



PARLIAMENTARY ASSEMBLY OF THE BLACK SEA ECONOMIC COOPERATION
PABSEC

INTERNATIONAL SECRETARIAT

ECONOMIC, COMMERCIAL, TECHNOLOGICAL AND ENVIRONMENTAL AFFAIRS COMMITTEE

Doc.: EC 876/95

REPORT
ON
THE DEVELOPMENT OF COOPERATION IN
BANKING AND FINANCE AMONG THE BSEC
MEMBER COUNTRIES

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INTRODUCTION

According to the decision made at the Third Meeting of the Economic, Commercial, Technological and Environmental Affairs Committee held in Tirana on 16 September 1994 upon the proposal made by the Delegation of Armenia, a report, which follows, has been drafted on "The Development of Cooperation in Banking and Finance among the BSEC Member Countries."

Among the PABSEC member delegations, the Delegations of Georgia, Romania, Turkey and Ukraine have forwarded relevant documents to the International Secretariat although past due (Annex 1).

The International Secretariat has made a meticulous effort to research the relevant literature as well as investigated, collected and compiled information from various sources for the realization of this report. In this respect, the International Secretariat conveys its appreciation to all parties who contributed to the preparation of this report, with special thanks to the BSEC Council.

Considering one of the primary objectives of the Black Sea Economic Cooperation, that is to improve economic cooperation among the member states through strengthening of the financial infrastructure, this report has been assembled to serve the purpose of outlining the present banking and finance outlook of the PABSEC member states, the problems encountered in these areas and their effects to overall commercial activities, the Black Sea Trade and Development Bank and its significance to credit and capital needs for investments and projects and finally the possible solutions for problem areas. The analytical approach of the report reflects the general and practical analyses of the topics rather than details, that are within the institutional boundaries and functional principles of the PABSEC.

PRESENT OUTLOOK

Starting from the 1990's, the progress on economic reforms in most of the BSEC member countries had led to restructuring also in the areas of banking and finance together with the developments in foreign economy and exchange policies which still necessitate fundamental legislative changes in those areas.

Other factors such as the need for capital, credit and foreign convertible currency, independent relations in foreign trade activities, the establishment of equal rights for the entrepreneurs in foreign trade operations, the reduction of government intervention, the formulation of the legal structure for the organizations involved in foreign trade, the production and/or description of local currencies in terms of the commercial exchange rates, new investments, the creation of a more competitive environment, keeping the macroeconomic balance, the protection of the rights of investors, the establishment of a foreign exchange market and many other factors expedited the urgency of the development of a new banking system.

The sound realization of all these attempts are of course dependent on the formulation of related legislation and the establishment of necessary institutionalization which are yet to be achieved in most of the BSEC participating states. In addition, the speedy establishment of reliable communication and transportation networks carries equal importance for success in banking and finance.

Indeed, the legislation and institutional infrastructure of a market economy are insufficient in most of the BSEC member countries. There are serious regulation gaps in the areas of commerce, domestic and foreign trade and banking, finance and

monetary policies. The most specific problem in banking is the deficiency of a sound legislation which regulates the relationship among commercial banks as well as their relationship with the Central and National Banks in regard to their special provisions and agreements. In most of the member countries, the Central Banks do not have full control on debts of the commercial banks. The moneys given to or by these banks may not return to the system, resulting in quite a few bankruptcies. Again, the super inflation economy has led to a continuous growth of budget deficits and to an increase in the debts of firms which adversely effect the overall banking system. The smooth functioning of the banking system depends on the level of development of the goods-money relationship. In most of the member countries, however, the elements of the market economy are still in their formation process and therefore the production volume is restricted. This causes a low level money-goods relationship which hinders the banking system. In this respect, the dialectic balance between the production dynamics and the returns on investment and money bears substantial importance for the success of the system.

Another phenomenon is that most of the BSEC member countries are not yet ready to fully adopt and practice the contemporary foreign exchange system. This situation handicaps the smooth flow of money, hinders the investments, causes serious credibility problems, puts barriers to import/export transactions and therefore negatively affects the whole financial system. By the same token, the finance sector in many of the BSEC member countries is deprived of developed instruments and know-how as might be the consequence of the ex-system centralism and monopoly of the state.

Undoubtedly, the weakest point of the member countries is their lack of capital accumulation and their dependence upon Western economies as a result of institutional deficiencies which create serious credibility problems on the international capital markets. One good example to that is the case of the European Bank for Reconstruction and Development (EBRD) which has not been fully effective in assisting the former Eastern Bloc countries in restructuring under a market economy. In fact, the countries which have made most use of the resources of the EBRD so far have been the Central European nations as the EBRD prioritizes the profitability factor in the investments including infrastructure while financing them. Therefore, the lack of necessary legislation and institutionalization as well as the complexity of the socio-economic and political problems of most of the BSEC affiliated countries in comparison to those of the Central European nations shoves them to a secondary place.

Undoubtedly, there is a direct correlation between the solutions to the problems encountered in financing and the improvement and development of greater trade volumes and investments among the BSEC member nations. In this respect, the banks and auxiliary financial dynamics have to be strengthened as they are the insurance of the overall financial system. Indeed, they ought to be considered as the bridgestones of a country in ensuring the credibility in the international capital markets. Within this understanding, it is rather important for most of the BSEC affiliated countries to urgently redesign and improve the privileges, responsibilities and functions of their banks, as well as the other complementary elements and institutions and their relationships in their financial systems in view of the requirements of the contemporary practices of the world by giving the highest consideration to the establishment of related legislation and strong institutionalization.

FACTS AND PROBLEMS

The problem areas classified below are the most specific ones which concern some or all of the BSEC member countries, affecting trade volume and overall commercial

relations among them:

- Although new laws on banking have been enacted, there are still vital deficiencies in legislation:
 - * The present legislation does not reflect the full privileges and responsibilities of customers as well as Central, National and Commercial Banks.
 - * The legislation regulating foreign exchange operations is not present and/or not fully established.
 - * There is an evident lack of legislation mandating the protection of foreign investments. This causes serious problems in joint initiatives as there do not exist sound policies towards resolving the legislative and financial conflicts which may appear between the parties.
 - * Due to legislation deficiencies concerning foreign exchange and modern system banking and insurance, the goods sent abroad cannot be insured.
 - * A substantial number of the commercial banks operate in violation to the banking legislation. Most of them cannot finance major investment projects.
- The system lacks control, auditing and guarantee mechanisms.
- Some member states have not yet put their independent local currencies in effect.
- Serious difficulties are to be overcome in the privatization of the state banks because of their debts.
- There is a need for expertise in banking and finance.
- The management and staff lack knowledge and training in banking operations.
- The administrative methods of the banks create many problems. Most of the executives are unable to cope with the basic concepts of financial statements.
- Accounting and auditing standards are not fully developed.

The foreign exchange statements of accounts still cannot be arranged, and the administrative organizations cannot calculate how much foreign exchange is needed in some of the member countries.

Due to insufficient banking infrastructure such as lack of computerization and inefficient telecommunications, serious problems are experienced in international transactions. This impedes trade among the BSEC member states as business people mostly complain of delayed money transfers.

Correspondent banking practices do not exist or are not widely used among the BSEC member countries. This slows the flow of transactions substantially and becomes quite costly for business people and investors.

Trade among the BSEC member countries is hindered by heavy bureaucracy in the banks. In addition, problems like money and capital transfers, payments and letters of credit problems discourage investors and business people from getting involved in trading larger volumes.

The banks lack the legal and supervisory framework and adequate payments and clearing system. Considering that the clearing method is widely used in trade transactions among the BSEC member countries, the cost of economic and volume of trade losses due to the inefficiency of the system have reached substantial amounts for the business sectors of the member countries.

The most predominant problem which impedes trade among the BSEC member countries is the lack of foreign convertible currency. Due to scarcity of foreign currency and the non-convertibility of the local moneys, trade is frequently conducted through barter transactions which require the preparation of balance sheets indicating the values of goods with long-term installments.

There is a slow mechanism of the credit offering systems of Eximbanks in most of the BSEC Participating States. Most of the existing Eximbanks of the member countries are not capable of crediting or financing the projects and investments. In addition, there is a lack of cooperation and coordination on investment-oriented projects among the Eximbanks of the member countries in regard to individual and joint investments.

Some commercial banks disturb the financial system due to the excessive amount of commercial credits they offer.

There is a reluctance to lend to small enterprises by the commercial banks. Since the local banks still regard public organizations as customers and since foreign banks do not have sufficient authority in terms of regulations, small and medium-scale enterprises cannot receive enough credits.

Instead of dealing with usual banking activities, most of the commercial banks are acting as mediators between the Central Bank and the companies.

The insufficiency of the equity capital of the banks limits the free activities of the banks. Although their long-term credits are low, short-term programs and speculative moves which have been supported cause a lack of interest by the banks in economizing investment programs.

- Stock and commodity exchange markets either do not exist or the ones which exist work with incremental volumes, and they are rather speculative and risky.
- Factoring, leasing and other financing dynamics do not exist or are not fully functional.
- The black market operates as an auxiliary for the official economy and has become a crucial factor of instability (Shadow Economy). In the Shadow Economy, the production and services provided by the governments are sold, however, without contributing to the production and to capital investments.
- The proprietorship of the banks bears risks. The purpose of the owners of the newest banks are indeed to supply money to themselves although they are not actually financial organizations. This causes a widespread practice of insider trading.
- Due to high inflation, people tend to invest their savings in the money market, considering it more profitable, rather than on production. Since a certain section

of the population in some of the BSEC member countries is on the edge of poverty and is devoid of purchasing power, a controversy appears in the market where there is a decrease in the demand for goods yielding also to a decrease in the demand for credits.

- The political instability and socio-economic factors, such as social uneasiness, high inflation, low production and poor infrastructure, of the banking and financial system impose substantial tension on the operations of the banks. In addition, this causes the public to not have confidence in their banking systems.
- In order to prevent the social tensions, the subsidization of public enterprises and social programs which leads to an increase in the money supply creates difficulties for the Central Banks, together with other sudden decisions and interventions of the governments.

GENERAL RECOMMENDATIONS FOR SOLUTIONS

- Legislation regulating the contemporary banking and finance system should be put forward.
- Legislation regulating the market relations should be established, since this step will positively affect the improvement of the banking system in its own right.
- Strong money and finance policies should be maintained.
- The old bureaucratic system needs to be replaced with an efficient mechanism.
- Legislation mandating the agreements on the "Protection of Domestic and Foreign Investments" and "Bilateral and Multilateral Incentives" should be put into effect.
- There is an urgent need for the establishment of sound legislation regulating foreign exchange practices.
- There is a fundamental need to introduce and apply new standards of infrastructural means in banking such as the efficient use of advanced computer and information technology, telecommunications, auditing and accounting procedures as well as management and staff training in order to meet the needs of a decentralized market economy where financial information is used as an important tool of decision making
- Progressive, supportive and innovative Central Banks should be established which will be responsive to new and creative ideas instead of being sources of impediments and discouragements.
- The responsibilities and functions of the Central, National and Commercial Banks versus the privileges of the customers need to be redefined in compliance with

contemporary practices.

- The sound inspection mechanism of the Central Banks should be improved and activated over the banking systems.
- The Central Banks should be able to freely design and implement the necessary monetary and fiscal policies in order for their smooth and effective operation.
- In the redevelopment of the Central Banks and in determining the monetary policies, it is important for the national unit of currency to acquire international recognition.
- The Central Banks should be careful while choosing the firms to be granted credits and avoid the admittance of risky firms. For the same purpose, a license system should be established for business people and firms via Central Banks.
- The limitations on the purchasing of convertible currencies should be eliminated.
- Those stronger convertible currencies belonging to BSEC member countries may be used in trade transactions among the member countries.
- For the system to be productive, it is necessary for the banks to have strong financial foundations, since they embody the guarantee of the financial structure. The banks are expected to have a proportional balance between their responsibilities and their active-passive nature. Therefore, the initial capital requirements for the commercial banks have to be increased.
- The capital of the small banks should be consolidated in order not only to strengthen the effectiveness of the banks, but to create larger banks as well.
- It is imperative for the member countries to attract as much capital from international financial markets as possible by adopting and implementing contemporary banking practices.
- The BSEC member countries who have more experience and know-how in banking can provide assistance to other member countries in drawing up their legal regulations concerning the banking sector.
- Among the BSEC member countries, Greece and Turkey have more experience in the liberal market economy and have attained the level of western economies in institutionalizing. In this respect, they have an accumulation of technological knowledge which they can convey to the other member countries.
- The strong banks of the BSEC member states, either individually or in collaboration with other member or non-member countries' banks, or by establishing branch offices in such countries, may engage themselves in banking

activities, such as the provision of all types of banking services, the establishment of correspondent relations, the transfer of technology, the provision of training programs and the provision of financing and consulting services for companies desiring to enter business activities in those countries through low-interest financing, provided that such arrangements are to be supported by the governments.

- In order for efficient cooperation to be established among the BSEC member states, the member countries who have effective Banking Associations can provide consulting services, particularly for those countries which have recently entered market economies in order to facilitate the establishment, restructuring and/or organization of Banking Associations in these countries.
- The Eximbanks of the BSEC member countries need to get into more active collaboration in crediting and financing the individual and joint projects.
- The Eximbanks of the BSEC member countries which mostly work with major firms should somewhat change their direction for the benefit of small and medium-scale firms and provide sufficient credit quotas for them.
- The establishment of more joint Trade and Investment Banks among the BSEC member countries needs to be encouraged. A good example of such a joint initiative is the establishment of a Turco-Romanian bank in Bucharest in 1994. Such joint initiatives would also allow the Eximbanks to become more functional and operational.
- The banks should be able to grant letters of credit with much less bureaucracy to small and medium-scale enterprises in particular.
- In general, more efficient payment and settlement systems should be established in the banking system.
- Until each BSEC member country completes printing its own money and puts it into full effect in the system, it seems beneficial to establish a "Clearing Union" in order to settle the mutual accounts and ease the payment problems. However, this organization should be financially supported by a common monetary union or a bank.
- All the BSEC member countries may considerably benefit from the establishment of a "Common Chamber of Commerce," since such a step will accelerate the closing of the gaps in the legislation of some of the member countries which will also improve the information and communication networks.
- One other tool in solving the commercial financing problems of the BSEC member countries may be the creation of a multilateral agreement of a "Payment Union," an organization similar to the European Payments Union during its 1950 - 58 period. The debts and claims of the trade exchanges may then be

compensated with convertible currency or gold. In addition, a fund can be raised among the member countries for the financing of temporary gaps in payments balances, similar to the way the European Fund works. The member countries may thus foster international trade by coordinating their national economic policies and by stimulating the currency exchange.

- Stock and commodity exchange markets need to be activated and/or established among the BSEC member countries.
- The auxiliary financial mediator dynamics such as leasing, factoring and clearing should become functional in the financial sectors of the BSEC member countries.
- The success of sound privatization programs in the BSEC member countries would not only strengthen the banking and finance sectors, but would also allow the stock exchanges to perform their roles.
- "Offshore Banking" must be encouraged and improved among the BSEC member countries. This sector can be enlarged, particularly in the free trade zones of the Black Sea region.
- There is a substantial need for an effective control mechanism and supervision over the black market activities in the BSEC member countries.
- In general, the correlation between the production and the money circulation mechanisms should definitely be taken into account while generating effective economic policies in the BSEC member countries. Therefore, efforts should be geared towards more vital production in order to achieve success in money circulation.
- In general, the most specific banking problems, such as capital and money transfers, letters of credits, clearing transactions, foreign exchange transactions, etc., frequently encountered by the BSEC member countries while trading with each other should urgently be eliminated in order to attain larger volumes in their commercial activities.
- Finally, public confidence has to be built in banking and finance systems in the BSEC member countries through the establishment of a strong background with sound legislation, the utilization of contemporary technological infrastructure, the generation of necessary capital, the enforcement of effective control and auditing mechanisms, the proper and efficient implementation of credit and finance methods, the protection of customer savings and investments as well as the protection of foreign investments and the creation of a smooth foreign exchange system, etc.

BLACK SEA TRADE AND DEVELOPMENT BANK

The building of a sound financial system requires a credible and competent financial

intermediary that can help secure and mobilize the necessary financial resources as well as stimulate and finance projects and investments, and finally facilitate capital needs and payments. It is an evident fact that most of the BSEC member countries experience serious problems in their financing. As their resources are limited compared to their project plans, they frequently require foreign resources. Therefore, the Participating States of the Black Sea Economic Cooperation, as stated and encouraged in the Summit Declaration for the establishment of a common bank, taking into account the growing need for broad investments with regard to the fast and efficient development of economic cooperation among the BSEC member countries in compliance with the realization of the objectives of the BSEC process as to creating a strong financial infrastructure, agreed to establish "The Black Sea Trade and Development Bank in order to promote private and entrepreneurial initiative and further implement reforms in the financial sector, provide the critically important trade financing as well as funding for development and other investment projects and finally attract resource transfer to the region from third countries with capital surplus while fully acknowledging the direct correlation of the development of the trade volumes and of investments with the solution of problems encountered in financing.

The following section deals with the brief establishment, function and Governing Bodies of The Black Sea Trade and Development Bank (referred to as Bank) together with its benefits, and the general recommendations concerning the Bank.

ESTABLISHMENT OF THE BANK

The Working Group on Banking and Finance of the Black Sea Economic Cooperation (BSEC) conducted several meetings on 15-16 October 1992 in Istanbul, on 8-9 April 1993 in Athens, on 9-11 June 1993 in Vama and 14-15 October 1993 in Sinaia for the purpose of establishing a foundation and further formulating the modalities of "The Black Sea Trade and Development Bank." The "Draft Agreement Establishing the Black Sea Trade and Development Bank" was submitted by the Working Group to the Meeting of the Ministers of Foreign Affairs, the regular decision-making body of the BSEC, for approval upon completion.

The Ministers of Foreign Affairs of the Participating States approved the final version of the Draft Agreement during its Fourth Meeting held in Tbilisi on 30 June 1994 and opened the "Agreement Establishing the Black Sea Trade and Development Bank" (Annex 2) for signing until 1 January 1995.

The Agreement Establishing the Black Sea Trade and Development Bank was signed by all the BSEC member countries, which permitted the completion of the signing process by 1 January 1995 as well as the convening of the Interim Committee which was created for the establishment of the Bank, as provided by the Meeting of the Ministers of Foreign Affairs in Tbilisi.

This agreement is to become an important financial pillar of the BSEC structure, the principal mechanism of financing joint projects and enterprises, promoting inter-regional trade of capital goods and providing the necessary resources for special funds to be created by the Participating States in the future.

By the beginning of 1995, the Interim Committee commenced its work. Basically, the Committee is responsible for preparing the organizational structure and the plan of activities of the Bank as well as for elaborating the Draft Rules and Regulations for the staff and for preparing the Draft Budget for the Bank. The Committee can decide on the provisional premises and staffing of the Bank as well as for requesting

assistance from the Governments of the member states and from international organizations.

The First Session of the Interim Committee was held in Thessaloniki on 13-14 February 1995 with the participation of representatives from all the member states of the Black Sea Trade and Development Bank. In this session, the priorities and functions of the Bank were discussed. In addition, the Committee decided to assign to the Greek side the elaboration of the terms of reference of the Business Plan of the Bank and the contacts with international financial institutions in view of obtaining technical and/or financial assistance in relation to the Plan.

PURPOSE AND MAIN FUNCTION OF THE BANK

"The purpose of the Bank shall be to effectively contribute to the transition process of the member states towards the economic prosperity of the people of the region and to finance and promote regional projects and provide other banking services to projects of the public and private sectors in the member states as well as trade activities among them" (see Annex 2).

The main function of the Bank will be to provide financing for both inter-regional trade investments and for trade among the BSEC member countries. The Bank will be able to activate the regional resources and business potential as well as will attract capital from international markets with surplus funds and finally will cooperate with the World Bank, the European Reconstruction and Development Bank and other relevant regional and international institutions.

LOCATION AND GOVERNING BODIES OF THE BANK

- * The Headquarters of the Bank will be located in the city of Thessaloniki, Greece.
- * The Bank shall be managed by a Board of Governors, a Board of Directors, a President, one or more Vice-Presidents and such other officers and staff as may be considered necessary.
- * The official language for communication in the Bank shall be English.

CAPITAL OF THE BANK

- * The unit of account of the Bank shall be Special Drawing Rights (SDR), as defined by the Articles of Agreement of the International Monetary Fund (IMF).
- * The initial authorized capital stock of the Bank shall be 1 billion SDR divided into 1 million shares having a par value 1000 SDR each.
- * Greece, Turkey and the Russian Federation will each take a 16.5 % stake in the Bank. Bulgaria, Romania and Ukraine will each have 13.5 % of the capital, while Albania, Armenia, Azerbaijan, Georgia and Moldova will contribute 2% each.
- * The Bank's financial year shall be the calendar year.

BENEFITS OF THE BANK AND GENERAL RECOMMENDATIONS

- * The Black Sea Trade and Development Bank, by its structure, would be the main instrument for regional cooperation with the aim to secure the supply of funds required to finance trade transactions and important regional projects within and among the member countries. Therefore, the Bank would serve the implementation of the international precepts and is expected to enable the member countries to work jointly towards the common goal which is the best utilization of the economic potential of the region through the developed mechanisms of the free market.
- * The most important task of the Bank would be to attract capital from international markets with surplus funds in order to fulfill the regional requirements and to provide long-term resources. Therefore, the Bank should start its career with a very good and convincing operational program. Equally important is to recruit reliable and qualified personnel experienced in foreign trade financing.
- * The Bank would help the financing of the infrastructural projects that will strengthen the economic, commercial and financial cooperation among the BSEC member states. In this respect, the Bank may directly provide financing as and when required as well as undertaking joint financing with the member countries and international markets.
- * The lack of exchange of commodities and services among the BSEC member countries is closely connected with the fact that their banking systems have not yet been fully established. Even where a well-equipped banking system exists, there is a problem of credibility encountered since the country credit risks are regarded as high. Therefore, the Black Sea Trade and Development Bank can take up this problem as a first priority, establish branches where needed and guarantee the payment of the letters of credit opened among the member countries.
- * The Bank would provide technical assistance in commercial matters. Most of the BSEC member countries are experiencing difficulties in transforming their existing natural resources to liquidity. Therefore, a specialized section can be set up within the body of the Bank which will not only provide technical assistance, but will speed up their utilization of these resources by embarking on direct sales as well.
- * The Bank would help the BSEC member countries in furnishing advanced technology for the establishment of financial markets and sound banking systems. Putting these efforts into application from a single center - the Bank- would mean economizing the costs as well as enabling the member countries to share their experiences.
- * The credibility of the Bank must be above that of the member countries, thus ensuring the possibility of creating additional resources in the international markets. The BSEC member countries which lack sufficient foreign exchange reserves can make some of their payments through the sale of their natural resources, the transactions of which can be coordinated by a department to be established within the body of the Bank.
- * The Bank could become a pioneer in credit insurance, capital and technical assistance and other incentives for small and medium-scale enterprises. In this respect, the Bank would be able to make major contributions to encouraging and providing credit for those enterprises in the region.

- * The existing international financial institutions may set an example with regard to the administration of the Bank. The Bank should not only be an institution fulfilling the functions that are expected of it, but also form a foundation where the problems of the member countries are discussed and the economic cooperation reinforced.
- * The Bank should give equal priority to its duties as much as profit maximization. The success of the Bank should be assessed not only according to the profit it makes, but also to the extent it stimulates the existing business potential and promotes trade and investments.
- * The Bank should be in close cooperation with the World Bank, the European Reconstruction and Development Bank and with other relevant regional and international organizations for major infrastructure and joint projects.
- * The Bank can act as a clearing house for bartering on goods and services in trade relations among the BSEC member countries.
- * By no means should the impression be given that the Black Sea Trade and Development Bank would be an organization which will have the same functions as, or will rival with, the World Bank or the European Reconstruction and Development Bank. This would be a wrong move because the BSEC member countries should not deprive themselves of the opportunity to be supported by those very strong organizations for joint infrastructure and large-scale investment projects. It would be useful if the Black Sea Trade and Development Bank could organize its operation program accordingly, and give priority to the financing of trade and to the support of short and medium-term investments within the Black Sea Economic Cooperation. In short, the Bank would be better off functioning as a multinational Eximbank.

CONCLUSION

The BSEC member countries constitute an indispensable market for Western economies with their population of over 320 million. However, on the other hand, the weakest point of the member countries is their lack of capital accumulation and their dependence upon Western economies. In this respect, it carries the utmost importance for the member countries to generate and enforce necessary legislation and establish efficient institutional structures, particularly in the areas of banking and finance, in order to build up their credibility standards in the international capital markets. Towards the accomplishment of this goal, the efforts being made towards the establishment of the Black Sea Trade and Development Bank are very commendable. Subsequent to its full operation, the Bank is expected to alleviate the capital and credit needs as well as the financing requirements of the individual and joint projects. In this respect, the Bank will play a major role to boost trade relations among the BSEC member countries by not only enabling them to achieve better access to financing for investments, but also for finding convenient arrangements for their faster integration into the European structure.

It is an evident fact that the magnitude of development and progress made in commerce among the Black Sea countries would reflect the rate of success of the Black Sea Economic Cooperation process. The most predominant mandate to be satisfied towards the accomplishment of the desired objectives is to maintain a

reformist approach through the generation and establishment of effective legislation, efficient economic institutions and reliable infrastructure necessary for a sound banking system. Only then would the resources be able to be efficiently allocated throughout the economy. Therefore, in order to keep up with the contemporary world economies, the BSEC member countries should gear their efforts to halt the exploitation in their economies, to increase the amount of their free enterprises, to fulfill the fundamental principles of an autonomous state economy and, finally, to change their production structure which necessitates the arrangement of the financial, foreign exchange and payment systems.

In conclusion, towards the accomplishment of common targets as mandated by the foundation principles of the Black Sea Economic Cooperation, in order to achieve desired goals within the shortest possible time, as well as further facilitate mutual relationships and activate the Black Sea Economic Cooperation process, it is essential to eliminate the adversities contained in legislation, banking and finance standards, foreign exchange regulations, foreign investments, etc., of the respective member countries of the Black Sea Economic Cooperation. In addition, necessary measures should be introduced and taken for the elimination and settlement of the problems that may arise due to differences in such areas. All of these can be achieved by way of keeping up the dialogue at the Parliamentary and Governmental levels together with the maintenance of close and productive cooperation as well as the realization of standardization among the banking and finance sectors of the BSEC member countries.