



Istanbul, 22 February 2008

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**REPORT OF THE
MEETING OF THE BSEC WORKING GROUP
ON TRADE AND ECONOMIC DEVELOPMENT**

Istanbul, 21-22 February 2008

1. The Meeting of the BSEC Working Group on Trade and Economic Development was held at the BSEC Headquarters in Istanbul, on 21-22 February 2008.
2. The following BSEC Member States participated in the Meeting:
 - Republic of Armenia
 - Republic of Bulgaria
 - Georgia
 - Hellenic Republic
 - Republic of Moldova
 - Romania
 - Russian Federation
 - Republic of Serbia
 - Republic of Turkey
 - Ukraine
3. The representatives of the Czech Republic, Republic of Poland and the European Commission also participated in the Meeting as BSEC Observers.
4. The representatives of the Parliamentary Assembly of the Black Sea Economic Cooperation and the BSEC Business Council participated in the Meeting as BSEC Related Bodies.
5. The representatives of Ileri Organization and Publications Co., Animart Animation Directing Co. and Europa-Black Sea Economic Consulting and Trade Co. participated in the Meeting as Guests.

The List of Participants of the Meeting is attached as Annex I.

6. The Meeting was co-chaired by Mr. Yevgen BURKAT, Chief, Trade Policy and International Economic Organizations Division, Directorate General for Economic Cooperation, Ministry of Foreign Affairs of Ukraine, and Mr. M. Ali URKAN, Coordinator, Former Commercial Counselor at the Permanent Mission of Turkey to the WTO, General Directorate of Agreements, Undersecretariat of the Prime Ministry for Foreign Trade of the Republic of Turkey.

7. The Draft Agenda of the Meeting was discussed, amended and adopted. The Agenda, as adopted, is attached as Annex II.

STATUS OF IMPLEMENTATION OF RESOLUTIONS, DECISIONS AND RECOMMENDATIONS OF THE COUNCIL OF MINISTERS OF FOREIGN AFFAIRS RELATED TO TRADE AND ECONOMIC DEVELOPMENT

8. The Working Group discussed the ways and means of implementation of the Resolutions and Decisions of the Meeting of the Council of Ministers of Foreign Affairs held in Ankara on 25 October 2007.

9. Following the appointment of the Republic of Turkey as the Country- Coordinator of the BSEC Working Group on Trade and Economic Development for a period of 2 years (1 November 2007 – 1 November 2009) the participants welcomed this appointment and discussed, in general terms, the upcoming activities of the Working Group.

10. The participants took note of the information presented by the representative of the Republic of Turkey underlining the proposed activities during the next 2 years to be carried out within the Working Group.

11. According to this information the Action Plan to be drafted by the Country-Coordinator will contain the issue of non-tariff barriers on trade, and measures to remove them, trade facilitation through various means, including joint projects and programs with interested organizations, enhancing cooperation between BSEC and EU, expanding relations with World Trade Organization, organizing trade fairs and exhibitions.

12. The participants noted that the decision of the Council of Ministers held in Ankara that instructed the Working Group on Trade and Economic Development to continue its work on elaborating an appropriate mechanism for reduction and possible elimination of non-tariff barriers on trade in the BSEC area has been considered by the Working Group under relevant Agenda Item.

13. Also the request by the Council to the Working Group to consider the Black Sea Economic Cooperation Bursa Trade Center project has been discussed within the Working Group.

PRESENTATION BY THE BSEC BUSINESS COUNCIL OF ITS WORK IN THE AREA OF TRADE DEVELOPMENT AND ITS STRATEGIC AGENDA 2010

14. The Secretary General of the BSEC Business Council gave a detailed presentation of the strategy and the activities of the Business Council aimed at promoting trade and investment in the Black Sea region in conformity with the Strategic Agenda 2010 provisions. He offered the full support and cooperation of the Business Council with the Working Group in all aspects of trade facilitation. Among others, he offered the use of the web-based Black Sea Information Gateway www.bsec-business.org for information on barriers and barrier reporting, as a depository of economic and business information on the Member States and as a trade and investment promotion tool. As far as the identification of trade barriers and their resolution are concerned, the Secretary General of the BSEC Business Council suggested that this should be the object of cooperation between the relevant authorities and the business communities in each country and gave information on the efforts of the Business Council in this direction.

15. He further informed the Working Group on the excellent resources provided by the Market Access Unit of the EU DG Trade and suggested that its representatives be invited to the next Meeting of the Working Group for the presentation of the Market Access program as well as of the Export Help Desk. The Business Council Secretary General's presentation is attached as Annex III.

CONSIDERATION OF POSSIBILITY TO CREATE A PREFERENTIAL TRADE REGIME IN THE BSEC REGION.

16. The participants discussed the provision of the Ankara Declaration of the Ministers of Foreign Affairs of the BSEC Member States, adopted on 25 October 2007 which instructed the Committee of Senior Officials, with the assistance of the Country Coordinators of the Working Groups, the BSEC Related Bodies and BSEC PERMIS, to explore areas where it is desirable and realistic to develop new legally binding instruments for multilateral cooperation in a regional format, especially in the areas of cooperation of particular prominence - namely, energy, trade and transport, with a view to present concrete proposals for consideration and decision at the next Meeting of the Council of Ministers of Foreign Affairs.

17. The participants took note of the Summary Proceedings of the Meeting of the Country-Coordinator of the BSEC Working Group on Trade and Economic Development and the Country-Coordinator of the Ad Hoc Expert Group on Cooperation in Customs Services (Istanbul, 4 February 2008) which also considered the possibility of establishing a preferential trade regime in the BSEC region. The Summary Proceedings are attached as Annex IV.

18. Due to different status of the BSEC Member States regarding their membership in the EU and WTO as well their trade obligations towards third parties, the participants suggested that it is more reasonable now to concentrate on trade facilitation rather than on trade liberalization or preferential trade.

19. The Working Group agreed that concluding a free trade agreement in the BSEC area or an agreement on preferential trade regime is very unlikely and therefore the Member States should proceed, at this stage, with facilitation of trade and removal of non-tariff barriers on trade.

20. However, they did not rule out the possibility of establishing a free trade area or a preferential trade regime in the BSEC region in the future as a long-term objective of the BSEC Member States.

21. The representative of the European Commission informed that trade policy is in the direct competence of the European Union and that the BSEC Member States that are also Members of the EU cannot conclude any preferential trade agreements or participate in regimes having similar effect. This also includes to a certain extent the Republic of Turkey which has a Customs Union Agreement with the EU.

CONSIDERATION OF ESTABLISHING AN APPROPRIATE MECHANISM FOR ELIMINATION OF NON-TARIFF BARRIERS ON TRADE IN THE BSEC REGION

22. Under this Agenda Item the participants considered the provision of the Ankara Declaration, particularly the need to identify and eliminate trade barriers and business/investment disincentives, which are obstacles to creating a more favorable business environment in the BSEC region.

23. Following the instructions of the Council, the Working Group also explored the possibilities for feasible and practical approach to further facilitate trade, eventually through concluding legal instruments that would lead to the gradual harmonization of trade legislation and customs procedures in the BSEC Region.

24. The representative of the Republic of Turkey presented the joint proposal by Turkey and BSEC Business Council, "Towards a Black Sea Regional Market: Tackling Barriers to Trade" in which among others he underlined the actions for identifying the barriers to trade in the BSEC Member States and proposed the procedure for reporting such barriers to the BSEC Business Council. The Joint Proposal is attached as Annex V.

25. The Secretary General of the BSEC Business Council informed the participants that a trade barrier section has already been developed within the web-site www.bsec-business.org with general information on trade barriers and a facility for the notification of trade barriers that can be used by every organization, public or private.

26. The representative of the Hellenic Republic expressed appreciation for the setting up of a notification mechanism on trade barriers by the BSEC Business Council. He called on the participants to actively promote this facility in their countries.

27. The representative of the European Commission informed that the EU supports, in principle, the efforts of the Member States to eliminate non-tariff barriers on trade in the BSEC region. However, he indicated that the BSEC Member States, that are members of the EU and to a certain extent the Republic of Turkey, cannot change any legislation on trade as they are bound by the Common Commercial Policy of the EU. He further informed that these Member States can cooperate in the areas that are in the exclusive competence of their national legislation.

28. However, the representatives of the Republic of Bulgaria, the Hellenic Republic and Romania as members of the EU reminded that trade issues related to the Common Commercial

Policy of the EU, like preferential trade regimes, could be discussed within the framework of the Black Sea Synergy Process.

29. The Working Group agreed that the Member States should encourage the private companies to notify the BSEC Business Council of the non-tariff barriers they are facing when trading with other Member States.

30. The Working Group agreed to consider at the next Meeting ways and means of eliminating the barriers on trade.

31. The Working Group also requested the Member States to present to the BSEC Business Council the information on bilateral and multilateral Agreements on Avoidance of Double Taxation signed with the participation of the BSEC Member States. The Business Council will host this information on its web-site.

RELEVANCE OF UN MILLENNIUM DEVELOPMENT GOALS FOR THE BSEC REGION AND THEIR IMPLEMENTATION IN THE BSEC MEMBER STATES

32. The Working Group took note of the provision of the Ankara Declaration of 25 October 2007 which highlighted the relevance of the UN Millennium Development Goals for the BSEC Member States to implement these internationally agreed goals, together with recommendations for specific actions at the regional level, for submission to the Council of Ministers of Foreign Affairs.

33. With a view of implementing this provision of the Declaration, the BSEC Working Group agreed to discuss this issue at its next Meeting on the basis of the information on progress towards the achievement of Millennium Development Goals provided by their respective countries.

CONSIDERATION OF THE PROJECT DOCUMENT “BLACK SEA ECONOMIC COOPERATION BURSA TRADE CENTRE”

34. The representative of the Republic of Turkey presented the revised project document “Black Sea Economic Cooperation Trade Centre” aimed at developing and facilitating trade between countries of BSEC. The Member States asked for clarification on the status of the Centre, including its responsibilities, legal identity, financial aspects and relation with BSEC Related Bodies.

35. Considering the Turkish proposal and expressing a favorable approach thereof, the delegations proposed to the Turkish side to consult with the Legal Advisor of BSEC PERMIS and to make relevant modifications in line with the above views expressed by the delegations on the text of the project document to be considered at a later stage by the Working Group.

PRESENTATION OF THE UNDP’S ACTIVITIES CARRIED OUT UNDER THE “BLACK SEA TRADE AND INVESTMENT PROGRAM”

36. The Working Group welcomed the Progress Reports submitted by the UNDP concerning the implementation of the project “Black Sea Trade and Investment Program” aimed at promoting trade and investment in the Black Sea Region.

37. The participants expressed their hope that the implementation of this project would stimulate commercial exchanges and investment flows in the BSEC Member States.

38. Under the program, the Republic of Turkey announced that it will organize a promotional event for the machinery sector in Istanbul in summer of 2008.

PRESENTATION BY OECD ON THE REGIONAL PROGRAMS AIMED AT IMPROVING THE BUSINESS AND INVESTMENT CLIMATE

39. The Secretary General of the BSEC Business Council, on behalf of the OECD Secretariat, made a presentation on the regional programs aimed at improving the business and investment climate and in particular the new South Caucasus and Ukraine initiative. He proposed that OECD be invited again to the next Meeting of the Working Group for a joint kick-off of this initiative. The presentation is attached as Annex VI.

40. The Member States welcomed the information provided.

ANY OTHER BUSINESS

41. The participants took note of the presentation by the representative of ILERI Organization and Publication Co. concerning their intention to organize fairs in the BSEC region aiming at promoting trade and business relations among the business communities of the Black Sea area.

42. The participants took note of the initiative and expressed their willingness to inform their business circles and encourage them to participate in the fairs organized in the BSEC region.

43. Upon the request of the delegation of the Republic of Turkey, the Ukrainian Chairmanship agreed to notify through PERMIS by the end of February 2008 the BSEC Member States concerning the organizational aspects and subjects to be considered at the next Meeting of the Ministers of Trade/Economy of the BSEC Member States scheduled for 20-21 March 2008 in Odessa.

DATE AND VENUE OF THE NEXT MEETING

44. The date and venue of the next Meeting of the BSEC Working Group on Trade and Economic Development will be communicated to the BSEC Member States through BSEC PERMIS.

ADOPTION OF THE REPORT

45. The Working Group adopted the present Report for submission to the next Meeting of the Committee of the Senior Officials of the BSEC Member States to be held in Istanbul on 26-28 February 2008.
