ECONOMIC DEVELOPMENT OF THE BLACK SEA ECONOMIC COOPERATION ORGANIZATION (BSEC) MEMBER COUNTRIES FOR THE PERIOD OF 2001-2011

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Abstract

In recent times, the definition of development has undergone substantial changes which brought light to the concept of sustainable development. In this paper, development process and economic development of The Black Sea Economic Cooperation (BSEC) countries are tried to be evaluated by means of panel data analysis for the period of 2000-2011. The data set prepared for the panel data analysis includes the variables of GDP per capita (GDPPC), coverage ratio of revenue to expenditure (CRRE), coverage ratio of exports to imports (CREXIM), current account balance (CAB), inflation rate (INF) and unemployment rate (UNEMP) which are the main indicators reflecting the sustainable development of the BSEC countries which are Albania, Armenia, Azerbaijan, Bulgaria, Greece, Georgia, Moldova, Romania, Russia, Turkey and Ukraine. Depending on the results of this analysis, we can clearly state that response variable GDPPC is highly affected by CRRE, INF and UNEMP whereas CREXIM and CAB don't influence GDPPC substantially for the BSEC member countries. As for the comparison of the countries, Albania, Greece and Turkey are the first three countries with respect to the economic development process while Georgia, Azerbaijan and Moldova are the last three countries in this respect.

Keywords: Economic development, The Black Sea Economic Cooperation Organization (BSEC), Panel data analysis, Economic indicators.

Jel Classification: O10, C23

KARADENİZ EKONOMİ İŞBİRLİĞİ'NE (KEİ) ÜYE ÜLKELERİN 2001-2011 DÖNEMİNDEKİ İKTİSADİ KALKINMASI

Özet

Son zamanlarda kalkınma tanımı büyük değişikliklere uğrayarak sürdürülebilir kalkınma kavramını ortaya çıkarmıştır. Bu çalışmada, 2001-2010 yılları arasındaki Karadeniz Ekonomik İşbirliği (KEİ) üyesi ülkelerin iktisadi kalkınması ve kalkınma süreçleri panel veri analizi ile değerlendirilmeye çalışılmıştır. KEİ üyesi ükeler Arnavutluk, Ermenistan, Azerbeycan, Bulgaristan, Yunanistan,

Gürcistan, Moldova, Romanya, Rusya, Türkiye ve Ukrayna olup bu ülkelerin panel veri analizi için hazırlanan veri setinde; kişi başı GSMH (KBGSMH), gelirlerin giderleri karşılama oranı (GGKO), ithalatın ihracatı karşılama oranı (İİKO), cari işlemler dengesi (CİD), enflasyon oranı (ENF) ve işsizlik oranı (İŞSZ) değişkenleri yer almaktadır. Seçilen bu değişkenler ekonomik kalkınma göstergeleri olmanın yanı sıra sürdürülebilir kalkınmayı da yansıtan değişkenerdir. Panel veri analizinin sonuçlarına dayanarak, KBGSMH sonuç değişkeninin GGKO, ENF ve İŞSZ değişkenlerinden önemli ölçüde etkilendiği fakat İİKO ve CİD değişkenlerinden çok fazla etkilenmediği söylenebilir. KEİ üyesi ülkeler kıyaslanacak olursa, Arnavutluk, Yunanistan ve Türkiye 2001 ve 2011 yılları arasında iktisadi kalkınma açısından ilk üç sırada yer alırken, Gürcistan, Azerbeycan ve Moldova son üçte yer almaktadır.

Anahtar Kelimeler: İktisadi kalkınma, Karadeniz Ekonomik İşbirliği (KEİ), Panel veri analizi, iktisadi göstergeler.

Jel Kodu: O10, C23

1. Introduction

The Black Sea Economic Cooperation Organization (BSEC) has been founded in İstanbul in 1992 with the idea of cooperation to meet the energy requirement of Turkey and the need of food and consumer products of Soviet Union. This idea has started to be developed when Romania and Bulgaria have joined to the regional cooperation. At the beginning, the goal was to create a free trade area but then, this goal was started to be evaluated under the framework of economic cooperation. After the negotiations between the member countries, it has been decided that the name of the organization would be "The Black Sea Economic Cooperation Organization (BSEC)" and during these negotiations, aims and the principles of the organization are discussed and determined. Accordingly, the main aim of the organization is to improve and diversify the mutual or the multilateral economic, social and technological relations between the member countries of the organization by reaping the benefit of member countries' geographical proximities and their potentials. By this way, it is considered that The Black Sea Region will be a stabilizing and welfare region. The member countries of the organization can be listed as Albania, Armenia, Azerbaijan, Bulgaria, Greece, Moldova, Romania, Russia, Turkey and Ukraine.

During the years subsequent to the breakdown of Berlin Wall and after the end of cold war, both Balkan countries and Caucasian countries entered into the process of radical and rapid change. It is not so many years ago that the Balkan and Caucasian Region was full of conflict and tension. Bosnia and Kosovo depressions and Armenian invasion of Azerbaijan were still in the minds of the

people. Thanks to the establishment of BSEC, these countries which regard each other as the enemy countries due to the historical reasons obtained the opportunity of coming together to take a step in the process of economic cooperation. In the view of many sectors especially in the view of energy sector, significant producer and the consumer countries bring together under the roof of BSEC. Even in spite of development levels of the member countries are different from each other, they have undergone the process of economic transformation and then, they started to adjust themselves to the conditions of free market economy. Especially Balkan members of the organization are regarded as the driving force in accelerating the economic integration with European Union by increasing the economic cooperation among the member states.

The founders of the organization were Turkey, Romania, and Bulgaria who have borderlines to the Black Sea. The Russian Federation, Ukraine, Azerbaijan, Moldova, Georgia, and Armenia joined after the dissolution of the Soviet Union. Greece and Albania participated later as well, even though they have no coasts to the Black Sea. The first meeting was held in Ankara on December 19th, 1990. Representatives from Turkey, Russian Federation, Romania, and Bulgaria had also participated in this meeting. In this summit, participant countries declared the foundation of the BSEC. Meetings by authorities were held on 12-13 March 1991 in Bucharest and 23-24 April 1991 in Sofia. Negotiations concluded the purposes and principles of the BSEC. The next meeting was arranged in Moscow where participants signed the ultimate declaration. On February 3rd of 1992, Turkey, Russian Federation, Romania, Azerbaijan, Armenia, Georgia, Moldova, Ukraine and Bulgaria approved the first treaty in Turkey. The BSEC Treaty was signed by these members as well as Greece and Albania on 25 June 1992 in Istanbul. The BSEC has gradually become more recognized after its foundation. In the preparation period the main purpose was to increase commercial, economic, scientific, and technical cooperation with the proximity of these countries. The ultimate goal is to promote the Black Sea region as an area of peace, cooperation and wealth (DPT, 1995).

Trade is the crucial factor for the BSEC process of economic development. To increase the interregional trade, to eliminate the trade barriers are the main aims of the organization. So, BSEC foresees to establish a Free Trade Region within its area. In addition to trade factor, foreign direct investments, technology transfer are also important factors accelerating the economic development of the member countries. Border and coastal trade, trade liberalization, incentives for SMEs (Small and Medium Sized Enterprises), facilitation of cross border movements of goods and services and easing the visa requirements for business purposes are the issues still being discussed under the BSEC agenda. Moreover, another important cooperation field of BSEC is communication factor. Communication and transportation constitutes the strategic factors for both regional and national economic integration. In this regard, BSEC implemented many projects and brought them into the

action. With those projects, many countries obtained the opportunity of link together which avails to the economic integration and cooperation widely.

Furthermore, since BSEC has important oil and natural gas reservoirs, and since the energy transmission lines pass through the BSEC region, the organization has a strategic significance. In line with this, BSEC published a report concerning the issue of oil and natural gas. According to this report, BSEC evaluates the regional energy market, determination of energy sources, transformation and the distribution of energy. It is thought that marketing of the energy sources provided by the natural and oil reservoirs with the efficient pipelines to the West may bring peace and welfare to the region. In the view of agriculture, BSEC provides a potential to the member countries for agricultural cooperation as well since the region of the organization has large and fertile soils. So, BSEC evaluates agro-industries and package industries as attractive cooperation fields (DPT, 1995).

The term "development" has been defined by different authors for ages. But the more explicit one is stated by Peet and Hartwick. According to them, development is defined as "making a better life for everyone… a better life for most people means, essentially meeting basic needs: sufficient food to maintain good health; a safe, healthy place in which to live; affordable services available to everyone; and being treated with dignity and respect." (Peet and Hartwick, 2009:1; Arslan and Tatlidil, 2013). So, the concept of development is not only related with the economic issues but also related with the social life, educational and vocational structures, health systems, human rights and democracy from the modernity perspective. However, from the conventional side, development is evaluated with the concept of economic growth. Economic growth refers to the achievement of a more massive economy, and the term of stability is important for the term of economic growth since stable economic and political structures support a country's sustainable economic development.

Since sustainable development is comprehensively related with the economic, social and environmental issues, its measurement becomes hard to evaluate. Therefore, sustainable development is assessed with the economic, social and environmental variables by the appropriate methods. In this sense, conventional GNP (Gross National Product) and income as the primary indicators of economic progress have lost their significance since they don't include the social and environmental variables. For measuring sustainable development, it becomes necessary to include the variables such as water consumption and emission levels in the group of environmental indicators, life expectancy and education levels in the group of social indicators and GDP (Gross Domestic Product) and productivity levels in the group of general macroeconomic indicators.

In the view of main economic indicators reflecting the sustainable development, international institutions such as UN (United Nations), WB (World Bank) and OECD (Organization for Economic Co-operation and Development) comprise data sets for development indicators from the original source. In line with these indicators by UN, OECD and WB, GDP per capita, coverage ratio of exports to imports, coverage ratio of revenue to expenditure, current account balance, unemployment rate, inflation rate and energy use constitute the data set employed in the panel data analysis for the purpose of this paper. Since the data for the educational levels in the BSEC countries are not available, variables related with the education are not included into the data set.

The main purpose of this paper is to evaluate the economic development of BSEC countries during the period of 2001-2011 and to compare these countries with respect to the economic development for the last decade. Moreover, the relationship between the economic development and the other variables used in the panel data analysis will be tried to be disclosed and the positions of these countries depending on the results and the implications of the analysis will be commented as the purpose of the paper.

This paper consists of five sections; after the introduction section, literature review will be given as the second section. In the third section, panel data analysis will be explained with its methodology. As to the fourth section, panel data analysis will be applied to the data set of the selected BSEC countries. Results of this analysis will be evaluated and discussed with the comparison of these countries in this section. As the last section, conclusion and general evaluations of this analysis will be given with a summary of the application.

2. Literature Review

In the article called "Investigation of Development Indicators in the Balkan Countries for the Post-socialist Period", Fatih Çelebioğlu concentrates on the economic indicators to evaluate the recent economic development of Balkan countries. Even all BSEC countries are not included to this article; Balkan countries are evaluated with respect to the development indicators. To begin with the investigation of development in these countries, the author examines the share of income or expenditure and inequality measures and compares the Balkan countries accordingly. Afterwards, the situation of these countries is evaluated by industrial production index, human development index and democracy index. Furthermore, GDP per capita, final consumption expenditure, adult literacy rate, life expectancy at birth, population growth, foreign direct investment, electric power consumption and unemployment rate are taken as the main development indicators in the article. Subsequent to the analysis of these indicators, current economy of Balkan countries is evaluated and investigated accordingly (Çelebioğlu, 2011).

In their book "Theories of Development", Richard Peet and Elaine Hartwick (2009) comprehensively discuss the concept of development from different perspectives and they define development as "making a better life for everyone" briefly in their book. In addition to this brief definition, the concept of development is discussed substantially and compared with the other conventional definitions. After the detailed discussion on the definitions of development, the authors discourse the measurement of development and criticize the validity of the development measures. In the first part of the book, conventional theories of development are debated whereas in the second part, nonconventional critical theories of development are discussed. In the final section of the book, the authors mention critical modernism and democratic development (Peet & Hartwick, 2009).

The article called as "The Effects of the BSEC on Regional Trade Flows" written by Sayan (2006) discusses the accomplishments of the BSEC with respect to the conventional modes of economic integration. In this discussion, initial impact of the BSEC concerning regional trade flows, particularly on the volumes of Greek and Turkish trade with the rest of the members is emphasized and the potential of the BSEC to maintain this impact is considered as well. In the first section of the paper, structure of the BSEC and areas of cooperation between member states is evaluated. In the second section of the paper, effects that the BSEC might have had on trade flows among its members are discussed and as to the third section, conclusions are given (Sayan, 2005).

In the article "Economies of the Black Sea Economic Cooperation (BSEC) Countries and their Bilateral Trade" written by Dikkaya and Orhan (2004), current and cumulative efforts are evaluated to improve trade among the BSEC members are evaluated and the economies of the BSEC countries are disclosed as well. Before the analysis, some basic economic indicators and the characteristics of the economies are given and then bilateral trades of the BSEC countries are investigated analytically. Some sectors and resources of the BSEC countries are elaborated and main commodity groups traded by main BSEC members are also evaluated in line with the purpose of the paper. A gravity model is constructed to estimate the bilateral trade equation for the analysis (Dikkaya and Orhan, 2004).

3. Panel Data Analysis

Panel data analysis is a statistical method generally used in social sciences as a tool in econometric methods. In this analysis, data are collected over time and over the same individuals. Then, a pooled regression is employed to this data set over two dimensions. Panel data analysis is beneficial since the estimates of this analysis have less collinearity and they are more efficient. This analysis allows studying individual dynamics and giving information on the time-ordering of events. Moreover,

panel data analysis provides techniques to determine the existence of the problem of unobservable heterogeneity in the model. The problem of unobservable heterogeneity in the panel data analysis resembles the problem omitted variable bias in classical regression analysis. If an unobservable or unavailable variable related with the dependent and the other independent variables in the model is not included to the model, this created the bias in the model. So, by means of panel data analysis, this problem can be eliminated.

For a common panel data regression model, we want to estimate a standard regression model of Y on k number of X variables and we have the data on N individuals over a period of T years so that the complete data set is *NxT* observations. In the model, there is an individual-specific component which is inserted to the model for the existence of unobservable or unavailable variable. Under these circumstances, this model is specified as the following :

$$Y_{it} = \beta_0 + \gamma_i + \beta_1 X_{1it} \beta_2 X_{2it} + \beta_3 X_{3it} + \cdots + \beta_k X_{kit} + \varepsilon_{it} \qquad \ldots (3.1)$$

Here, Y_{it} represents the value of the dependent variable for individual i at time t. The term γ_i represents the individual specific component. If this individual-specific component is treated as a constant, then the model becomes a fixed-effects model. If it is treated as a random variable, then the model turns to the random-effects model (Ashenfelter et al., 2003).

In comparison of fixed effects model and random effects model, each model has different assumptions. To begin with the fixed effects model, there is a key assumption that any characteristics of the individual are not observed or predetermined. In other words, the attributes of the individual are not the result of random variation. In fixed effects model, panel data methods eliminate the potential bias brought about by unobservable heterogeneity. In this model, the fixed effects act like a dummy variable which shifts the intercept up or down for each individual in the sample. Panel data analysis enables the estimation of the model since it requires *k* slope coefficients and one value of intercept shifter likeγ_i. With multiple observations, this analysis allows the estimation eliminating the potential bias in the model. As for the random effects model, it is assumed that the individual-specific component doesn't remain constant, it remains specific to each individual. In this case, individual-specific component is regarded as an element of the model's residual in addition to the standard error term in the model. Then the model becomes as the following:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} \beta_2 X_{2it} + \beta_3 X_{3it} + \cdots + \beta_k X_{kit} + \gamma_i + \varepsilon_{it} \qquad \ldots (3.2)$$

As mentioned above, in this model,γ_i- individual specific component is treated as a random variable rather than a constant. As the usual assumptions, this part of the residual has a constant

variance for different individuals but the covariance of these residuals across individuals is zero and individual component of the residual is uncorrelated with any of the included explanatory variables.

In choosing between fixed and random effects models, the advantages and the disadvantages of these two models should be determined. The fixed effects model requires estimation of a separate parameter for all N individuals in the sample. This may cause problems since the precise estimation of the coefficients on the included explanatory variables is difficult. As to the random effects model, the main assumption was that the random effect is uncorrelated with all of the X variables. This is problematic because it creates the omitted-variable bias in the model as mentioned earlier. One potential method to determine which model is the right one is to test whether the model's estimated residuals are correlated with any of the explanatory variables. In this regard, generally Hausman Test is used in making a choice between fixed effects and random effects models.

Hausman Test is used to test the correct specification of the unobserved individual effects in the panel data model. This test provides a statistical evaluation in choosing between fixed or random effects models and whether the selected model is supported by the data set. In this test, the null hypothesis is formed as the model having no misspecification which implies that the specification of the model creates consistent and efficient estimators. On the other hand, the alternative hypothesis is formed as the model is misspecified, so the estimator derived from this model will be inefficient even it is consistent. According to this, Hausman Test enables us to make a choice between fixed or random effects models (Amini et al., 2012, Ashenfelter et al., 2003).

4. Application

In this section, data set is composed in line with the OECD Sustainable Development Indicators. According to the OECD working paper called as "Overview of Sustainable Development Indicators used by National and International Agencies", headline indicators are determined to group indicators. These headlines give an overall picture for sustainable development indicators which are defined according to the objectives and targets of OECD. These themes are given as "socio-economic development", "sustainable consumption and production", "social inclusion", "demographic changes", "public health", "climate change and energy", "sustainable transport", "natural resources", "global partnership", "good governance" (Hass, et al., 2002).

In the light of these sustainable development themes and their indicators, a data set is constructed in line with the purpose of this paper. This data set consists of six variables namely, GDP per capita (dependent variable) (GDPPC), coverage ratio of revenue to expenditure (CRRE), coverage ratio of

exports to imports (CREXIM), current account balance (CAB), inflation rate (INF) and unemployment rate (UNEMP).

To clearly see the positions of the countries with respect to the economic development, multidimensional scaling is performed with the same data set. Results of multidimensional scaling yields the following figures:

Figure 1: Multidimensional Scaling: Euclidean Distance Model for 2001 Data
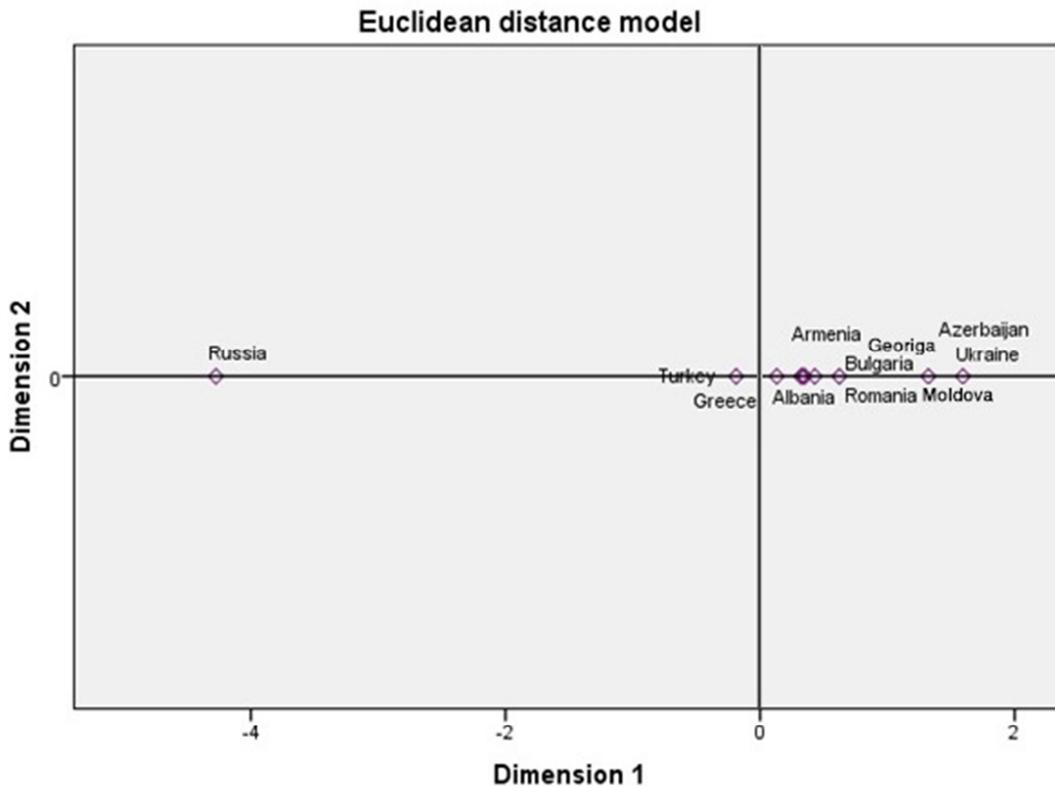
According to Figure 1 reflecting the economic development and proximities of the countries with respect to each other, Russia is far from the other countries, however, Turkey, Greece, Armenia and Albania are close to each other; Bulgaria, Georgia and Romania are also close to each other, and moreover, Azerbeijan, Moldova and Ukraine are the countries close to each other. To be more clear, it can be said that Turkey, Greece and Albania are similar to each other in the view of economic development for the year 2001, they are closer to Russia so they are the second country group with respect to economic development. Furthermore, it can be mentioned that Azerbeijan, Ukrain, Moldova and Georgia comprise another country group which is the least economically-developed group.

Figure 2: Multidimensional Scaling: Euclidean Distance Model for 2011 Data
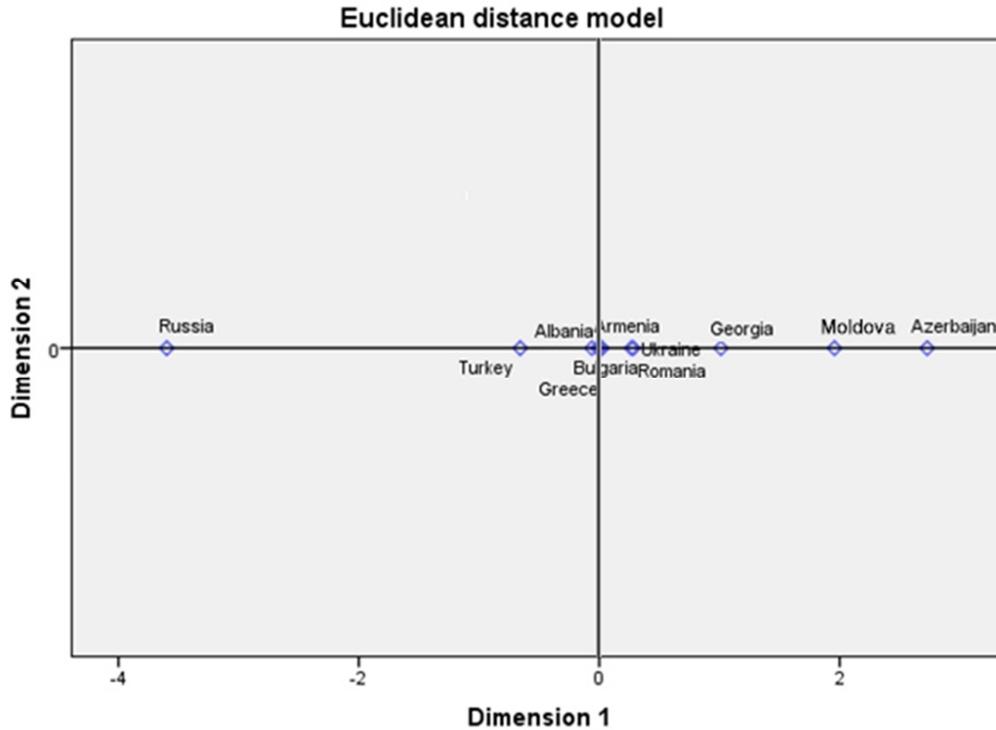
According to the Figure 2, approximately same results can be deducted for the year 2011, Russia is again very far from the other countries; Albania, Greece and Turkey are the countries closer to Russia so, it can be again said that these countries are economically developed countries compared to the other countries. Georgia, Moldova and Azerbaijan are the least developed countries when compared the others. So, from 2001 to 2011, it can be deducted that Russia remains its position in the view of economic development, Albania, Turkey and Greece have also remained their position even they approached to Russia, so they have increased their position in this regard. However, Georgia, Moldova and Azerbaijan haven't attained a progress in the view of economic development since they are the furthest countries from Russia.

Due to the unavailability of data for the BSEC member countries, these variables are selected for the panel data analysis. With eleven countries (BSEC member countries) and six indicators, a panel data analysis is performed to evaluate the economic development of these countries. To determine whether the fixed or random effects will be used in the analysis, Hausman Test is applied to the analysis and the null hypothesis is accepted, so the fixed effects model is used for the panel data analysis.

As to the results of panel data analysis, fixed effects model for each country can be seen from the table given below:

Table 1: Results of the fixed effects model for each country

Countries	Economic Development
Albania	$GDPPC = 425937,2 - 169880,5 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Armenia	$GDPPC = 425937,2 + 59864,37 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Azerbaijan	$GDPPC = 425937,2 - 436961,8 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Bulgaria	$GDPPC = 425937,2 - 136728,8 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Greece	$GDPPC = 425937,2 - 324110,9 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Georgia	$GDPPC = 425937,2 + 1578948 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Moldova	$GDPPC = 425937,2 - 502169,4 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Romania	$GDPPC = 425937,2 - 53264,25 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Russia	$GDPPC = 425937,2 - 101427,6 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Turkey	$GDPPC = 425937,2 + 377361,6 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$
Ukraine	$GDPPC = 425937,2 - 291630,3 - 0,00000032CAB$ $- 229,63UNEMP + 0,00000019CREXIM$ $+ 4556,01CRRE - 75,89INF$

As can be seen from Table 1, GDPPC is highly affected by CRRE, INF and UNEMP whereas CREXIM and CAB don't influence GDPPC substantially for the BSEC member countries. In other words, it can be stated that economic development of BSEC member countries depends on coverage ratio of revenue to expenditure, inflation rates and unemployment. As for the comparison of the countries, Albania, Greece and Turkey are the first three countries with respect to the economic development process while Georgia, Azerbaijan and Moldova are the last three countries in this respect. These results of panel data analysis indicate that in the last decade, Albania, Greece and Turkey have achieved a progress with respect to the economic development; however, Georgia, Azerbaijan and Moldova haven't achieved an important progress in this respect.

5. Conclusion

Many BSEC countries are in transition to the market economy which contributes to these economies in transition to enjoy gains from trade since there are many sectors and resources that are distributed unevenly in these countries. However, the possible gains from these economies are not exploited enough by the BSEC countries even though these countries have substantial potentials for development. Since some BSEC countries have ample resources while some others are in deep need of them, this leaves some opportunities for inter trading among BSEC countries, in other words, BSEC is of crucial importance in providing mutual or multilateral economic, social and technological cooperation among the member countries.

The BSEC has worked since its establishment to contribute to the overall development of its members through regional cooperation. Within this framework, it aims to deal with structural constraints preventing economic development of members by offering assistance in facilitating the relations between the members and accelerating the cooperation among the members. By this way, regional economic cooperation gives rise to the overall economic development of members.

In this respect, the BSEC kept its momentum with its contributions to the expansion of cooperation and development among members during the past decade, as some transition countries within the BSEC have experienced significant progress in their movement to the market economy, becoming increasingly linked to the global economy with the accession of Bulgaria and Romania to the EU. However, not all transition members have experienced substantial growth. Even though cooperation between almost all pairs of members has continued to grow, this expansion is less attributable to BSEC membership.

In line with the purpose of this paper, development process and economic development of BSEC countries are tried to be evaluated by means of panel data analysis for the period of 2000-2011. Depending on the results of the analysis, it is concluded that GDPPC is highly affected by CRRE, INF and UNEMP whereas CREXIM and CAB don't influence GDPPC substantially for the BSEC member countries. According to panel data analysis Albania, Greece and Turkey are the first three countries with respect to the economic development process while Georgia, Azerbaijan and Moldova are the last three countries in this respect.

Since CRRE, INF and UNEMP are found to be significant variables, figures of these variables for each country and for the period of 2001-2010 can be seen below:

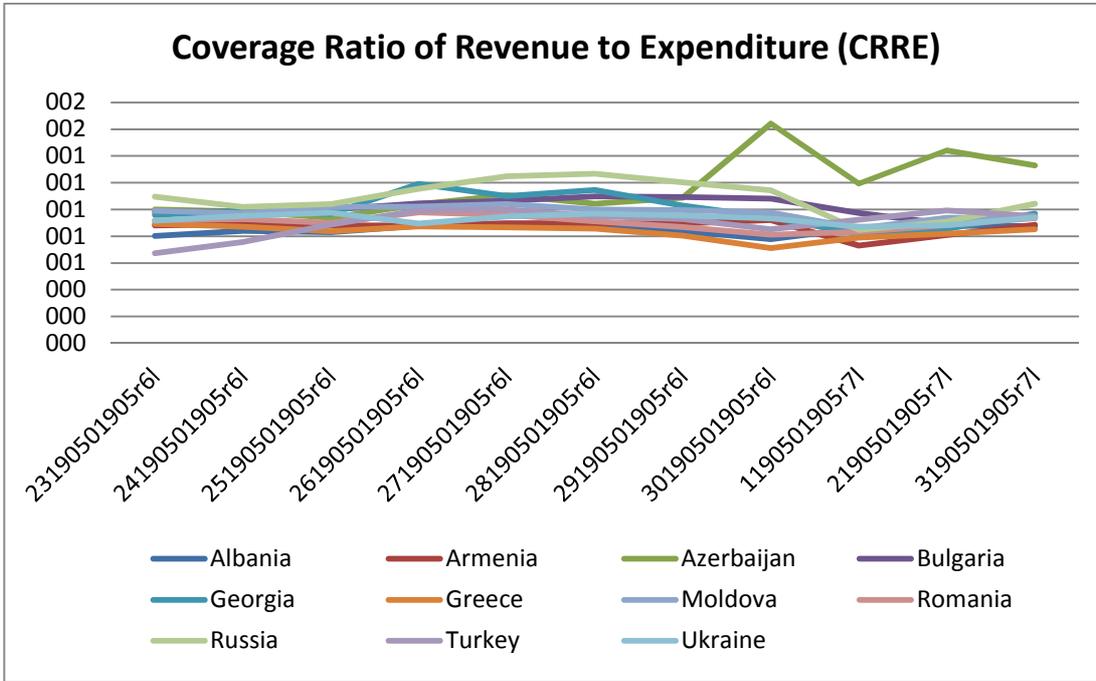**Figure 3:** CRRE Values of BSEC Countries for the Period 2001-2012

Figure 4: INF Values of BSEC Countries for the Period 2001-2012
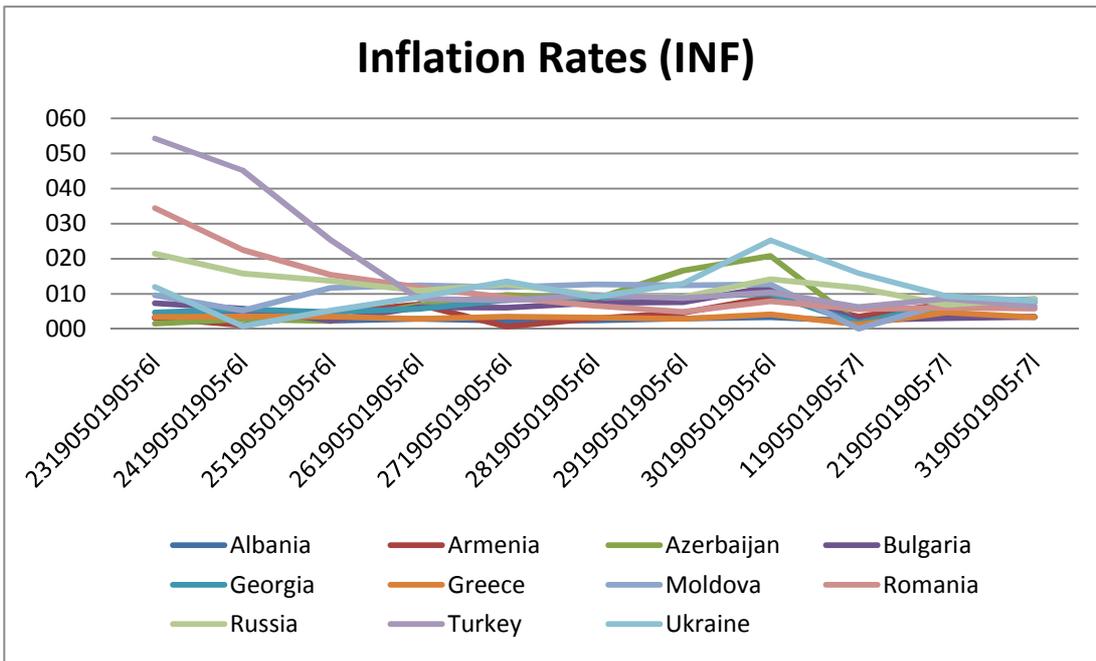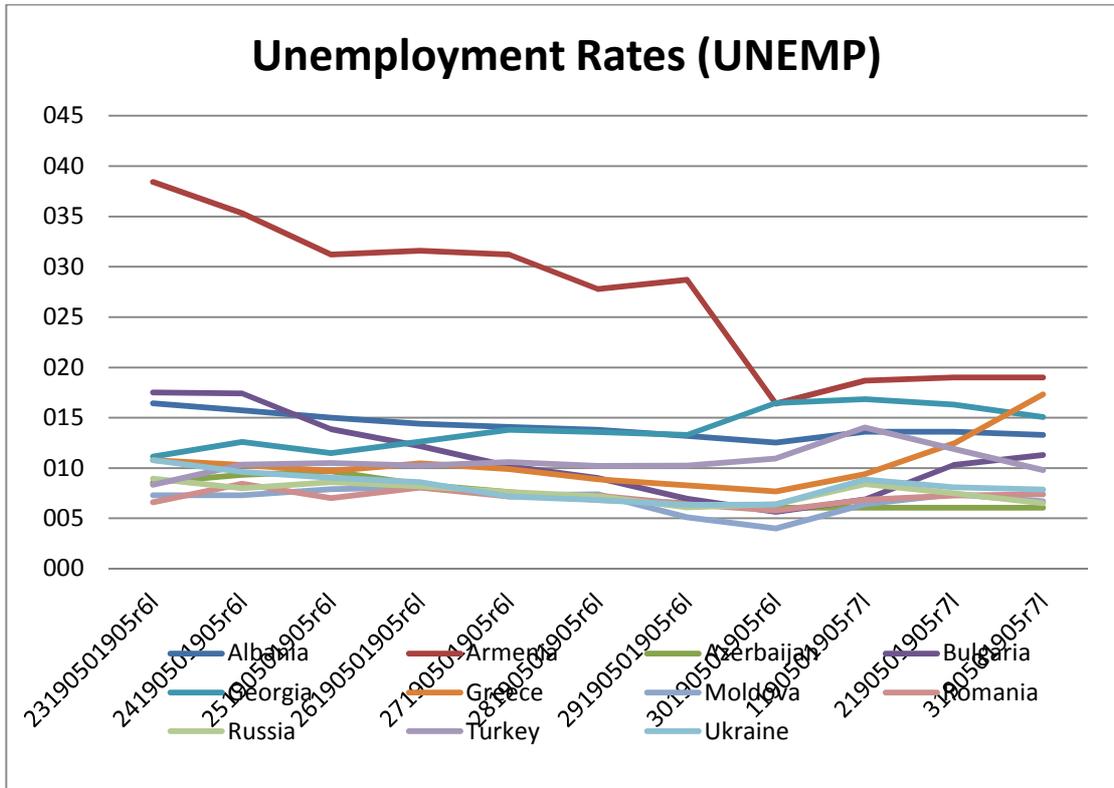
Figure 5: UNEMP Values of BSEC Countries for the Period 2001-2012

From figures 3, 4 and 5, selected countries can be seen in details according to the variables of CRRE, INF and UNEMP.

As to the incentives to increase this cooperation and thus development of members, the movement of goods, services and factors of production should be facilitated and the efficiency and competition should be enhanced. Regional arrangements easing trade between member countries should be increased which will also promote economic development and cooperation in turn. A common set of product standards should composed to quicken the global integration. In other words, rather than higher protection and preferential treatment regional initiatives increasing cooperation and improving market access should be implemented.

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