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**EU and Turkish Perspectives on Black Sea Regional Cooperation**

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**“The relevance of Black Sea Regional Cooperation  
for the German and Bavarian Economies”**

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First of all I would like to thank the organizers, the Southeast Europe Association and the TÜSIAD (Turkish Industrialists' and Businessmen's Association) for their invitation to this extremely top-class workshop.

Someone may possibly be asking the question why there is no representative of a federal association who is attending today's event - but however, our attendance is not so far off:

### 1. **Why vbw/Bavaria?**

The vbw – Vereinigung der Bayerischen Wirtschaft (Bavarian Business Association) is the umbrella organisation of more than 80 trade associations in Bavaria and represents the wide range from industry over commerce, banks and insurance companies up to skilled trades.

Bavaria in turn, is the most powerful exporting federal state within Germany with an average export proportion of approximately 50% and, in sections like the automobile industry, even with almost 70%. Eastern Europe is very important for the Bavarian economy because it particularly benefits from the opening of this region.

In 1997, 10.5 percent of the Bavarian exports went into the countries of Central and Eastern Europe. In 2007, this percentage already amounted to 15.4 percent! In total, the exports from Bavaria into the region reached almost 24 billion Euro in the previous year (the numbers relate to the EU-Member States as well as complemented by Albania, the Ukraine and the former Yugoslavia)

Bavaria is situated in the immediate vicinity of Central and Eastern Europe (CEE). Major routes and rail connections from Western Europe lead to the region via Bavaria. More than 500 flights a week leave for the Central and Eastern European countries from Munich and Nuremberg. Almost all capital cities may directly be reached on a daily basis within two hours flying time.

The region has evolved into a very attractive investment and settlement location for Bavarian companies. This applies to those companies that go Eastern Europe in order to develop the growing market on the spot. However, this is particularly applic-

able for those companies that, due to relocation of production/outsourcing into the region, benefit from the favourable cost structures there.

In this respect, Eastern Europe is **the** alternative for the Bavarian small and medium sized enterprises (SME) compared to the East Asian emerging markets because they are too far away for most of the SMEs. The logistic problems due to the great spatial distance make an involvement in this region uninteresting for most of them. Therefore, Randolph Rodenstock, the president of the vbw, also calls Central and Eastern Europe „the Asia of the small and medium sized enterprises.“ – (by the way, this image fits quite well, because with the region Black Sea and Caspian Sea we really are working in the Asian, that is the **Central Asian**, region)

Meanwhile, every tenth medium-sized industrial enterprise in Germany has in the course of the eastward enlargement of the EU already relocated/outsourced productions into the new member states.

The proportion of the companies in the Bavarian metal and electrical industry is even higher. Our surveys say that 40 percent of the metal and electrical industry companies do already have production facilities or investments in the new Eastern European states<sup>1</sup>.

Besides, I would like to note that particularly last year we experienced a substantial increase in employment in Bavaria which amounts to 107.000 additional employments. This proves: The Bavarian economy's involvement in Eastern Europe has boosted the domestic business location and led to more employments in Bavaria.

Of course, Bavaria's relations are not so strongly pronounced with all countries of the Black Sea region but if I pick out Southeast Europe, I may say that Bavaria possesses a long tradition of close relationships with Southeast Europe (SOE). According to our definition, Southeast Europe refers to the following countries: Albania, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Kazakhstan, Croatia, Macedonia, Rumania, Russia, Serbia-Montenegro, Turkmenistan, Ukraine and Belarus, that, except for Croatia and Belarus, all belong to the Black and Caspian Sea region.

In spite of the political changes, stable and active relations between the two regions existed for decades. Already in the nineteen seventies, the Bavarian State Govern-

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ment has established governmental commissions with Serbia and Croatia which, from that time on, have been expanded to almost all other Southeast European states.

The stability and intensity of Bavaria's relationship with SOE is also based on the close, grown relationships of the people with those regions. A large number of Southeast Europeans as well as expellees and emigrants of German origin from SOE have been living in Bavaria for decades, so that, far beyond the linguistic skills, various networks and contacts have been established as a basis for an intensive cultural, economic and scientific exchange.

The geographic vicinity and good transport routes and connections – the best example is the main artery Danube – promote the close relationships of the Bavarian population with SOE which go far beyond tourism.

During the last couple of years, we, together with the Southeast Europe Association, supported the networks and cooperation between enterprises, organisations and politics on the occasion of different events, among others during a World Bank Forum but also during an EBRD-conference (European Bank for Reconstruction and Development).

To put it in figures: the imports from SOE increased by more than 50% alone in 2006, this is the strongest increase of all economic regions! The trade volume in total amounted to approximately 17 billion € in 2006. If you would add Greece and Turkey, we are clearly above 22 billion € in terms of the trade volume with this region.

And if you pick out the most recent EU members Bulgaria and Romania, Bavaria's proportion e.g. of the overall export of Germany into the two countries amounts to almost 20%.

Based on the figures of 2007, this positive trend is further continued – a total of 8 countries from the Black and Caspian Sea region range among the TOP 50 trading partners. Among those, Russia, Turkey and Kazakhstan even range among the TOP 20.

## 2. **Significance of network organisations like UBCEE, but also UMCE Businessmed/ will the eastward enlargement part 2 be made on the Black Sea?**

Against this background of an increasingly strong international integration, also in our region, we as Vereinigung der Bayerischen Wirtschaft (Bavarian Business Association), quasi representing Germany, joined the two most important „Networks of Networks“ outside the EU this year. On the one hand, this is the UBCEE (Union of Black Sea and Caspian Confederation of Enterprises) which includes a total of 16 umbrella organisations and on the other hand this is BUSINESSMED for the Mediterranean region – with (those) two contracts we have thus established the cooperation with no less than 28 international associations.

Particular emphasis should be put on the fact that Germany is no direct neighbour of those two regions and that such an activity is not necessarily typical for a regional association – however, this involvement was coordinated with our federal associations, being fully aware of Bavaria’s significance for the economy in Germany but also of the cooperation towards the East and South.

The Black Sea region with 12 member states, 350 million people and an area of 20 million square kilometres which, after the Persian Gulf, possesses the second largest gas and oil resources, fulfils an essential bridge function toward the Near and Middle East and Central Asia.

With GDP growth rates of 5%, the Black Sea region ranks on the third position after East and South Asia. Rates of 6-8% are still expected in the future –on average that is three to four times as high as in the Western European average.

The region’s energy routes are responsible for 50% of the energy supply to European consumers. 2/3 of the exports from Bulgaria are affected via the Danube or the Black Sea.

The composition and the title of today’s event were selected accurately because the key for the development of the cooperation with the region is in Europe as well as in Turkey.

Turkey is the only country that is a main partner in both networks, the UBCEE and the BUSINESSMED (Greece is associated to both organisations as well, but in BUSINESSMED, Greece has only observer status, like Germany).

For us, it will remain politically important that both regions will not be forgotten when discussing China or India.

And – in this context – the membership/accession negotiations of the EU with Turkey were started at the beginning of October 2005 as an “open-ended process”. Without a doubt, some difficult stages will still have to be clarified in the membership negotiations. This was once again revealed in the progress report which was published last week and the EU has to do its homework because the integration of a country as large as Turkey may, regardless of the objective criteria that have to be complied with, only be accomplished if we have optimized our own structures so that we still remain capable of acting.

However, it is required to not lose sight of Turkey’s accession prospects and in the meantime it’s up to us to expand the regional cooperation to every possible field. For the field of economy, we as vbw are pleased to tackle this task. And as a conclusion I would like to emphasize:

For Germany and for Bavaria in particular, the Black Sea region may ignite the effect of a second eastward enlargement and thus give our economy a new dynamism that would definitely be helpful for us.