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Regionalism and Regionalization in the Black Sea Region and Turkey

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1. INTRODUCTION

Recent decades have witnessed a phenomenal surge in processes of regional integration. Such processes have resulted in the proliferation of regional institutions across the globe. While the number of preferential trade agreements have increased continuously in the postwar period to about 70 by 1990, this number has skyrocketed in the last two decades, reaching almost 300 by 2010 (WTO, 2011: 3). In its most recent review of the state of world trade, the WTO reports that all member states of the Organization “belong to at least one [preferential trade agreement (henceforth PTA)]” (except for Mongolia), and that the average number of these kinds of arrangements to which a WTO member is party remains at 13. Among the WTO members, the European Union (EU), as a party to 30 agreements, is the leading member in terms of the largest number of participation in PTAs. Turkey which is signatory to 17 PTAs ranks very high (seventh) on this list of WTO members following the EU, Chile (26), Mexico (21), EFTA members (20-22), Singapore (19), and Egypt (18) (WTO, 2011: 57).

The phenomenal surge in processes of regional economic integration and cooperation across the globe in recent decades requires more policy oriented research on the nature, scope and extent of these processes in a comparative perspective. This paper aims to explore the extent of regionalization in an understudied geographical region – the Black Sea area. It does so by, first, analyzing the nature of regionalism that the Organization of Black Sea Economic Corporation (BSEC) represents and measuring the degree of regionalization therein in the 2000s by relying on two sets of indicators: intra-regional export/import/trade volumes as shares of the regions’ total global export/import/trade , and intra-regional export/import/trade volumes as shares of the regions’ total output measured in GDP. Second, it evaluates the extent of Turkey’s economic integration with the Black Sea region in comparative terms based on the share of the BSEC area in Turkey’s overall trade and investment flows. The paper concludes by summarizing the findings of the study.

2. THE RECENT WAVE OF REGIONALISM IN THE BLACK SEA AREA: BSEC

All of the countries surrounding the Black Sea (Armenia, Azerbaijan, Bulgaria, Georgia, Moldova, Romania, Russia, Turkey and Ukraine) along with Albania and Greece joined to launch the BSEC in 1992. The aim of the Organization was to enhance “the mutually advantageous economic cooperation arising from their geographic proximity and from the reform process and structural adjustment’ through ‘the establishment of 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”. The BSEC was transformed into a full-fledged regional economic organization by acquiring international legal identity through its Charter which went into effect in 1999. The eleven members were then joined by Serbia (then Serbia and Montenegro) in 2004.

The type of regionalism that best characterizes the case of BSEC is difficult to identify given that the Organization involves cooperation and policy coordination in a number of areas ranging from agriculture to combating crime and from education to trade; this coordination has, however, remained very limited to date. At the same time BSEC features common regional institutions in the form of a Parliamentary Assembly and a Trade and Development Bank, which again have remained relatively weak. There may be a number of types of regionalism to be considered for the Black Sea region, as identified by Emerson (2008: 2-4) who proposed a typology of nine scenarios. Regionalism in the case of BSEC may fit, though rather loosely, more than one of these typologies, which may compete with each other. Technical regionalism does not so far characterize BSEC since relatively strong cooperation in a limited number of areas such as environment and energy does not use BSEC as an institutional base. Second, it can be argued that good neighborliness regionalism exists to a degree. For example, it is claimed that BSEC improved relations between Georgia and Russia in 2007, a year before outright war (Fawn, 2009: 23) or that BSEC provides a forum where Armenian and Azerbaijani representatives meet since the two countries lack diplomatic ties due to

the former's occupation of Nagorno-Karabagh (Fawn, 2009: 23). Third, security regionalism has remained one of the weakest areas of cooperation in BSEC due to the 'high-politics' nature of the issues and differing geo-political concerns of the members involved. Fourth, eclectic regionalism may perhaps best fit the case of BSEC since there is evidently a motivation to create a degree of regionalism, albeit characterized by rather disperse aims. Fifth, institutional regionalism does not fit the case of BSEC since institutionalization in the form of a Parliamentary Assembly and a Trade and Development Bank does not reveal much in itself about the degree of "regionness" (Fawn, 2009: 19). Sixth, dysfunctional regionalism is another type that fits the case of BSEC as evidenced by the frozen conflicts of Nagorno-Karabagh, Moldova (Trans-Dniester) and Georgia (Abkhazia and South Ossetia), all of which involve Russia directly or indirectly. Seventh, transformative regionalism clearly does not apply whereas eighth, compensatory regionalism is potentially plausible depending on the EU's future strategy towards cooperation in this region. Finally, geopolitical regionalism can in part be claimed to characterize the BSEC area as evidenced by Russia's policies especially in relation to Ukraine, Moldova and Georgia.

This brief assessment of the types of regionalism that characterize the case of BSEC demonstrates the variety of regionalisms that may be applicable to BSEC and in doing so implies that the different types of regionalism that are applicable may be conflicting amongst themselves. Given the present-day (and future) ambiguity in terms of the regionalism templates to be followed by BSEC, any evaluation of the 'regionness' of the Black Sea area ought to start with measuring the degree of regionalization to date.

3. REGIONALIZATION IN THE BLACK SEA AREA IN THE 2000S

3. a. Regionalization in the BSEC Area in Comparative Perspective

Table 1 Panel 1 shows that after a period of continuous growth by almost fourfold marked by a peak of USD 820073 million in 2008, the value of total exports of the BSEC

area contracted by more than 35 per cent in 2009 due to the global economic crisis. The figure bounced back in 2010 by 25 per cent reaching a level of USD 664506 million in 2010, however, this still remains well below its 2008 level. The intra-regional volume of exports before the global economic crisis set in display a more pronounced increase (by more than fivefold) between 2000 and 2008, reaching a high of USD 146784 million in 2008. The total volume of intra-regional exports, however, decreased by almost half in 2009 from its level in 2008, only to increase by around a third reaching USD 99376 million in 2010 – a level which displays an overall threefold increase with respect to the figure in 2000. As a result, the BSEC intra-regional export share, which expresses the total volume of exports of BSEC members to other BSEC members as a proportion of total volume of exports of BSEC members to the world, increased from 14.3 per cent in the year 2000 to 18.0 per cent in the peak year of 2007. After this period, this share declined to 14.0 per cent in 2009 followed by an increase in 2010 to 15.0 per cent. During the 2000-2008 period, the ratio of intra-BSEC volume of exports to BSEC GDP showed a marked increase from 3.3 per cent to 8.9 per cent, which then declined to 6.6 per cent in 2010. The intra-regional export performance of BSEC members during the last decade, therefore, shows that the improvements in the intra-regional export performance has outstripped by twofold the rate at which national output grew.

Table 1: Patterns of Trade and Regionalization in the BSEC Area

EXPORTS	2000	2005	2006	2007	2008	2009	2010
I. Total exports of BSEC	172914	412524	500262	610836	820073	530309	664506
II. BSEC exports to other BSEC	24736	65947	85478	109799	146784	74447	99376
III. (II/I)x100	14,3	16,0	17,1	18,0	17,9	14,0	15,0
IV. GDP of all BSEC (billion)	758763	1763247	2122408	1419383	1655395	1394228	1501939
V. (II/IV)x100	3,3	3,7	4,0	7,7	8,9	5,3	6,6
IMPORTS	2000	2005	2006	2007	2008	2009	2010
I. Total imports of BSEC	153981	376658	477843	644982	813456	526925	648971
II. BSEC imports from other BSEC	26624	71143	92972	120298	153470	94515	123997
III. (II/I)x100	17,3	18,9	19,5	18,7	18,9	17,9	19,1
IV. GDP of all BSEC (billion)	758763	1763247	2122408	1419383	1655395	1394228	1501939
V. (II/IV)x100	3,5	4,0	4,4	8,5	9,3	6,8	8,3

TRADE VOLUME	2000	2005	2006	2007	2008	2009	2010
I. Total trade of BSEC	326896	789182	978106	1255818	1633529	1057234	1313477
II. BSEC trade with BSEC	51361	137090	178450	230098	300254	168962	223372
III. (II/I)x100	15,7	17,4	18,2	18,3	18,4	16,0	17,0
IV. GDP of BSEC	758763	1763247	2122408	1419383	1655395	1394228	1501939
V. (II/IV)x100	6,8	7,8	8,4	16,2	18,1	12,1	14,9

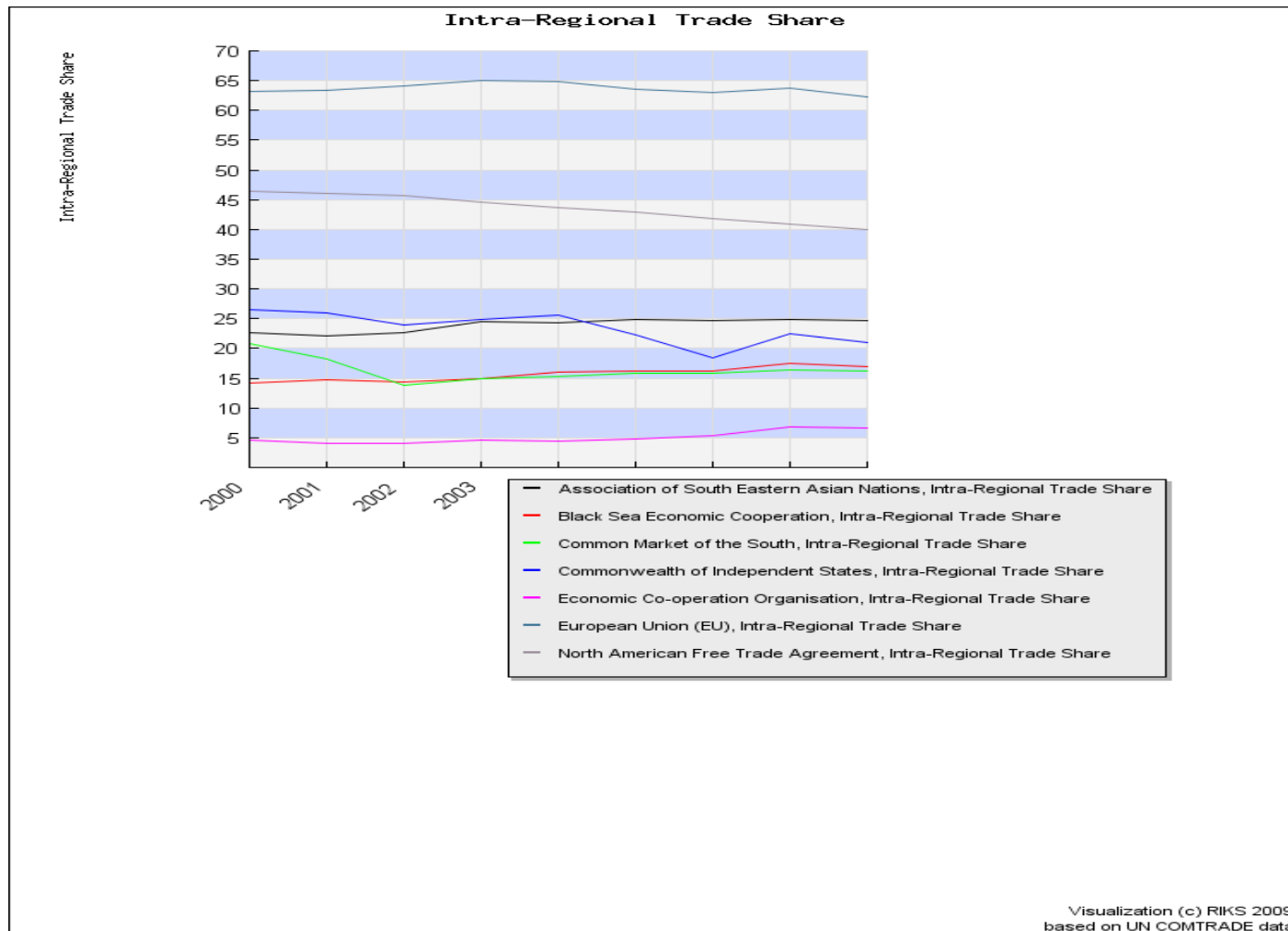
Source: IMF Direction of Trade Statistics (<http://elibrary-data.imf.org/DataExplorer.aspx>)

Table 1 Panel 2 shows that the volume of imports has increased by more than fourfold between 2000 and 2008 in the BSEC area when this figure reached USD 813456 million. Because of the contraction of the volume of imports thereafter, the overall increase in this figure remains at 321 per cent during the decade covering 2000-2010 leaving a slightly favorable current account balance for the area. Although the intra-regional volume of imports point to a more than fourfold increase for the period 2000- 2008, the overall increase for the entire decade between 2000 (USD 26624 million) and 2010 (USD 123997 million) remains at 365 per cent. In terms of the BSEC intra-regional import share, these figures imply that the total volume of imports of BSEC members from other BSEC members as a proportion of total volume of imports of BSEC members from the world increased from 17.3 per cent in the year 2000 to 19.1 per cent at the end of the decade. The ratio of intra-BSEC volume of imports to BSEC GDP displayed a marked increase from 3.3 per cent in 2000 to 8.3 in 2010 after having peaked at 9.3 per cent in 2008. These figures show that trade openness in the BSEC area has been increasing at a much faster pace than the rate at which regional GDP grew.

In terms of total volumes of trade, Table 1 Panel 3 shows that BSEC area's world trade has increased threefold from USD 326896 million in 2000 to USD 1313477 million by the end of the decade in 2010. Such a significant rise masks an even more significant increase between 2000 and 2008 when the total volume of trade jumped fourfold. Intra-BSEC volume of trade displays an even more punctuated steep rise until 2008 and a sharper decline afterwards: the rise in the volume of trade increased by almost fivefold

between 2000 (USD 51361 million) and 2008 (USD 300253 million), and the overall rise during the decade remained at 335 per cent with the figure reaching USD 223372 million. In terms of the total volume of trade of BSEC members with other BSEC members as a proportion of total volume of trade of BSEC members with the world, the intra-BSEC volume of trade share remained more or less stable during the early part of the decade only to jump to 17.7 per cent in 2004 and 18.4 per cent in 2008 followed by a decline afterwards receding to 17.0 per cent in 2010. The ratio of intra-BSEC volume of trade to BSEC GDP displayed a marked increase from 6.8 per cent in 2000 to 14.9 in 2010 after having peaked at a high of 18.1 per cent in 2008. The increases in this figure demonstrate that the volume of trade in the region grew at a much faster rate than the rate at which BSEC GDP grew.

Figure 1: Intra-Regional Trade Shares: ASEAN, BSEC, MERCOSUR, CIS, ECO, EU, NAFTA



Visualization (c) RIKS 2009
based on UN COMTRADE data

Source: UNU CRIS Regional Indicators, Regional Integration Knowledge System Database

<http://www.cris.unu.edu/riks/web/data>

Figure 1 illustrates the degree of regionalization in BSEC in comparison with those in a set of selected regional integration arrangements for the period between 2000 and 2008. The comparison is based on data retrieved from the United Nations Commodity Trade Statistics Database (UN COMTRADE) and compiled by the United Nations University Comparative Regional Integration Studies Institute (UNU-CRIS) within the framework of the Regional Integration Knowledge System (RIKS) Project. In terms of the first indicator of regionalization, Figure 1 shows that BSEC's intra-regional trade share

remains at a modest level and increases steadily from 14.3 per cent to 16.9 per cent. The end-of-period share for BSEC is comparable to that of the MERCOSUR (Common Market of the South) which registered a secular decline from 20.8 per cent in 2000 to 16.2 per cent in 2008. While these shares remain much higher than those for the Economic Cooperation Organization (ECO), they are lower than the intra-regional trade shares for the Association of South Eastern Asian Nations (ASEAN) (which increased from 22.4 per cent to 24.8 per cent) and those of the Commonwealth of Independent States (CIS) which fluctuated markedly between 26.6 per cent in 2000 and 21.0 per cent in 2008. The intra-regional trade shares for the North American Free Trade Agreement (NAFTA), which registered a secular decline during this period from 46.4 per cent in 2000 to 39.9 per cent in 2008, remain significantly higher than those for BSEC. The EU's intra-regional trade shares, which are exceptionally higher than those of any other regional integration arrangement, remain stable hovering around 63.2 per cent in 2000 and 62.3 per cent in 2008. Therefore, as an indicator of regional integration, the intra-regional trade share in BSEC remains at a modest level comparable with those for some other regional arrangements, yet displaying a steadily increasing rate of regionalization. In conclusion, even though BSEC's intra-regional trade share is comparable to looser forms of regional cooperation rather than those of deeper regional integration, it nevertheless displays a relatively higher degree of regionness than expected given that member states of BSEC belong to other and deeper regional integration arrangements such as the EU and CIS (see Table 2 below), which may be exerting a trade diversion effect on the intra-BSEC trade.

Table 2: Regional Trade Agreements of BSEC Members

BSEC countries	RTAs with BSEC Members (<i>bilateral agreements unless otherwise stated</i>)	RTAs with Non-BSEC Members and/or Regions
Albania	Turkey	Central European Free Trade Agreement (CEFTA) ¹ 2006, European Free Trade Association (EFTA) ² , European Union (EU)
Armenia	Moldova, Russia, Ukraine, Georgia	Kazakhstan, Turkmenistan, CIS ³ , Kyrgyz Republic
Azerbaijan	Georgia, Ukraine	CIS, Economic Cooperation Organization (ECO) ⁴
Bulgaria*	EU-Albania ⁵ , EU-Serbia, EU-Turkey ⁶	EC27, EU-Algeria, EU-Andorra, EU-Bosnia-Herzegovina, EU-Cameroon, EU-CARIFORUM States EPA, EU-Chile, EU-Côte d'Ivoire, EU-Croatia, EU-Eastern and Southern Africa States EPA, EU-Egypt, EU-Faroe Islands, EU-Former Yugoslav Republic of Macedonia, EU-Iceland, EU-Israel, EU-Jordan, Republic of Korea, EU-Lebanon, EU-Mexico, EU-Montenegro, EU-Morocco, EU-Norway, EU-Overseas Countries and Territories (OCT), EU-Palestinian Authority, EU-Papua New Guinea/Fiji, EU-San Marino, EU-South Africa, EU-Switzerland-Liechtenstein, EU-Syria, EU-Tunisia, European Economic Area (EEA)
Georgia	Armenia, Azerbaijan, Russia, Ukraine, Turkey	CIS, Kazakhstan, Turkmenistan
Greece*	EU-Albania, EU-Serbia, EU-Turkey	EC27, EU-Algeria, EU-Andorra, EU-Bosnia-Herzegovina, EU-Cameroon, EU-CARIFORUM States EPA, EU-Chile, EU-Côte d'Ivoire, EU-Croatia, EU-Eastern and Southern Africa States EPA, EU-Egypt, EU-Faroe Islands, EU-Former

¹ Albania; Bosnia and Herzegovina; Croatia; Former Yugoslav Republic of Macedonia; Moldova; Montenegro; Serbia; UNMIK/Kosovo

² Iceland; Liechtenstein; Norway; Switzerland; Serbia

³ Armenia; Azerbaijan; Belarus; Georgia; Kazakhstan; Kyrgyz Republic; Moldova; Russian Federation; Tajikistan; Turkmenistan; Ukraine; Uzbekistan

⁴ Afghanistan; Azerbaijan; Iran, Islamic Republic of; Kazakhstan; Kyrgyz Republic; Pakistan; Tajikistan; Turkey; Turkmenistan; Uzbekistan

⁵ Bilateral Free Trade Agreement and Economic Integration Agreement

⁶ Customs Union

		Yugoslav Republic of Macedonia, EU-Iceland, EU-Israel, EU-Jordan, Republic of Korea, EU-Lebanon, EU-Mexico, EU-Montenegro, EU-Morocco, EU-Norway, EU-Overseas Countries and Territories (OCT), EU-Palestinian Authority, EU-Papua New Guinea/Fiji, EU-San Marino, EU-South Africa, EU-Switzerland-Liechtenstein, EU-Syria, EU-Tunisia, European Economic Area (EEA)
Moldova	Armenia, Ukraine	CEFTA, CIS, Kyrgyz Republic
Romania*	EU-Albania, EU-Serbia, EU-Turkey	EC27, EU-Algeria, EU-Andorra, EU-Bosnia-Herzegovina, EU-Cameroon, EU-CARIFORUM States EPA, EU-Chile, EU-Côte d’Ivoire, EU-Croatia, EU-Eastern and Southern Africa States EPA, EU-Egypt, EU-Faroe Islands, EU-Former Yugoslav Republic of Macedonia, EU-Iceland, EU-Israel, EU-Jordan, Republic of Korea, EU-Lebanon, EU-Mexico, EU-Montenegro, EU-Morocco, EU-Norway, EU-Overseas Countries and Territories (OCT), EU-Palestinian Authority, EU-Papua New Guinea/Fiji, EU-San Marino, EU-South Africa, EU-Switzerland-Liechtenstein, EU-Syria, EU-Tunisia, European Economic Area (EEA)
Russia	Armenia, Georgia, Ukraine	Common Economic Zone (CEZ) ⁷ , CIS, Eurasian Economic Community (EAEC) ⁸ , Kyrgyz Republic
Serbia	Turkey	CEFTA, European Free Trade Association (EFTA), EU, Protocol on Trade Negotiations (PTN) ⁹
Turkey	Albania, Georgia, Serbia	ECO, EFTA, Egypt, EU, Protocol on Trade Negotiations (PTN), Bosnia-Herzegovina, Chile, Croatia, Former Republic of Macedonia, Israel, Jordan, Montenegro, Morocco, Palestinian Authority, Syria, Tunisia
Ukraine	Armenia, Georgia, Azerbaijan, Moldova, Russia	Common Economic Zone (CEZ), CIS, Kyrgyz Republic, Belarus, Former Yugoslav Republic of Macedonia, Kazakhstan, Tajikistan, Uzbekistan, Turkmenistan

⁷ Belarus; Kazakhstan; Russian Federation; Ukraine

⁸ Belarus; Kazakhstan; Kyrgyz Republic; Russian Federation; Tajikistan

⁹ Bangladesh; Brazil; Chile; Egypt; Israel; Korea, Republic of; Mexico; Pakistan; Paraguay; Peru; Philippines; Serbia; Tunisia; Turkey; Uruguay

Source: World Trade Organization

(http://www.wto.org/english/tratop_e/region_e/rt_a_participation_map_e.htm?country_selected=BGR&ense=b) accessed on February 29, 2012

Note*: Regional Trade Agreements of Bulgaria, Greece and Romania are determined by their EU membership.

4. THE BLACK SEA AREA IN TURKEY'S INTERNATIONAL ECONOMIC RELATIONS IN THE 2000s

Tables 3 and 4 provide a quantitative measurement of the significance of the BSEC area in Turkey's international economic relations relative to other geographically defined areas in the last decade in terms of international trade and foreign direct investment respectively.

In terms of international trade, Table 3 Panel 1 shows that Turkey's total volume of exports increased by more than fourfold between 2000 and 2010. This has not been a steady increase as the figure reached a peak of USD 132313 million in 2008, only to deteriorate the following year due to the global economic crisis. The total volume of exports recovered to USD 113965 million in 2010, which however is still below the peak level in 2008. Within this overall increase in Turkey's total volume of exports the share of total exports to BSEC area demonstrated an improvement, though only modestly. The share of exports to BSEC area in Turkey's total exports increased from 8.5 per cent in 2000 to 12.7 per cent in 2010, having peaked at 15.8 per cent in 2008. Reflecting this modest upward trend, exports to BSEC area as a share of Turkey's GDP increased from 0.9 per cent in 2000 to 2 per cent in 2010. The figures for the BSEC area are more meaningful if compared with the corresponding figures for other regions. For example, the EU, with which Turkey historically has had the closest economic relations in the form of a customs union, constitutes almost half of Turkey's exports. A closer look at the trends in the past decade, however, reveals that the share of the EU in Turkey's total exports has been in decline. Despite this decline, however, the EU still remains by far the most important regional export destination in absolute terms. The EU's share in Turkey's total exports was 56.4 per cent in 2000. After several years of hovering around

the range of 56 per cent - 58 per cent, since 2008 this figure has been markedly decreasing to reach a level of 46.2 per cent in 2010. Strikingly, the most significant increase in the share of Turkey's total exports has been the MENA region. Whereas the MENA region constituted 9.7 per cent of Turkey's total exports in 2000 (a level comparable to BSEC for the same year), it represents 23 per cent in 2010, having demonstrated a secular upward trend over the past decade despite the global economic crisis. The rate of growth in the share of the MENA region in Turkey's total exports is twice that of the BSEC area. The share of Asia in Turkey's total exports has increased at a modest pace similar to that for the BSEC area rising from 4.2 per cent in 2000 to 6.7 per cent in 2010.

Table 3: Patterns of Trade and Regionalization: Turkey

EXPORTS	2000	2005	2006	2007	2008	2009	2010
I. Total exports to World	27775,0	73591,6	85511,8	107373,0	132313,2	102241,7	113966,0
II. Total exports to BSEC	2368,2	8361,5	11304,2	16313,6	20867,3	12338,5	14456,2
III. (II/I)x100	8,5	11,4	13,2	15,2	15,8	12,1	12,7
IV. GDP	266439	482685	529187	649125	730318	614417	735487
V. (II/VI)x100	0,9	1,7	2,1	2,5	2,9	2,0	2,0
VI. Total Exports to EU	15664,6	41365,2	47930,5	60406,2	63394,8	46980,5	52689,5
VII. (VI/I)x100	56,4	56,2	56,1	56,3	47,9	46,0	46,2
VIII. Total Exports to MENA	2690,0	10622,8	12017,1	15908,7	26978,2	23276,1	26220,9
IX. (VIII/I)x100	9,7	14,4	14,1	14,8	20,4	22,8	23,0
X. Total Exports to Asia	1158,1	2557,0	3421,8	4538,6	6162,1	5730,6	7648,2
XI. (XI/I)x100	4,2	3,5	4,0	4,2	4,7	5,6	6,7
IMPORTS	2000	2005	2006	2007	2008	2009	2010
I. Total imports from World	54503,1	116579,3	139464,7	169991,2	201964,1	140931,8	185544,6
II. Total imports from BSEC	6699,1	20336,1	26968,4	34732,3	45632,2	28299,1	33592,3
III. (II/I)x100	12,3	17,4	19,3	20,4	22,6	20,1	18,1
IV. GDP	266439	482685	529187	649125	730318	614417	735487
V. (II/VI)x100	2,5	4,2	5,1	5,4	6,2	4,6	4,6
VI. Total Imports from EU	28526,9	52629,8	59338,2	68589,9	74803,4	56588,8	72245,9
VII. (VI/I)x100	52,3	45,1	42,5	40,3	37,0	40,2	38,9
VIII. Total Imports from MENA	4878,7	10800,2	13989,2	14570,7	20010,8	11032,3	17887,2
IX. (VIII/I)x100	9,0	9,3	10,0	8,6	9,9	7,8	9,6
X. Total Imports from Asia	6272,6	18670,7	23445,5	30957,7	35399,8	26950,3	38176,2
XI. (X/I)x100	11,5	16,0	16,8	18,2	17,5	19,1	20,6

TRADE VOLUME	2000	2005	2006	2007	2008	2009	2010
I. Total trade with world	82278,1	190170,9	224976,5	277364,1	334277,3	243173,5	299510,6
II. Total trade with BSEC	9067,2	28697,7	38272,6	51045,9	66499,5	40637,6	48048,5
III. (II/I)x100	11,0	15,1	17,0	18,4	19,9	16,7	16,0
IV. GDP	266439	482685	529187	649125	730318	614417	735487
V. (II/IV)x100	3,4	5,9	7,2	7,9	9,1	6,6	6,5
VI. Total trade with EU	44191,5	93995,0	107268,6	128996,0	138198,2	103569,3	124935,4
VII. (VI/I)x100	53,7	49,4	47,7	46,5	41,3	42,6	41,7
VIII. Total trade with MENA	7568,7	21423,0	26006,3	30479,4	46989,0	34308,4	44108,1
IX. (VIII/I)x100	9,2	11,3	11,6	11,0	14,1	14,1	14,7
X. Total trade with Asia	7430,7	21227,8	26867,3	35496,3	41561,9	32680,9	45824,4
XI. (X/I)x100	9,0	11,2	11,9	12,8	12,4	13,4	15,3

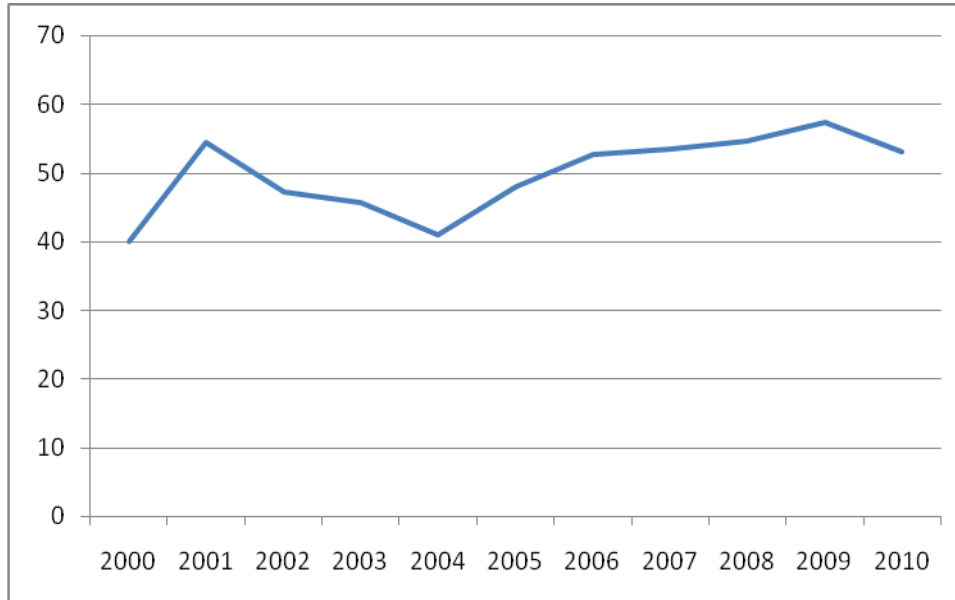
Source: IMF Direction of Trade Statistics (<http://elibrary-data.imf.org/DataExplorer.aspx>)

Notes: MENA: Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates

Asia: Bangladesh, China, Indonesia, South Korea, India, Hong Kong, Japan, Kazakhstan, Malaysia, Uzbekistan, Pakistan, Singapore, Thailand, Taiwan, Turkmenistan

Table 3 Panel 2 shows that Turkey became a more open middle income country during the 2000s with its total volume of imports over the last decade increasing more than threefold from USD 54503 million in 2000 to USD 185544 million in 2010. The share of imports from the BSEC area in Turkey's total volume of imports during this period improved at a significant level. Whereas the share of imports from the BSEC area was 12.3 per cent in 2000, it reached 18.1 per cent in 2010 having peaked at 22.6 per cent in 2008. In parallel to this significant increase in import share, imports from the BSEC area as a share of Turkey's GDP increased from 2.5 per cent in 2000 to 4.6 per cent in 2010.

Figure 2: Turkey’s Energy Imports as a Share of Total Imports from BSEC Area



Source: Energy import shares (based on SITC Section 3) are calculated on the basis of data provided by TURKSTAT Foreign Trade Statistics (<http://www.tuik.gov.tr/disticaretapp/menu.zul>)

It should be noted that the higher shares of imports from (in comparison to exports to) the BSEC area in Turkey’s GDP masks a significant rise in energy imports – a big ticket item in Turkey’s total imports – from this area. As Figure 2 shows, during the 2000s the share of energy imports in total imports from the area grew from 40.1 per cent in 2000 to 53.1 per cent in 2010. This overall rising trend, however, was not without fluctuations across the decade. Two factors largely account for the two periods of rising shares of energy imports in total imports from the BSEC area. First, the sharp rise in the energy import share from the year 2000 to 2001 can principally be explained by the economic crisis in Turkey during this period. As Table 3 Panel 2 shows, the 2001 crisis led to a contraction in total global imports and the imports from the BSEC area were no exception. The high, unchanging demand for energy imports, however, accounted for a phenomenal rise in energy’s import share from the BSEC area (from 40.1 per cent in 2000 to 54.4 per cent in 2001, leaving the imprint of the crisis in the form of aftershocks in 2002 and 2003) in an environment of contracting total imports from this area. Second, the rising shares of energy imports from the BSEC area seem to have been

affected by rising world energy prices which rose from 2002 to mid-2008 followed by a sharp decline until early 2009, which was in turn followed by steady hikes (International Energy Agency, 2011: 40-41).

When the shares of other regions in Turkey's total imports are considered, Table 3 Panel 2 demonstrates that a significant development over the last decade has been the marked decreasing share of the EU from a level of 52.3 per cent in 2000 to 38.9 per cent in 2010. In contrast, the share of Asia in Turkey's total imports has risen by almost twofold from a level of 11.5 in 2000 to 20.6 per cent in 2010. However, the MENA region, which has demonstrated a marked increase in Turkey's total exports, remains relatively stable in terms of its share of imports in Turkey's total volume of imports over the last decade, increasing only slightly from 9 per cent in 2000 to 9.6 per cent in 2010.

Table 3 Panel 3 shows that Turkey's total trade with the world has increased by more than threefold from a level of USD 82278 million in 2000 to USD 299510 million in 2010 after having peaked at USD 334277 million in 2008. Within this overall increase in Turkey's total volume of trade the share of trade with the BSEC area demonstrated comparable levels of improvement to those of the shares of the MENA region and of Asia. The share of trade of the BSEC area in Turkey's total trade volume increased from 11 per cent in 2000 to 16 per cent in 2010 after having peaked at 19.9 per cent in 2008. Reflecting this upward trend in trade share, trade with the BSEC area as a share of Turkey's GDP increased from 3.4 per cent in 2000 to 6.5 per cent in 2010. Even though the MENA region is conspicuous with its rate of increase in Turkey's exports, and Asia similarly so with its rate of increase in Turkey's imports, both the MENA region and Asia demonstrate similar levels of increase to that of the BSEC area in terms of their trade share in Turkey's total trade volume. In other words, the Black Sea region is of comparable importance to these two other regions in terms of trade. Whereas the share of trade of the MENA region in Turkey's trade volume increased from 9.2 per cent in 2000 to 14.7 per cent in 2010, the corresponding figures for Asia represent an increase

from 9 per cent in 2000 to 15.3 per cent in 2010. The share of the EU in Turkey's total trade, on the other hand, decreased from 53.7 per cent in 2000 to 41.7 per cent in 2010. Despite this decline, however, the EU continues to be Turkey's major trading partner, dwarfing all other regions. The relative rise in the trade shares of the Black Sea region, MENA and Asia in the last decade can be interpreted as a diversification of Turkey's trade interdependencies.

In terms of FDI inflows, Table 4 Panel 1 shows that Turkey attracted an increasing amount of FDI in the aftermath of the deep economic crisis of 2001. Inflows increased very sharply from extremely low levels until 2006, with their rate of growth tapering off and peaking at USD 19137 million in 2007. Inflows began to decline after this peak, leveling off at USD 6294 million in 2010 while still bearing the imprints of the effects of the global credit crunch. Inflows from the BSEC area reached higher levels around the mid-2000s, accounting for almost a fifth (reaching 19.1 per cent for the BSEC for the BSEC area) of total FDI inflows into Turkey, due almost exclusively to a one-off inflow from Russia in 2005. Inflows then declined markedly towards the end of the decade, with the BSEC area accounting for 8.2 per cent of total inflows in 2010. These trends are reflected in the low levels of FDI expressed as a share of national output stemming from the BSEC area. Most strikingly, FDI inflows stemming from the EU as a share of total inflows into Turkey remained stable at very high levels, accounting for around three quarters of total inflows. Such exceptionally higher levels attest to the significance of the interest in the Turkish economy among the investors in the EU. FDI inflows from the MENA region oscillated during the course of the 2000s; the share of the region in total inflows increased dramatically in 2005, reaching 19.7 per cent, yet ending the decade at 7.1 per cent of total FDI inflows in 2010. The increases that were registered during 2005 were due exclusively to United Arab Emirates investments in Turkey (USD 1625 million in 2005), which continued into 2006 (remaining at USD 1548 million). One-off inflows from Saudi Arabia (USD 1312 million) in 2008 also pushed the share of the MENA region within total inflows, although this then declined to 7.1 per cent in 2010. While the share

of FDI inflows from Asia within total inflows were higher during the early 2000s, these figures declined during the mid-2000s, only to bounce back in 2009 and 2010 due to inflows from South Korea and Japan, ultimately remaining at modest levels.

Table 4: Patterns of Foreign Direct Investment and Regionalization: Turkey

INFLOW	2005	2006	2007	2008	2009	2010
I. Total FDI inflow from World	8535	17639	19137	14747	6252	6294
II. Total inflow from BSEC	1630	2810	2485	879	145	517
III. (II/I)x100	19,1	15,9	13,0	6,0	2,3	8,2
IV. GDP	482685	529187	649125	730318	614417	735487
V. (II/VI)x100	0,3	0,5	0,4	0,1	0,0	0,1
VI. Total inflow from EU	6652	14574	12974	11367	5234	4983
VII. (VI/I)x100	77,9	82,6	67,8	77,1	83,7	79,2
VIII. Total inflow from MENA	1678	1809	500	2148	249	448
IX. (VIII/I)x100	19,7	10,3	2,6	14,6	4,0	7,1
X. Total inflow from Asia	78	17	797	161	312	455
XI. (X/I)x100	0,9	0,1	4,2	1,1	5,0	7,2
OUTFLOW	2005	2006	2007	2008	2009	2010
I. Total FDI outflow to World	1.065	1.677	2.275	2.604	2.040	1.823
II. Total outflow to BSEC	533	510	466	467	388	349
III. (II/I)x100	50,0	30,4	20,5	17,9	19,0	19,1
IV. GDP	482685	529187	649125	730318	614417	735487
V. (II/VI)x100	0,1	0,1	0,1	0,1	0,1	0,0
VI. Total outflow to EU	504	1.104	1.621	1.370	1.537	1.254
VII. (VI/I)x100	47,3	65,8	71,3	52,6	75,3	68,8
VIII. Total outflow to MENA	13	31	112	345	102	213
IX. (VIII/I)x100	1,2	1,8	4,9	13,2	5,0	11,7
X. Total outflow to Asia	15	33	102	50	84	69
XI. (X/I)x100	1,4	2,0	4,5	1,9	4,1	3,8

Source: Central Bank of the Republic of Turkey Balance of Payments Statistics (<http://www.tcmb.gov.tr/yeni/eng/>)

Notes: MENA: Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates

BSEC: Albania, Azerbaijan, Bulgaria, Georgia, Greece, Romania, Russia, Serbia, Ukraine only

BSEC-L: Azerbaijan, Bulgaria, Georgia, Romania, Russia, Ukraine only

Asia: Bangladesh, China, Indonesia, South Korea, India, Hong Kong, Japan, Kazakhstan, Malaysia, Uzbekistan, Pakistan, Singapore, Thailand, Taiwan, Turkmenistan

As Table 4 Panel 2 shows, FDI outflows started to grow from the early 2000s from very low levels (USD 251 million) reaching a peak of USD 2604 million in 2008, followed by a decline. While rather modest in absolute terms, the early part of the decade saw the share of FDI outflows to the BSEC area within total outflows rising. A sizable share of the outflows was directed towards Azerbaijan (USD 235 million in 2003, USD 427 million in 2004 and USD 481 million in 2005) which, alone, accounted for 48.4 per cent, 52.4 per cent and 45.0 per cent of all outflows in 2003, 2004 and 2005 respectively. After 2005, however, the weight of the BSEC area (which was due in large part to Azerbaijan) in total inflows began to decline as the geographic destination of outflows proliferated, but nevertheless stabilized at around a fifth of total outflows by the end of the decade. FDI outflows expressed as a share of GDP demonstrate that outflows have remained at very low levels over the decade. In terms of inter-regional comparisons, the EU seems to have attracted an increasing volume after 2003 with the exception of 2008. Despite the decline in volumes in 2010, the EU increasingly became the main destination for Turkish investors seeking opportunities abroad. Outflows into the MENA region were at negligible levels in both absolute and relative terms until 2008 when Tunisia and Iran attracted FDI from Turkish investors in that particular year. The decade ended with the MENA attracting around a tenth of Turkish FDI. Outflows to Asia remained low both in terms of absolute and relative terms during the 2000s. Thus the decade ended with the EU and the Black Sea area attracting an overwhelmingly high share of total FDI stemming from Turkey.

5. CONCLUSIONS AND POLICY IMPLICATIONS

Having demonstrated the difficulty in identifying the type of regionalism that BSEC represents, this paper evaluated the extent of regionalization in the BSEC area during the last decade in comparative perspective. It did so by relying on two sets of quantitative indicators of regional integration: intra-regional export/import/trade volumes as shares of the regions' total export/import/trade with the world and intra-

regional export/import/trade volumes as shares of the regions' total output measured in GDP. The findings suggest three main conclusions. First, in terms of the degree of regionalization in the BSEC area, the results remain inconclusive as one indicator (intra-regional trade share measured against either world trade or regional GDP) on one dimension may point to a higher level of regionalization while another on another dimension may suggest the reverse, dependent on measuring volume of exports, imports or total trade. Second, both indicators of regionalization show that the degree of intra-regional trade in the BSEC area has been steadily increasing over the course of the 2000s. Third, when the rate of growth in the regionalization of the Black Sea area is compared with other similar regional arrangements in the world, BSEC's intra-regional trade share remains at a modest level, albeit comparable to that of MERCOSUR, which represents a higher level of regional integration in the form of a customs union. The intra-regional trade shares for BSEC are slightly below those of the formal free trade areas of CIS and ASEAN but higher than ECO. Therefore while the intra-regional trade share in the BSEC area remains at a modest level, it seems that the process of regionalization in this area seems to have outpaced the degree of ideological regionalism in this area. This is all the more evident when regionalization in the area is compared with processes of regionalization elsewhere (such as MERCOSUR and ASEAN) which are fostered by even deeper forms of regionalism.

Following the above assessment of the extent of regionalization in the BSEC area, the paper evaluated the significance of the BSEC area in Turkey's international economic relations relative to other regions in the last decade in terms of international trade and foreign direct investment. The findings suggest two sets of conclusions. First, in terms of trade flows, the rate of growth in the share of the Black Sea region in Turkey's total exports in the last decade has been modest but steadily increasing. In comparative perspective, while the rate of growth in the share of the MENA region has been twice that of the Black Sea region, the share of Asia has increased at a pace similar to that of the Black Sea region. Despite a declining trend in the trade shares for the EU, this region

remains the chief export destination for Turkey in absolute terms. In terms of imports, the share of the Black Sea region has been increasing at a comparable level to that of Asia, but much faster than that of the MENA region. The EU's share, in contrast, has been declining. In terms of overall trade volumes, the share of the Black Sea region has been increasing at similar levels to those of the MENA region and Asia. Despite the decline in the EU's share in total trade volumes at a time when the Black Sea region, the MENA region and Asia have been steadily increasing their share in Turkey's total trade, the EU has remained Turkey's main trading partner in the last decade. Second, and in contrast to international trade figures, FDI flows in the last decade demonstrate that the EU is the sole region to have had a lasting and stable significance for Turkey. The levels of both FDI inflows and outflows for the Black Sea region, the MENA region and Asia are not only very small in absolute terms but they also fluctuate widely. Where this fluctuation points to an upward trend, this usually concerns one particular country rather than being representative of a regional trend.

Overall, the findings regarding the degree of regionness of the Black Sea area and BSEC's relative importance in Turkey's total trade (though not FDI) over the course of the past decade suggest that there is potential for further regional economic integration if cultivated by political initiative and leadership. Thus regionalization is likely to advance should policymakers decide to deepen the level of regionalism. The extent of regionalization in the case of BSEC, however modest at present, has been achieved despite the fact that some members of BSEC already participate in the single market of the EU, another member state - Turkey is party to a customs union with the EU, and still some others participate in customs union arrangements under the CIS. Therefore it appears that pursuing the original objective of BSEC to form a free trade area, which has so far failed to materialize, is a worthwhile effort as it is likely to significantly contribute to increasing prosperity across the countries in the area. Turkish policymakers could consider adopting a pioneering role in advancing regionalism and engage in political initiatives to this end. Such political initiatives may involve closer cooperation with the

EU, whose policies of Europeanization directed toward this region are favorable to the formation of a free trade area with the EU.

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