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THE ECONOMIC, COMMERCIAL, TECHNOLOGICAL AND ENVIRONMENTAL  
AFFAIRS COMMITTEE**

**REPORT \***

**ON**

**“THE BSEC FREE TRADE AREA: PART OF THE NEW  
EUROPEAN ARCHITECTURE”**

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## A. INTRODUCTION

1. The establishment of a BSEC Free Trade Area covering the BSEC region and further integrating its member countries into the New European Architecture has been an major goal since the very inception of the BSEC.
2. The 1992 Summit Declaration on the Establishment of BSEC stressed the member states' determination to develop economic cooperation as a contribution to a Europe-wide economic area, as well as to the achievement of a higher degree of integration of the Participating States into the world economy by continuing efforts to further reduce or eliminate obstacles of all kinds.
3. This aim has been constantly carried along in the final documents of the BSEC High Level Meetings, the Ministerial, PABSEC, Business Forum and BSEC subsidiary bodies' Meetings, taking a more articulate shape at each consecutive stage.
4. At the 5TH MMFA in Athens on 14 April 1995, the Ministers decided to launch a study on possible elimination of trade barriers between the Black Sea countries, in conformity with the WTO system. The 7TH MMFA, in Bucharest on 27 April 1997, reaffirmed this objective, while also expressing the view that the PABSEC will contribute to the creation of the legislative basis to develop trade and business cooperation in the region.
5. The MOSCOW DECLARATION of the Heads of State or Government of 25 October 1996 stated that BSEC should accelerate the introduction of a regime of mutual trade preferences between the BSEC states, and examine in 1997 the possibilities for creation in the BSEC region of a free-trade area.
6. In this light the BSEC Special Meeting of Ministers of Foreign Affairs with the participation of the Ministers responsible for Economic Affairs on 7 February 1997 in Istanbul adopted the 'DECLARATION OF INTENT FOR THE ESTABLISHMENT OF THE BSEC FREE TRADE AREA', declaring that it is timely to start the examination of the ways and means to establish progressively a BSEC Free Trade Area as part of the European architecture through free trade arrangements between the members of the BSEC.
7. The PABSEC strongly supports the BSEC Free Trade Area and has also paid a particular attention to this subject by adopting Recommendations on components of the envisaged free trade area, and especially Recommendations 1/94 on the 'Improvement of Customs Regulations', 2/94 on 'Legislative Harmonisation', 9/95 on the 'Development of Cooperation in Banking and Finance', 13/96 on 'Cooperation in Transportation', 16/96 on the 'Development of Cooperation in the Field of Trade and Business', and finally 20/97 on the 'Improvement of Customs Regulations'.
8. In line with the Declaration of Intent for the Establishment of a BSEC Free Trade Area, preliminary consultations have taken place between the European Commission and BSEC PERMIS on the subject. The Meeting of the BSEC Ministers of Foreign Affairs is called upon to adopt a Plan of Action for the implementation of the FTA

## **B. THE PRESENT SITUATION**

9. Currently the intra-regional level of trade in the BSEC area is very low, mainly because of difficulties related to:

- i. a great number of tariff and non-tariff measures in exports and imports;
- ii. the small level and insignificant role of bilateral and multilateral trade relations/agreements;
- iii. the non-liberalisation of the foreign exchange system;
- iv. the large number of barter trade transactions; and

10. This is the cause of insufficient development of markets on the national level, long-standing heritage of political and ideological confrontation among some BSEC countries, economic crisis within economies in transition, which was reflected in the severance of many economic ties, especially on the regional level.

11. The function of BSEC bodies is to service market development, as the corresponding countries see it. However, the concept of market economy in itself is **in practice** treated differently in the countries of the region; there is no clear common understanding of what is a market, what is capital and investment. This is why general market principles and norms should be agreed by the BSEC partners and become part of the BSEC agreements.

12. The difficulties along experienced by the member countries and their business sectors seem to stem from the fact that an important number of BSEC countries presently are not members of the WTO and their foreign trade regimes are far from meeting the WTO standards. This fact only keeps intra-regional trade at lower levels but also prevents the business communities of the region to enjoy secure and predictable trading environment.

## **C. THE WTO AND REGIONAL INTEGRATION FORMATIONS**

### ***The General Agreement on Tariffs and Trade: World Trade Organisation***

13. The international trading system is currently regulated by the World Trade Organisation. The WTO has 131 members, while 30 countries have the observer status. The WTO members today account for around 90% of the world merchandise trade and GATT 1994 is the ultimate binding set of rules governing international trade. As far as the BSEC members are concerned, currently Bulgaria, Greece, Romania and Turkey are full-fledged WTO signatories, while all other BSEC countries are observers and are currently negotiating their accession to the organisation.

14. The provisions of the GATT are designed to promote coherent and enforceable trade policy; uniform treatment of member nations; and negotiation rather than retaliation as a means of resolving trade disputes. Nations are obliged to use transparent trade barriers, namely tariffs, as these are easier to evaluate than hidden barriers, such as industrial standards, quality constraints, etc.

15. The latest GATT Round has been Uruguay Round which was concluded in 1994 with the creation of the World Trade Organisation. The breadth of issues covered in this round made it the most comprehensive and ambitious of the GATT Rounds: these included non-tariff trade disputes, intellectual property rights, investment controls, dumping practices and dispute settlement, and moreover a very significant step was taken in the reduction of import tariffs and export subsidies of agricultural products. Significant cuts were agreed on the import of industrial goods, while an agreement on the gradual liberalisation in trade in services is expected soon.

16. The Uruguay Round Understanding on Article XXIV calls for regular reviews of FTAs and, for new arrangements, proposes that trade creation and trade diversion be analysed. This means that an eventual agreement of a BSEC Free Trade Area shall be submitted to the relevant bodies of the WTO and will be scrutinised in order to determine its compatibility with WTO rules and the legal obligations of BSEC members which are WTO signatories.

17. According to a recent OECD study<sup>1</sup> on regional integration and their compatibility with the World Trade Organisation rules, successful regional integration agreements have generally proved to be compatible with multilateralism. In fact, they have had a positive overall impact on international trade as well as on the multilateral trading system and its regulatory framework. Regional agreements have not stood in the way of further multilateral liberalisation. Moreover, the WTO admitted that the “spread of regionalism was a major factor in obtaining the concessions needed to conclude the Uruguay Round”<sup>2</sup>.

18. In December 1996 the Ministers of Trade of the World Trade Organisation signatory states held their first meeting in Singapore. In the Declaration adopted the Ministers noted that trade relations of WTO members are being increasingly influenced by regional trade agreements, which have expanded vastly in number, scope and coverage. They recognised that such initiatives can promote further liberalisation and may assist developing and transition economies in their efforts to integrate into the international trading system. In this context they note the importance of existing regional arrangements involving developing countries and countries in transition.

### ***The international experience on regional integration and free trade areas***

19. The potential benefits of free trade areas have led to the formation of over 20 regional trading blocs since the late 1940s. The degree of success of these common markets has, however, varied widely. The history of the EU, the most successful of these regional arrangements, stands in contrast to the disappointing experiences of the other two dozen or so FTAs that have been established during the years. Recent trade initiatives suggest that after nearly half a century of mostly frustrating attempts at establishing common markets, there is renewed interest in forming tariff-free regional zones.

20. Any steps towards the establishment of the BSEC free trade area should carefully examine the history and the achievements of the previous major free trade area formations, in order to avoid mistakes that can undermine the effort from the start.

21. There is currently world-wide a large number of free trade areas under planning or implementation. The most successful ones in economic and political terms (apart from the EU which will be separately dealt in the next Chapter) are the following:

22. **CEFTA** is the acronym of the Central European Free Trade Area and it encompasses the Czech Republic, Hungary, Poland, Romania and Slovakia. However, the start of the accession talks of three of the partners (Czech Republic, Hungary and Poland) with the European Union, and their eventual membership is expected to minimise further efforts of integration.

23. In 1994 the North American Free Trade Agreement, **NAFTA** constituting by Canada, Mexico and the US, was established, while the talks for the entry of Chile are still under way. Moreover, on 10 December 1994 the leaders of 34 North and

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<sup>1</sup> OECD, “Regional Integration and the Multilateral Trading System: Synergy and Divergence”, 1995.

<sup>2</sup> World Bank “Regionalism versus Multilateralism”, Alan Winters, Policy Research Paper No. 1687, 1996.

South American countries issued a declaration supporting the formation of a Pan-American free trade area that would encompass half the hemisphere. Negotiations have now begun, and a treaty is expected to be signed by the year 2005.

24. The Association of Southeast Asian Nations, **ASEAN**, was created in 1967 and currently includes Brunei, Burma, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

25. **MERCOSUR**, the Southern Common Market, is comprised of Argentina, Brazil, Uruguay and Paraguay, with a total population of 190 million people and was established in 1991. It is the most important recent regional arrangement concerning developing countries. Although the free trade area has not been yet fully established, however Mercosur has seen intra-regional trade increasing three-fold during the last years<sup>3</sup>, therefore exposing the impact of the establishment of a free trade area on the volume of trade between its member countries.

26. From the large number of regional integration processes that have been established since the end of W.W.II only a handful achieved significant and lasting tariff reductions (mainly EU, EFTA and CARICOM; the Caribbean Community of 12 small developing countries). NAFTA and Mercosur seem also likely to succeed.

27. The structural characteristics of international trade suggest the creation of three regional commercial formations, constituting of a European, an American and an Asian formation:

28. The prospects for an American formation have improved with the relative success of NAFTA, with the potential extension of the agreement in the near future to Chile, the progress towards a South American free trade area anchored by Mercosur, and the rhetorical commitment by the United States echoed throughout the Americas to an American free trade area by 2005.

29. The prospects for a self-contained Asian formation appear less favourable, but have improved with the success of ASEAN (now comprising of 9 member countries), the sustained economic growth of China, Taiwan and South Korea, and the role of Japan as the world's number two trading and economic power.

30. But also the potential for an Asian-Pacific trading formation exists, a development supported by American enthusiasm for the Asia Pacific Economic Cooperation (APEC) Forum. Agreement has been reached in principle to transform APEC into a Pan-Pacific free trade area by 2020, a development that could direct American attention and aspirations in the areas of trade and investment to Asia at the expense of Europe, perhaps extending into the sphere of military security as well.

## **D. THE BSEC FREE TRADE AREA: AN INTEGRAL PART OF THE NEW EUROPEAN ARCHITECTURE**

### ***The creation of the New European Architecture***

31. The European Union is by far the most successful regional organisation ever established. It has gone quite beyond the first stage of economic integration, namely the establishment of a free trade area, by establishing a common market (free movement of capital and labour) and is towards its way to monetary union.

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<sup>3</sup> World Bank, "Does Mercosur's Trade Performance Raise Concern about the Effects of Regional Trade Arrangements?", Alexander Yeats, Policy Research Working Paper 1729, 1997.

32. From the BSEC countries, Greece is a full-fledged member of the EU; Turkey is an Associate member in a Customs Union with it; Bulgaria and Romania have signed Europe Agreements; Azerbaijan, Armenia, Georgia, Moldova, Russian Federation and Ukraine have signed Partnership and Cooperation Agreements; Albania has signed Trade, Commercial and Economic Cooperation Agreement.

33. In mid-July 1997 the European Commission presented the document “**AGENDA 2000: FOR A STRONGER AND WIDER UNION**”, its proposals to the other European Union institutions regarding the start of discussions for the accession of six new members: Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia. The EU foresees the eventual membership of Bulgaria, Malta, Latvia, Lithuania, Romania, Slovakia and Turkey, and it is very possible that it intends to form a customs union with the states on the periphery of a widened EU, including a free-trade area with the countries of the CIS.

34. The European formation will also be extended along its southern periphery by the establishment of a free-trade area encompassing the states of the Mediterranean Sea, which is now governed by the Euro-Med agreement, already foreseeing such a free trade area. Taken together, in the long term, New Europe could encompass the economic space extending from Ireland to Siberia, along an east-west axis, and the arctic circle to the Mediterranean Sea, along a north-south axis.

35. This belief is based, amongst other economic criteria, on the common cultural values pertaining the European countries throughout the centuries and their common characteristics, but also as well as on the complementarity of its economies. This vast European area possesses enormous natural resources, a very strong industrial base, significant agricultural potential, a vibrant service sector and a very well-educated population compared with other regions of the world.

36. The countries of the Black Sea should be an integral and essential part of this formation. The BSEC Free Trade Area could be a **complementary** trade formation that will prepare the BSEC countries for their eventual integration into an enlarged Europe. Therefore, the project of the BSEC Free Trade Area is not only important for the direct economic benefits it is expected to provide to the member countries (increased intra-regional trade, increased foreign investment, increased efficiency among the productive sectors of the BSEC countries), but also as the step that will prepare BSEC to become an integral part in a larger European economic space.

37. The perspective of a free trade area will give stronger impetus to the process of structural reforms in the national economies, further privatisation, liberalisation and eventually political and economic stability. The BSEC countries identifying the soonest the above trends benefit the most from the political and economic developments.

38. Taking into account the legal commitments of some BSEC member states with the EU and the aspirations of the majority of them to become full members, it is clear that any effort to create a BSEC FTA will be possible only through extensive discussions between BSEC and the EU. This fact is imperative due to the commitments of Greece, Turkey, Bulgaria and Romania with the EU, and the contractual commitments of the four countries that any modification in their commercial-legal frameworks has to be fully compatible with the EU legislation.

39. The initial exploratory talks with the European Commission, albeit informal, reflected that:

- i. the Commission supports the regional economic arrangements as they serve to develop good neighbourly relations, to maintain political stability, to help human

- rights and democratic values take root, to develop economic relations in general, and intra- and extra-regional trade in particular;
- ii. the Commission is of the opinion that it is too early to get involved with the establishment of a free trade area in the region and it has not elaborated a strategy for this purpose;
  - iii. the Commission is concerned how it would be reconciled with the different levels of development of the BSEC states, the contractual commitments of some of the BSEC members to the EU, their contractual positions vis-à-vis the WTO and concluded that there is a need to make a comprehensive assessment of its ramifications;
  - iv. however, the Commission's approach is in principle positive.

***The BSEC free trade area as part of the New European Architecture***

40. The creation of a dense web of trade interdependence between the nations of Western, Central and Eastern Europe will contribute to greater amity within the European economic space and consequently facilitates the construction of a comprehensive and inclusive set of security institutions. Trade interdependence will create a basis for political trust between BSEC themselves and between BSEC and EU countries.

41. The benefits of trade to the pan-European security order reach beyond the narrow economic benefits attributed to freer trade. Freer trade also provides a mechanism for the market-driven restructuring of transition economies. Consequently, freer trade provides the best mechanism for achieving the task of economic transition<sup>4</sup>. Trade will enable the transition BSEC economies to earn the hard currency necessary to retool their economies. Thus the security importance of freer trade between BSEC and EU is located in the contribution it can make to the successful transition to the market and the stabilisation of democracy.

42. Regional integration will serve as a testing ground for eventual global integration as they allow governments and firms to gradually develop internationalisation skills. For the BSEC members, and taking into account the current stage of the market economy in most countries, a regional free trade area will expose their agricultural, industrial and service sector to the limited competition of the regional market, that will prepare their businesses smoothly for their eventual integration into the international trading system.

43. BSEC regional integration could contribute significantly to prepare public opinion and private interests to accept a more competitive environment. Structural adjustments forced by regional integration on the economies involved will increase their capacity to adopt to wider competition and trade liberalisation.

44. Regional integration is expected to enhance the market power of the BSEC countries compared with that of the individual member states, especially taking into account that the economies of most BSEC countries are currently very small. Becoming an integral part of a 300 million free trade area will significantly increase the economic power of the individual member states, and their voice will be louder heard in the international political and economic arena.

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<sup>4</sup> J. Spierling and E. Kirchner "Recasting the European Order", Manchester University Press, 1997.

## **E. MEMBER STATES CONTRIBUTIONS**

### **45. ARMENIA**

1. To consider impermissible economic blockades among the PABSEC member states, discuss them with PABSEC and undertake measures for lifting the existing blockades among member states without preconditions, without which the establishment of a free trade area will be of declarative nature.
2. To develop measures for providing visa-free trips among the BSEC member countries.

### **46. AZERBAIJAN**

To establish a BSEC-PABSEC Working Group on experts level to study the member states' legislations on economy, customs, banking, insurance, taxation and foreign investments protection. As a result of the workings of this group, recommendations on harmonisation of the legislation of the member countries should be accomplished. These recommendations will help prepare and consider during the PABSEC meetings a draft agreement on the elimination of double taxation, improvement of customs regulations, elimination of trade barriers and introduction of the regime of free trade among PABSEC countries.

### **47. GREECE**

1. To accelerate the process of accession of all BSEC countries to the WTO.
2. To examine the possibility of conclusion of bilateral commercial agreements between all BSEC Member Countries, taking into account article 113 of the Treaty of the European Union, which among others stipulates that "the common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalization, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies". According to Decision 74/393/EEC any agreement of an EU member country with third countries has to be compatible with the common commercial policy of the EU and to have the prior approval of the European Commission and all the other EU member countries.
3. To continue cooperation between the countries of the EU and BSEC under the TACIS and PHARE programmes.

### **48. ROMANIA**

1. To consider that for the time being the launching of a BSEC free trade area would be premature in the short and medium term; the recommendation to create a BSEC free trade area should be a general, long-term one. It needs preparation in advance as well as harmonisation of the legislations of foreign trade from the BSEC member countries.
2. To recommend the conclusion of bilateral free trade agreements between the BSEC member countries, considering the diversity of foreign trade regimes and the network of such agreements, including those which are in course of negotiation between certain states in the area. A free trade area could be created in time through a gradual extension of this network.
3. To establish a relationship of cooperation and collaboration between BSEC and the EU, including technical assistance from the EU, in order to support these countries for concluding Free Trade agreements and to prepare them for accession to the EU. Without the conception at the EU level concerning the eventual free trade

agreements in the BSEC, it would not be possible to implement this objective, especially by reason of international trade regulations.

4. An essential condition is that all BSEC countries join the GATT/WTO and its agreements, in order to apply and comply with certain trade rules and disciplines that are unanimously recognised at the international level.

#### **49. RUSSIAN FEDERATION**

1. To thoroughly study the trade flows between the BSEC countries through the Coordination Centre on the Exchange of Statistical Information.

2. To initiate an experts study on the issue of the free trade area.

3. To make an analysis of the economic growth and budget implications resulting from the measures that will liberalise the trade regimes in the area.

4. To simplify the customs, sea port, visa and other cross-border formalities of the BSEC members.

5. To ensure compatibility with WTO rules.

#### **50. TURKEY**

1. From the standpoint of Turkey, as a member of the customs union with the EU, it is to be strictly observed that proper consultations should be conducted by Turkey with the EU before entering into a Free Trade Area arrangement with third countries, including the majority of the BSEC countries. Additionally, and more importantly such an arrangement to establish a Free Trade Area should secure to avoid any provisions or practices inconsistent with the common trade policies of the EU.

2. To reduce and progressively eliminate in accordance with timetables to be negotiated between the partners the tariff and non-tariff barriers to trade in manufactured products.

3. To liberalise progressively trade in agricultural products through reciprocal preferential access among the member states and with due respect to the results achieved within the GATT negotiations.

4. To liberalise progressively trade in services including right of establishment.

5. To adopt suitable measures as regard rules of origin, certification, protection of intellectual and industrial property rights and competition.

6. To harmonise customs legislation to enable the progressive introduction of cumulative origin among all member states.

7. To improve certification procedures to facilitate mutual recognition of certificates of conformity and in the longer term harmonisation of standards.

8. To have cooperation among statistics organisations with a view to providing reliable data on a harmonised basis.

9. To promote mechanisms to foster transfers of technology.

## **F. THE WAY TOWARDS THE BSEC FREE TRADE AREA**

### ***General priorities***

51. In order to boost trade between the Black Sea countries, it is obvious that the whole customs system pertaining economic transactions has to be completely revised and updated, and moreover *harmonised according to internationally accepted standards* if intra-regional trade between member countries is to increase.

52. Moreover, it becomes more evident that on the level of private businesses and firms, investors are interested not only in seeing declarations of guarantees; they want countries to accept and adhere to two principles: the principle of viability of foreign firms and the principle of predictability of actions of the receiving countries.

53. The process of establishing the BSEC Free Trade Area should be promoted by proper policies and measures aiming at liberalisation of trade and foreign investment regimes, the deregulation of financial markets, promotion of competition as well as development of infrastructure, notably transportation and telecommunications. BSEC countries should induce them to institutionalise appropriate macroeconomic frameworks and infrastructure that responds to market changes. Capacity building is another crucial issue along with human resource development and strengthening of the private sector.

54. The most significant cost of membership in a free trade area is the industrial restructuring which, inevitably, follows the elimination of trade barriers. Nations with high-cost manufacturing sectors experience some relocation of production to lower-cost countries or to countries who are more efficient producers. This may be, by itself, enough to bring additional progress towards integration to a halt. However, this is expected to be more than compensated in the long term by the gains that manufacturers and consumers will have from cheaper and better quality products.

55. The setting of a specific timetable for the initiation of the process towards the BSEC free trade area is deemed as extremely important for the realisation of the project. However, this procedure is also highly dependent on the content of the first and subsequent Plans of Action. Here there is a number of subjects that have to be tackled.

56. The first one is agreement between BSEC member on some essential terms, especially "integration" and "markets". For some countries integration spells only, or primarily, trade cooperation, mostly among non-cooperating, independent partners; thus the objective of integration in this understanding consists in establishing relations with the help of establishing softer customs and tariffs regulations. For others the list of areas of cooperation also includes capital flows, and for others common rules should apply to the main parameters of trade.

57. Any effort to initiate a path towards a free trade area should initiate by defining a common set of integration vocabulary: what do the BSEC countries mean by integration? The main precondition for the integration process to take place will be to create a common understanding of key political, economic and legal foundations of cooperation.

58. Secondly, BSEC countries all agree on the vital importance of markets and their proper regulation, but the definition of markets varies to a large degree from country to country, as well as the extent to which markets are 'managed' or 'regulated'. A common understanding should be reached on this definition.

59. Additionally, implementation of BSEC regional cooperation would be considerably facilitated if the Plan of Action contains a system of guidelines for the purpose of agreement on the standards and norms of the world market economy, which the BSEC countries wish to adhere to. These include standards set by United Nations agencies, World Trade Organisation, European Union, OECD, International Monetary Fund, World Bank, International Labour Organisation, etc.

60. In principle, all BSEC member states have expressed their willingness to cooperate actively with the above international and regional organisations, since all countries have good working relations with them and most of them strive to operate according to their guidelines. However, a selection of principles and a list of

priorities is essential to define a common ground of understanding between all BSEC countries.

61. A viable Plan of Action should include tasks on the three pillars of economic integration in the BSEC region:

***The role of states***

62. The member countries should promote movement towards a Free Trade Area by:

- i. accelerating their efforts of accession into the WTO, in order to create a legally-regulated environment for businesses;
- ii. starting a co-ordinated effort towards harmonisation of their customs regulations and simplification of procedures, based on the EU legislation.
- iii. unifying customs declaration forms used for compilation of customs statistics
- iv. determining a certain list of items, and a common time-scale, for the introduction of tariff and non-tariff movement of these goods in the BSEC area, always taking into consideration the tariff levels imposed by the European Union and the legal obligations vis-à-vis the WTO; this will be achieved by reducing customs duties, taxes and fees, as well as quantitative and all other restrictions analogous to them in terms of their results;
- v. starting work with a view to co-ordinating principles regulating foreign investment.
- vi. achieving a gradual convergence of tariffs for freight and passenger transportation, and transit tariffs, at the same time adhering to the free transit principle;
- vii. financing, through the Black Sea Trade and Development Bank and other regional and international financial institutions, projects of regional importance for the upgrading of transportation and telecommunications infrastructure.

63. It has already been noted above that there are considerable gaps in the legal basis, and organisational and management regulations for market oriented development of the countries of the region. National governments should promote the really competitive sectors of their economy, while gradually starting to reduce state support and subsidies to agricultural and manufacturing sectors which they are not regionally and internationally competitive.

64. This however has as a precondition the creation of a safety net for their labour forces, since increased unemployment is expected in the short and medium term during the period of structural adjustment of their economies. Programmes of re-education can be formulated for this aspect, and there are currently many possibilities for these programmes to be financed by the EU, the World Bank and IMF (in the form of both grants and low-interest loans). This will prepare the countries' working force to adjust to the changing international economic environment.

***The role of enterprises and the BSEC Business Council***

65. It is important to achieve transparency in approaches to integration, since it is instrumental for the operating of private business. Private enterprises should be consulted as partners and participants. The activity of the BSEC Business Council is of major importance for the implementation of this project, since it can involve and mobilise the private sector in this process. Without cooperation among firms, regional integration would be without meaning and devoid of dynamism, and would lack market-oriented development.

### ***The role of BSEC and PABSEC***

66. The implementation of the complex and demanding project of the FTA requires full involvement of the BSEC, PABSEC, the BSEC Business Council and the BSEC subsidiary bodies relevant to their specific mandates. A coordination mechanism of their activities should be elaborated from the first stages and be included in the Plans of Action.

67. PABSEC commitments are covering particularly the following spheres:

- i. As elected representatives of the people of the Black Sea, the members of the Assembly are the best placed to bring-in the direct participation of the public opinion of the region and obtain support for the BSEC free trade area project.
- ii. The PABSEC members will also continue their work on the PABSEC level through the appropriate examination of new developments and through their systematic work in the PABSEC bodies, and by elaborating the appropriate Recommendations to the BSEC Governments and Parliaments that will contribute to the planning process and implementation of the free trade area project.
- iii. Of crucial significance for the Assembly members is the continuation of their endeavours towards the elaboration of the legislative part of the BSEC FTA, by initiating draft bills in the National Parliaments conducive to the harmonisation of legislation instrumental for the setting-up of the FTA.
- iv. The Assembly members are called upon to play a significant role in the ratification of the relevant multilateral agreements leading towards the establishment of the FTA.

68. The attainment of such goals should be carried out through coordinated activity with the BSEC, the BSEC Business Council and the BSEC subsidiary bodies.