

THE BLACK SEA COOPERATION COUNCIL. TURKEY'S STILLBORN ATTEMPT AT LEADERSHIP THROUGH REGIONAL INTEGRATION

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The founding of the Black Sea Cooperation Council in the Nineteen Nineties was a novel departure from Turkey's post-war foreign policy. Its aim was economic integration to achieve political stability in a way that is reminiscent of the original impetus for European Union (at least in its ambitions). To understand the reasons behind this initiative, we have to take a look at the historical setting, in Turkey as well as in the region.

The early republic: economic nationalism and autarky

The generation of leaders that founded the Republic of Turkey in 1923 consisted of military officers and state bureaucrats who had personally witnessed the demise of the Ottoman Empire and the loss of huge tracts of lands and their populations to the combined forces of European imperialism and separatist nationalism. In their analysis the only way to prevent these developments from reoccurring in the future was to build a strong, unitary and national state, supported by a strong and "national" economy.

The Ottoman Empire in its final decades had displayed a semi-colonial situation. The system of "capitulations" that had been in place since the Sixteenth Century and that granted a degree of extraterritoriality and tax privileges to resident foreigners, had been abused to such an extent that by the late Nineteenth Century hundreds of thousands of Ottoman Christians enjoyed protected status, protected, that is, by European powers and therefore almost untouchable for the Ottoman authorities. Together with higher levels of education and better contacts in Europe this had allowed the local Christian, together with foreigners, to totally dominate the modern sectors of the Ottoman economy, its international trade, its banking sector, its transport infrastructure and its nascent industry.

As a result, economic independence and economic nationalism were as important to the founders of the republic as political independence. The capitulations had been abolished unilaterally by the Ottomans when war broke out in 1914 and the Turkish nationalists who founded the republic fought tooth and nail to prevent them from being reinstated in any form. They were forced to accept a sizeable share of the Ottoman sovereign debt as part of the empire's legacy, but they were extremely reluctant to contract any further external debt. Financial policies were conservative, aiming at budget surpluses and a strong currency and economic policy was first and foremost geared to the creation of a "national" bourgeoisie of Muslim Turks, which was to replace the Christian bourgeoisie of the late empire. The fact that outside Istanbul, the large majority of the Christians who had survived World War I had either fled or been forced out of the country, gave ample scope for this policy. On the same time, the Muslim bourgeoisie was still so weak in terms of numbers, skills and capital accumulation that the state had to play an important role in economic development.

The world crisis of 1929-30 hit Turkey very hard. As with all agricultural exporting countries, its terms of trade worsened significantly and the Turkish government was forced to drastically increase its role in the economy. From 1931 onwards it did so by adopting "etatism" (*devletçilik*) as the official policy of the state. By this was meant that the state would now take on central economic planning and take the lead in sectors where large-scale investment was required, as in mining and the production of cement, iron and steel. In agriculture, a state agency, the "Office for Land Products", acted as central buyer, stabilizing the markets through stockpiling of wheat and sugar.

Post-World War II integration with the West

During the Second World War, Turkey's economy was put on a war footing and the state's hold on it increased. After the Allied victory, the political course of the country for a time seemed uncertain. The introduction of multi-party democracy was announced in 1945 and opposition parties were actually allowed to register in 1946. At the same time the governing party maintained a tight grip on the country and there were many in the leadership who favoured a continuation of the policies of the Thirties and Forties. A new and etatist five-year economic plan was drawn up with some Soviet assistance, in spite of the fact that the opposition called for a liberalisation of the economy. There were multi-party elections in 1946, but the results were clearly rigged.

The watershed came in 1947, when the all-powerful Prime Minister İsmet İnönü declared himself on the side of the reformers, both in the political and in the economic sphere. The advocates of single-party rule lost their position and moderates were brought in. The reason was clear: faced with Soviet expansionism, Turkey feared political isolation and sought US protection and the US had made it clear that it was ready to offer such protection. When President Truman promulgated his famous “doctrine” in March 1947, Turkey, along with Greece and Iran, was one of the countries it aimed at. In November the old (but brand new) five-year plan was rejected and a more liberal economic course announced. American fact-finding and advisory commissions came to the country.

In the early Fifties Turkey became an integral part of the Western security system. It was one of the first countries to send troops to Korea as part of the American-led United Nations force and in 1952 it acquired membership of the North Atlantic Treaty Organisation. Turkey became a key element in the western defence system, not only through its NATO membership, but also under a network of dozens of bilateral agreements with the Americans. Regionally, this led to a complete break in all contacts with the states of the Balkans and Black Sea region, with the single exception on the dissident communist regime in Albania.

Relations with NATO-partner Greece started to deteriorate during the negotiations over the future of the British colony of Cyprus in the early Fifties. They became hostile after the government-induced pogrom against the Greek community of Istanbul in September 1955, which led to mass emigration of Greek Orthodox from Turkey. With some small variations, the relationship between the two neighbours was to remain hostile for over forty years.

Guided by the UK and the USA, Turkey made some attempts at strategic cooperation with countries in the Middle East through, first, the Baghdad Pact (with Britain, Pakistan, Iran and Iraq) and then CENTO (with the USA, Iran and Pakistan), but its early recognition of Israel always made relations with the Arab countries problematical. The rising tide of Nasserism or “Arab socialism” in the Arab world, which culminated in the coup d’état in Iraq in 1958 meant that Turkey’s relations with its Arab neighbours, who saw Turkey as a puppet of Western imperialism and Zionism, were destined to remain cool at best.

So, through the combined effect of the Cold War and regional developments, Turkey was left almost completely isolated in the region by the end of the Nineteen Fifties. On the other hand, Turkey's security role in the same Cold War directly led to its economic integration with Western Europe.

Turkey expressed its interest in joining the European Economic Community almost immediately after the conclusion of the Treaty of Rome. The European Commission accepted and supported Turkey's bid, publicly linking it to an acknowledgement of Turkey's vital role in the defence of Western Europe. Economic integration and its expected result, economic development and increased affluence were seen as means to guarantee Turkey's stability and Western orientation at a time when one Middle Eastern country after another seemed to be going Moscow's way. It is no coincidence that a cold warrior like Walter Hallstein, the first president of the EC, was an outspoken supporter of Turkey's membership.

As we know, Turkey's bid led to an association agreement in 1963 (two years after a similar agreement had been concluded with Greece). From 1963 to 1974 the relationship between the EEC and Turkey went through a honeymoon period. This was the time when Turkey, under its 1961 constitution was a liberal democracy and experienced rapid economic growth and a significant rise in income levels for most Turks. It was also the time when it became the prime purveyor of migrant labour to Western Europe with more than 1.3 million Turks leaving for Germany and other European countries. From 1974 onwards different and unrelated developments (the economic crisis caused by the sudden rise in oil prices, Turkey's invasion of Cyprus, a military coup d'état in 1980) combined to slow down the process of integration. It picked up speed again after the thorough restructuring of the Turkish economy pushed through by Prime Minister Turgut Özal in the early Eighties, which turned Turkey from a country with a state-led import-substitution industrialisation into a country with an export-driven free market economy. Even in the difficult political climate of the Nineteen Eighties, during which relations between Turkey and the West were often strained, this liberalisation was conducive to economic integration with the EU, giving, for instance, European relatively free access to the Turkish market for the first time since before World War I.

The situation between 1950 and 1990 can thus be summarized as follows: vastly increased economic integration with Europe as a by-product of Turkey's importance in the North

Atlantic security system, combined with a remarkable lack of economic and political ties within the region.

The changes brought about by the end of the Cold War

The fall, first of the iron curtain and then, of the Soviet-Union itself, fundamentally changed this picture. In fact: in a sense it reversed it.

Turkey lost much of its strategic value in the eyes of the countries of Western Europe (and strategic value had been the original driving force behind the acceptance of Turkey in the EEC). The European Community was completely surprised by the collapse of the Soviet system and the liberation of Eastern Europe, to which it had contributed very little itself. The foreign policy the EU member states developed over the next few years was focused completely on making the change in Eastern Europe permanent and creating a climate of stability there. It wanted to draw the newly democratic states into its orbit and the only way to do that was to offer them full membership of the EU. This was a rational choice, but also an emotional commitment, fuelled by a widespread feeling of guilt among the political elites of Western Europe, a feeling that something was owed to these “other” Europeans, whom Western Europe had left to their own devices for so long. All of this meant that the focus shifted and that Turkey slipped down the order of priorities. A bulwark against communism was no longer needed and Turkey’s location in an explosive region seemed a risk rather than an asset to Europe. By the mid-Nineties the loss of strategic importance translated itself into a loss of speed in the integration process of Turkey with the EU. The customs union that went into operation in 1995 and that had originally been included in the association treaty as the penultimate phase before full membership, in the eyes of many European politicians became a final destination, a consolation prize for a country to whom full membership could be denied. More and more, the debate in Europe focused on the cultural dimensions of the relationship and, inspired by Samuel Huntington’s *Clash of civilisations*, they defined Turkey as a country beyond the borders of European civilisation.

Washington’s thinking on Turkey diverged dramatically over the Nineteen Nineties from that of the Europeans. Its concerns about political instability in the “greater Middle East”, which included the Arab World, Iran and the newly independent states of the Caspian basin and Central Asia, inevitably led it to accord a central place to Turkey, a close ally and a relatively

democratic country with a capitalist market economy, in its strategy for the region. It saw the situation emerging in post-Soviet Central Asia as a power vacuum that could be filled either by Islamic radicalism from Iran and/or Afghanistan or by Turkey. At the same time, Iraq's invasion of Kuwait and the ensuing war showed up the strategic importance of Turkey in the Middle East. No wonder, therefore, that the United States watched developments in Europe with concern verging on dismay and started to exert increasing pressure on the EU to offer Turkey full membership. The USA saw this as a way to anchor Turkey securely in the Western alliance and to guarantee that country's stability, basically the same argument that had been behind the original offer of membership in 1963.

While the end of the Cold War diminished Turkey's status in European eyes and lowered the value of its security role as a bargaining chip, the tearing apart of the Iron Curtain and the break-up of Yugoslavia combined to give the country a room for manoeuvre in the region that it had not known since the Nineteen Thirties. Turkey developed excellent relations with Bulgaria, Macedonia, Albania, Georgia, Ukraine and the Turkic republics. There were specific reasons for the development of warm relations in some of the cases. In Bulgaria, the party of the large Turkish minority (the Movement for Rights and Freedoms) played an important role in successive political coalitions. Macedonia felt hemmed in between two hostile powers, Serbia to the North and Greece to the South. Ties with Albania, which had been good historically, were particularly close, with the Turkish army training Albanian officers, for the same reason. Albania, too, felt under threat of Serbia, which under Milosevic increased pressure on the ethnic Albanians of Kosovo and Greece, where nationalists claimed Southern Albania as "North Epirus." In the Black Sea region and the Caucasus, Turkey managed to develop its ties with several former Soviet republics without antagonizing Russia. In fact: economic ties with Russia grew faster than with any of the other states. The only neighbour with which relations continued to be bad, was Armenia. This was caused, not only by memories of the genocidal policies of World War I, but also by the Armenian invasion of the Turkic republic of Azerbaijan during the conflict over Upper Karabagh.

Enter the Black Sea Cooperation Council

In this fast-changing environment, the idea of a regional organization, primarily intended for economic cooperation, under Turkish leadership was first mooted by Turkey's influential ambassador to Washington, Şükrü Elekdağ. In view of the American administration's concerns about instability in the former Soviet fringe, it is probably no coincidence that the

plan was hatched in Washington. It was, however, quickly taken up by the Turkish prime minister, Turgut Özal, who was in favour of a more active, even adventurous foreign policy than the Turkish foreign policy establishment.

Özal publicly embraced the idea and managed to get eleven countries to come and sign the Istanbul declaration in June 1992. The declaration stated that the participating countries (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Ukraine and Turkey) were aiming for close economic and political cooperation to create a climate of stability. Alongside the Istanbul Declaration, a second document was signed, called the Bosphorus Statement. This explicitly linked the initiative to the Helsinki statement on human rights and to the principles of the Organisation for Security and Cooperation in Europe (OSCE).

Things then went quiet for a bit, while foreign ministry bureaucrats of the eleven countries thrashed out details and practical arrangements, but in March 1995 a structural framework was agreed and a secretariat created. The secretariat was housed in a building in Istiniye, a village on the Bosphorus on the outskirts of Istanbul. The structural framework was clearly derived from that of the European Union. The governing body was a Council of Ministers, there was a six-month rotating presidency, with a “troika” system (cooperation of the outgoing, the incumbent and the incoming presidency), there were regular meetings of senior officials and the permanent secretariat established in Istiniye (PERMIS) on paper at least could grow into something like the European Commission. A summit in Yalta produced a charter for the BSCC that completed the organisational process. This charter was subsequently ratified in the course of 1999.

Apart from cooperation at the governmental level through the council of ministers, four non-governmental areas of cooperation were defined as priorities for the BSCC: inter-parliamentary contacts, private enterprise, banking and finance and, finally, science and education.

In the first years after its official establishment, the BSCC clearly had some momentum. It was interesting enough for some European countries, like Germany, to send observers to the council meetings. In 1999, two more countries, Macedonia and Iran, even applied for membership. Applications that were shelved for the time being. After 1999, however, not

much more was heard of the organisation. Partly this may have been caused by the fact that the two most important member states, Russia and Turkey had other things on their mind. Russia went through a crippling financial crisis in 1998, which also affected Turkey as the Russian market had become very important to Turkish industry. Less than two years later Turkey itself was hit by a financial crisis and a complete meltdown of the country's currency was narrowly avoided with the help of the IMF. A more fundamental cause for the decline in the fortunes of the BSCC was that the whole idea of a power vacuum turned out to be wrong. Russia's power had declined dramatically, of course, but it was still a major player in the region with a military presence in countries like Georgia and Armenia and a stranglehold on the supply of energy and under President Putin it started to reassert its influence. In the face of increasing Russian assertivity, countries in the region looked to much stronger counterweights than those, which the BSCC could offer – they aimed for membership of the EU and NATO and invested in their direct relations with the West, primarily with the United States.

In terms of real actions the BSCC achieved very little and if one is to judge by its yearly reports and website, its main function turned out to be that of an information platform for the business sector in the participating countries.

The economic impact of the Black Sea Cooperation Council

Let us now look at the bottom line. In other words: has the existence of the Black Sea Cooperation Council really made any difference in terms of economic integration of the region?

Of course several different sets of statistics could be used to try and measure increases in regional economic integration. To answer the key question whether the BSCC has helped to integrate Turkey's economy with those of the region, we should look primarily at trade volumes and when doing so, it makes more sense to look at Turkish exports rather than imports, because of the importance of energy imports (Russian gas and Caspian oil) in the latter. What do we see when we look at these numbers?

By the time the BSCC had been fully established, in 2000, Turkey's exports to the world totalled 27.775 million dollars. In spite of the economic and financial crisis that hit Turkey in 2000-2001 (when the banking sector almost collapsed), export growth over the next five years

was spectacular. It grew to 63 billion dollars in 2004, in other words by 226 percent. Of these exports, about 55 percent went to the European Union, with which a customs union had been in place since the mid-Nineteen Nineties. This percentage remained constant thanks to the fact that trade to the EU grew by 227 percent over this five-year period, almost exactly paralleling total export growth. Of course, the EU itself underwent an enlargement process, with ten new countries joining the bloc. On a like-for-like basis (in other words: including the new member countries for the whole period) exports from Turkey to the new members grew even faster than those to the EU as a whole: 326 percent instead 227, but as trade started from a very low base, exports to these ten countries only made up 6 percent of total exports by 2004.

When we contrast the development of export trade to the EU, with which economic integration to a large extent had been achieved under the customs union, with areas where this kind of common framework was not in place, a mixed picture emerges. Exports to North America (USA and Canada) grew relatively slowly, at 157 percent, and made up 8 percent of the total in 2004. On the other hand exports to the Middle East grew fastest of all, with 329 percent. This meant that the region's share of total exports went up from 9 to 12.5 percent. This happened in spite of the instability of the region and the American invasion of Iraq and it may possibly be explained by the changing composition of Turkish exports. By the Nineteen Nineties Turkey had become an internationally competitive producer of consumer goods, primarily textiles, but also appliances, ceramics and cars, all at the cheaper end of the market. This product package is well suited to the demands of the Middle East, with fast growing populations and limited purchasing power. As in the countries of the former Soviet-Union, Turkey seems to be finding a niche between the high-quality, high-price imports from Europe, Japan and the USA, bought by the affluent upper class and the low-price but poor quality domestic products available to the urban and rural poor.

Set against this background, how does the BSCC compare?

There is no doubt that growth has been significant. Turkish exports to the ten other members have grown by 271 percent over the five-year period and as a result, the BSCC share in total exports has gone up from 8.9 to 10.8 percent. This growth, however, is roughly in line with the overall growth of Turkish exports, somewhat higher than those to the EU (which, of course, started from an incomparably higher base), but lower than those to the new EU members or the Middle East. Economically, therefore, the integrative impetus of the existence

of the BSCC does not seem to have been very great. On the other hand, much of the original motivation for the founding of the BSCC had been political rather than economic, so how has the organisation fared on that score? Has Turkey been able to play its ascribed role as a model of a democratic free-market society to the countries of the region after the collapse of the Soviet-Union? Here too, the answer seems to be negative. Countries like Ukraine, Georgia and Azerbaijan are much more interested in economic integration with the EU directly, while they see integration with NATO in the field of security as a necessary guarantee against Russian ambitions. For Bulgaria and Romania, the door to the EU itself was opened. An incomparably greater prize.

In conclusion we have to say that the BSCC was a child of its times. It fitted Turkey's ambitions to become the economic powerhouse and political leader of the region in the Nineteen Nineties as well as the American desire to project Turkey's influence into the perceived power vacuum of the former Soviet fringe. It never developed into a real framework for economic or political integration, because more promising alternatives were available to the member countries. That Turkish exports to the region developed as they did seems to have been due more to the innate strengths of the Turkish industrial sector than to the BSCC.