view to stabilize the turbulent capital markets.

13. The Working Group decided to submit the following recommendations to the Committee of Senior Officials:

“Considering that most BSEC Member States have already been affected by the international financial crisis, but to a different degree, and the fact that a continuation or even worsening of the crisis may take place in the near future. The Council of Ministers of Foreign Affairs took note of the measures proposed inter alia in the Declaration of the G20 and particularly the need to enhance inter-governmental cooperation and communication between the appropriate authorities.

Furthermore, the Council invited the Member States to exchange information through BSEC PERMIS on developments in their countries as they occur.”

14. In addition, the Working Group invited the Country Coordinator, that will be appointed, to bring forward proposals, that together with those of the Member States, will be examined at its next meeting with the view to make recommendations aiming to minimize the potential adverse effects of the crisis in the Black Sea Region, as well as to prevent hindering the BSEC activities and projects ongoing (Black Sea Ring Highway and the Motorways of the Sea) or envisaged.

DATE AND VENUE OF THE NEXT MEETING

15. The WG agreed that the date and venue of its next meeting would be communicated to the Member States through BSEC PERMIS.

ADOPTION OF THE REPORT

16. The Working Group adopted the present Report for submission to the next Meeting of the Committee of Senior Officials to be held at the BSEC Headquarters on 21-22 January 2009.
