



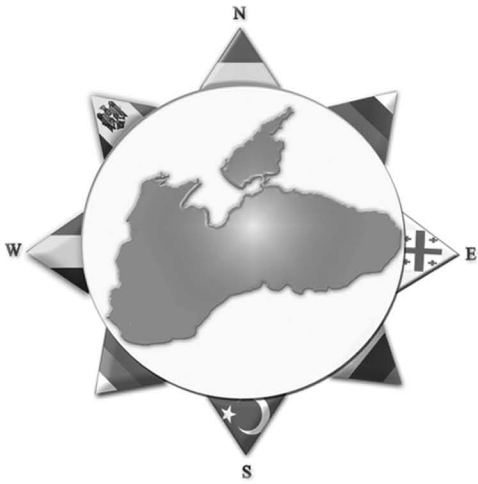
BLACK SEA SYNERGY



MATERIALS OF THE INTERNATIONAL
CONFERENCE ODESSA - ISTANBUL
21-23 OCTOBER 2007

KONRAD-ADENAUER-STIFTUNG • PAUCI FOUNDATION • ODESSA CITY COUNCIL
DELEGATION OF THE EUROPEAN COMMISSION TO UKRAINE
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Konrad
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**Materials of the International Conference
Odessa – Istanbul, October 21-23, 2007**

Compilation:

André Drewelowsky

Maik Matthes

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Nico Lange / Jan Piekło

From the Organizers

After our very unusual Black Sea Synergy conference on the ship between Odessa and Istanbul we now have solid ground again beyond our feet. The intensive and stimulating atmosphere of discussion, the most interesting formal and informal conversations, and our triumphant entry into the Bosphorus will surely stay in our memory for long.

When in April 2007 the European Commission published the discussion paper on Black Sea Synergy to launch a new cooperation initiative of the European Union for the Black Sea Region, we as the organizers felt that a conference like this would be needed to put some “flesh on the bones” of this very promising idea.

Our expectations have been met. Although the conference was organized in just a few months it was the first time that a prominent key group of experts of the Black Sea Region took part in an event like this. As participating policy makers, academics and civil society representatives confirmed towards us, the Black Sea Synergy Conference 2007 provided them with in-depth knowledge about the cooperation perspectives and obstacles in the region, a clearer view of challenges ahead as well as a first outlook into how the concept could be further developed strategically. We think that ground has been laid to build upon in coming months and years.

Nico LANGE/ Jan PIEKLO – From the Organizers

This publication brings together a range of opinions from different authors belonging either to the group of scientific experts or to the group of officials, politicians and decision makers. We would like to thank again everyone who took part in our endeavour on the “Yuzhnaha Palmira” and especially thank the authors of this book for their contributions.

Nico Lange

Director of the Ukraine Programme and Kyiv Office of the Konrad-Adenauer-Stiftung

Jan Pieklo

Director of Polish Ukrainian Cooperation Foundation PAUCI

Kyiv, December 2007

Ian Boag

Greeting on behalf of the European Commission

It is a great pleasure to be back here in Odessa. We – the Delegation of the European Commission – have worked a lot with the authorities in Odessa. We organized with them a very successful Europe Day in 2005. Our probably most successful and most high profile project – the European Union Border Assistance Mission – has its headquarters here in Odessa, and we have always had excellent cooperation. My only regret is that I am not able to accept all the invitations to come down here. I am very grateful to the organizers of this seminar for having taken this initiative. It was a very creative idea to organize it so soon after the Commission produced its paper.

When I came to Odessa the first time I was very impressed – I would have to say slightly surprised – to find the extent to which the city and the oblast of Odessa were in contact with groups and organizations inside the European Union. I think this in a sense is a symbol of what underlies the Black Sea Synergy. The word “synergy” is a curious one. I don't think I have seen it used before in the title of a European Union policy and I think that the word was chosen very deliberately because in relation to the Black Sea the European Union is not – as it often is in its contacts with other parts of the world – coming up with a brand new policy, with a whole new set of proposals for institutions, for actions and activities and budgets. What we are proposing in a synergy – as the word implies – is to build on what exists al-

ready and to bring this all into a coherent whole. Now the European Union by its nature supports regional groupings round the world. Any group of countries that show a desire to get together and work together sooner or later get the support of the European Union. A previous president of the European Commission said that regional groupings are the best way dealing with globalization. It is not possible to deal with globalization through single independent countries. Regional groupings which build on regional interests and regional capacities are a very good stepping stone to dealing with the problems thrown up by globalization.

With the countries of the Black Sea region the European Union already has what I would call specific and in many ways privileged relations. There is the case of Turkey which is negotiating its membership of the European Union. We have the countries of the European Neighbourhood Policy. We have the strategic partnership with Russia and of course we have two Member States which border on the Black Sea. So the European Union has a coastline on the Black Sea which was not the case before. I think it is worth making the point here that, although we do have from 1 January 2007, two new European Union Member States that are Black Sea countries, it is not the reason why the European Union has a policy towards the Black Sea. It is certainly an extra incentive that they will provide their knowledge which will be extremely useful to us but it is not simply because of this that we have suddenly woken up to have a Black Sea policy. It was the same in the past with regards to Latin America – the fact that Spain and Portugal joined the European Union was an incentive to develop our relations with Latin America, but was not the sole reason.

There is logic in the European Union having a Black Sea policy. The Black Sea finds itself in a strategic area at the junction between Europe, Central Asia and the Middle East. Our aim is to build first of all on the relations that we have with the individual

countries and the way those relations are going to develop. Almost the same time as we produced the paper on the Black Sea Synergy we produced a paper on strengthening the European Neighbourhood Policy which was an examination of how we can go further in the European Neighbourhood Policy. It is worth remarking since we are here in Ukraine that Ukraine has already done or is in the process of doing most if not all of those things that we suggested might be used to strengthen the Neighbourhood Policy. So in fact Ukraine – in spite of its well known hesitations about the European Neighbourhood Policy as a means of fixing relations between Ukraine and the European Union – has actually made extremely good use of the Neighbourhood Policy and I think it will continue to do so.

Our aim also is to build on the various institutions that exist already to deal with matters relating to the Black Sea area. There is the organisation of the Black Sea Economic Co-operation, there is the Baku process, and there are things like TRACECA dealing with transport, INOGATE which is a European Commission project dealing with energy. We will also look at areas such as fisheries, environment, scientific and technological cooperation, increasing Black Sea trade. We will be negotiating with our neighbourhood partners, starting with Ukraine, free trade agreements, and that will provide a powerful incentive to developing trade in the area. It is a curious feature in the regional groupings that we deal with, that trade between them and the European Union is usually far greater than the trade between their members. It is important to develop trade between the countries of this area.

The same is often true of communications. It is often much easier to fly from one country to Paris or London than is from one country to the neighbouring country in the region. This is something that we have to tackle. We have to bring the countries in this region into regional networks for communications, for energy, for transport, link them to the existing and developing

Ian BOAG – Greeting

networks in the European Union. We need also to promote what we call people to people exchange particularly starting with exchanges of university professors, university students, all of which are designed to create cooperation, mutual understanding and to break down the barriers.

Yaşar Yakiş

The Impact of Energy and Frozen Conflicts on Cooperation at the Black Sea Area

Introduction

The role that the Black Sea could play in the international politics transcends the limited geographical area of the coastal countries that surround it. Its role extends to Euro-Atlantic relations. It may affect the power balance in the Caucasus region, including countries like Armenia and Azerbaijan that are not riparian of the Black Sea. It may also affect the power balance further away in the Middle East. Furthermore, the Black Sea geographical area, which was virtually ignored during the cold war era, has now to be regarded as an integral part of the reconstructed Europe.

The Black Sea is important for the EU for several reasons: It is an important alternative route for energy and it is surrounded by spots of frozen conflicts. More important than these, it is a region of huge cooperation potential.

1. Black Sea as an alternative energy route

The search for an alternative route for energy consumed by the EU countries intensified when a disruption occurred in the gas supply from Russia to Belarus in January 2004 and to Ukraine in

January 2006. This caused subsequent disruption in the gas supply to EU countries.

A closer look at the present supply situation will give an idea of the importance of the subject. If we draw a north/south line in the eastern Black Sea, 70 % of the world energy sources lie east of this line and the major consumer countries west of this line. EU received in 2006 from the Russian Federation 400 million metric ton of oil equivalent of hydrocarbon or almost 1/3 of the consumption of EU-25. Current trends indicate that the EU will import 70 % of its energy in 2030 compared to 50 % now.

A document called "*The Road Map for the Common Economic Space*" approved at the EU-Russia Summit in May 2005 contains a list of general statements but is vague on specific concrete action to be taken.

EU-Russia Partnership and Cooperation Agreement expires at the end of 2008. In the absence of a community-wide cooperation, Russia may choose to cooperate bilaterally with the member states of EU. We cannot say whether this will happen. However, if it happens, its consequences are not easy to estimate.

In addition to these uncertainties, the Caspian Sea basin is emerging as an important energy source for oil and natural gas. Secure energy supply requires the diversification of both the supply routes and the sources of energy.

The 2004 and 2006 disruptions of the gas supply led the Russian Federation to look for alternative routes for its gas deliveries. It also led the recipient countries to diversify the sources and the routes of energy.

As a result of these developments, the importance of the Black Sea basin became prominent as an alternative route. Both the Black Sea itself and the territories of its riparian countries are

used as supply routes. Oil tankers carry huge volumes of crude oil through the Black Sea and Turkish straits to the western markets. In addition to the tanker traffic, there are existing and prospective pipelines to carry oil and gas in the region:

- a) A pipeline carrying Russian gas to Turkey through Ukraine, Moldova, Romania and Bulgaria is operational since 1988. Initially it had a capacity to pump 8 bm^3 gas per year. In 1996, this capacity has increased to 14 bm^3/y .
- b) A gas pipeline called *Blue Stream* crosses the Black Sea. This pipeline, laid on the seabed, has a capacity of 16 bm^3/y . The offshore part of it runs 3996 km – from a point south of Novorossiysk in the Russian Federation to the Turkish Black Sea port of Samsun.
- c) Talks seem to be under way for carrying crude oil by tankers from the Russian port of Novorossiysk to the Bulgarian port of Burgas and to pump it from there to the Greek port of Alexandropolis for further shipment towards the Western European destinations.
- d) Bakou-Tbilissi-Ceyhan oil pipeline: Inaugurated in 2006, it carries 1 million barrels crude oil per day that is to say 50 million tons per year.
- e) Kirkuk-Ceyhan oil pipeline: It has a capacity to carry 1.5 million barrel oil per day from Kirkuk to Turkey. It is operational since decades and continued to operate during the Iraqi war despite frequent disruptions due to explosions in the Iraqi territory.
- f) Bakou-Tbilissi-Erzurum gas pipeline that has become operational in July 2007 carries 6.6 billion m^3 gas per year.

- g) Iran-Erzurum pipeline is in service since 2005 and carries 10 billion m³ gas per year to Turkey.
- h) Egyptian gas pipeline has already reached the Syrian city of Homs on its way towards Turkey. It has 230 km – more to reach Turkish border.
- i) When the political and military situation stabilizes in Iraq, a gas pipeline could be laid from the gas rich northern provinces of Iraq to the Turkish national gas grid and from there to potential western recipients.
- j) These are incoming gas and oil pipelines to Turkey. As to the outgoing pipelines, a gas pipeline will be inaugurated next month, November 2007, between Turkey and Greece with an ultimate capacity of 11 bm³/y. Initially Greece will buy 700 million m³ gas per year and will increase this purchase to 3 bm³/y in subsequent years. The remaining 8 bm³ will be pumped to Italy. The pipeline will cross the Turkish-Greek border to northern Greece and from the Greek port of Igoumenitsa it will cross the Adriatic Sea to Italy.
- k) Another project called Nabucco is at the stage of planning. It will carry natural gas from Turkey to Austria through Bulgaria, Romania and Hungary. The capacity of this pipeline may be as big as 32 bm³/y.

The stability and security of a region ridden with that many pipelines and sea routes is naturally very important for the EU. Therefore the energy dimension of the Black Sea region is more important than many other dimensions.

2. Frozen Conflicts

There are several conflict zones in the Black Sea basin. It has become a tradition to call them *frozen conflicts*, but some of them are not entirely frozen since they break out again from time to time.

There are several common features in 4 frozen conflicts. One of them is that they all resulted from the dismemberment of the Soviet Union. Second, all of them are within the territory of the former Soviet Union. Third, the Russian Federation is the major player in all of them.

2.1 Trans-Dniester (or Transnistria)

The breakaway State of Trans-Dniester was born when the Soviet Union began to fall apart. The Moldovan territories that were on the left bank of the river Dniester were inhabited by mainly Russian speaking population while the population living on the Moldova proper spoke Moldovan and identified strongly with the neighbouring Romania. This frightened the Russian-speaking population of Moldova living on the left side of Dniester who felt a much stronger allegiance to Moscow. As a result of this, it proclaimed independence in 1990. The independence is not recognized by any country.

The sustainability of this territory as an independent State is questionable without the diplomatic recognition of the international community. Its annexation to the far away Russian Federation is neither easy nor practical. And a solution that will satisfy both the Russian Federation and the remainder of the international community is not yet at sight.

2.2 South Ossetia

South Ossetia was an autonomous *oblast* of Georgia in the Soviet times. Now the greater part of it is controlled by the government of the *de facto* independent South Ossetian Republic which is not recognized by any country.

A cease-fire is monitored by a Russian dominated military force whose neutrality is questioned from time to time. However the EU did not show eagerness to share or take over the task of monitoring from the Russian forces.

In April of 2007, the Georgian government created for this territory of 70,000 inhabitants a temporary administrative unit (*Provisional Administrative Entity of South Ossetia*). It is headed by ethnic Ossetians and it will enable Georgia to administer the region through local leaders and to negotiate with Ossetian authorities regarding its final status.

On 6 December 2006, the OSCE Ministerial Council in Ljubljana adopted a resolution supporting the Georgian peace plan which was subsequently rejected by the South Ossetian *de facto* authorities. One can guess that the Ossetian authorities could not do it without the support of the Russian authorities.

2.3 Abkhazia

Abkhazia is recognized as an autonomous republic of Georgia. It has a population that dwindled from 550,000 in 2002 to 190,000 in 2007. Only 18% of this population is Abkhazian. The secessionist movement of Abkhaz ethnic minority declared independence from Georgia in 1992. An armed conflict broke out in 1992 and 1993 between the *de facto* independent entity and Georgia. With the military assistance of the Russian army the Abkhazians forced the Georgian army to retreat and it resulted in an ethnic

cleansing and mass exodus of Georgian population from Abkhazia.

The complicated nature of the conflict and of the region may be observed in the fact that Abkhazia is supported by Russia, but it also receives help from Chechen fighters, their traditional allies but at the same time the sworn enemies of the Russians. Still more strange is that Chechens who are helping separatist Abkhazians improved their relations with Georgia to such an extent that the Russian Federation accused Georgia for allowing Chechen fighters to take refuge in the Georgian controlled Pankisi valley in South Ossetia

A cease-fire was agreed in 1994 and a Russian dominated force is monitoring the cease-fire. The sovereignty dispute is far from being resolved. Only less than 17% of the territory is controlled by the *de jure* government of Abkhazia and the remainder by the Russian backed separatist government.

The Russian Federation extends various types of assistance to Abkhazians with a view to bringing them closer to Russia.

South Ossetian and Abkhazian conflicts affect negatively the relations between the Russian Federation and Georgia.

2.4 Nagorno-Karabakh

This geographical region was an *oblast* within the territory of the Republic of Azerbaijan during the Soviet era. It has around 190,000 inhabitants. It is officially part of the Republic of Azerbaijan. It declared independence on 10 December 1991, but it is not recognized by any country including Armenia. However Armenia does not recognize its being part of Azerbaijan either, claiming that the region declared independence at the same time that Azerbaijan became an independent state and that both of them are equally successor states of the Soviet Union.

This approach contradicts several international resolutions:

- Three UN Security Council Resolutions (853, 874 and 884) and two UN General Assembly resolutions 49/13 and 57/298 refer to Nagorno-Karabakh *“as a region of Azerbaijan”*.
- A Council of Europe resolution states that *“the territory of Azerbaijan includes the Nagorno-Karabakh region.”* Another Council resolution states that *“considerable parts of the territory of Azerbaijan are still occupied by Armenian forces.”* The resolution further states that *“the occupation of foreign territory by a member State constitutes a grave violation of that State’s obligations as a member of the Council of Europe”*.
- The EU declared that *“it does not recognise the independence of Nagorno-Karabakh. The European Union cannot consider legitimate the 'presidential elections' that were scheduled to take place on 11 August 2002 in Nagorno-Karabakh”*.
- The US State Department issued a Report where it stated that *“Armenia continues to occupy the Azerbaijani territory of Nagorno-Karabakh and seven surrounding Azerbaijani territories”*.

Despite this unequivocal position of all major international organisations, no concrete step is taken to resolve the dispute. Azerbaijan is steadily progressing in its way to become an oil rich country and a country that will be able to allocate more money for defence. Therefore, if we presume that Armenia has to withdraw sooner or later from the occupied Azerbaijani territories, the delay in the solution of the conflict may make Armenia’s job all the more difficult.

Nagorno-Karabakh is the core of the conflict, but it has more ramifications: Armenian forces occupy seven provinces in Azer-

baijan proper and one million Azeris or one fifth of the population are evicted from their homes and became internally displaced persons.

Without the Russian support Armenia has no capacity to sustain this occupation. In 2006, Russia published a *Great Encyclopedia* in 63 volumes, which described Nagorno-Karabakh as an independent entity that belonged “historically” to Armenians. This is like saying that the territories between Moscow and the Black Sea belonged “historically” to the Golden Hordes.

Each one of the frozen conflicts enumerated above is shaped by different parameters. The solution applicable to one of them may not be valid for another one. However we may say that 1) the political will of the major players is not strong enough to place these conflicts high on the agenda; 2) progress cannot be expected to resolve these conflicts without the cooperation of the Russian Federation.

3. Black Sea as an Area of Cooperation

The role of the Black Sea region as an energy corridor and the frozen conflicts make it an important region from the military standpoint, but it also offers huge potentials for cooperation both in military and economic fields.

3.1 The importance of the region from the military standpoint

After two of the riparian countries of the Black Sea have become members of NATO and EU, the security and stability of the region has become a Euro-Atlantic issue at the same time. Other developments such as 9/11, the Iraqi war and the uranium enrichment program of Iran made the region all the more important. As far as the security is concerned, we may talk of risks

rather than threats in the Black Sea region. It is not beyond the capacity of the riparian countries to cope with these risks. There are two indigenous initiatives to address such risks: Blackseafor and Operation Black Sea Harmony. These initiatives are based on two pillars:

- The ultimate goal of the initiatives is to attain all littoral countries of the Black Sea.
- The maritime security of the region should be complementary to the Euro-Atlantic security system, because the maritime security is indivisible.

These two initiatives are recognized at present as major security providers in the Black Sea maritime area.

3.1.1 The BLACKSEAFOR

Originating from a Turkish initiative BLACKSEAFOR (Black Sea Naval Cooperation Task Group) was created in 2001 with the participation of all the littoral states. It aims at contributing to friendship, good relations and mutual understanding in the region through enhancement of cooperation and interoperability among the naval forces of the littoral states. Operations and tasks of BLACKSEAFOR range from counter-terrorism to search and rescue, humanitarian assistance, environmental protection, mine-counter measures, goodwill visits and any other task to be agreed by all parties.

All littoral states of the Black Sea have the common understanding that the security in the Black Sea constitutes vital importance for the littoral states and that, therefore, they should take primary responsibility for the maintenance of peace and stability in the area through engagement of their common assets and

capabilities. BLACKSEAFOR is an instrument in place that can be used for the achievement of this objective.

Currently, with a view to better responding to new risks to security, BLACKSEAFOR is undergoing a transformation process.

3.1.2 Operation Black Sea Harmony

This initiative was launched by Turkey initially as a national operation to deter, disrupt and prevent the threat of terrorism and illicit trafficking in weapons of mass destruction, their means of delivery and related materials in the Black Sea. The operation is now open to all Black Sea countries. Russian Federation and Ukraine have already joined the operations of the *Black Sea Harmony*. The aims of these operations are to:

- demonstrate naval presence;
- exchange of information on suspected merchant vessels;
- conduct reconnaissance operations and
- trail or shadow suspected merchant vessels.

The operation consists of regular patrols with frigates and patrol boats in pre-defined surveillance areas in the Black Sea. Helicopters, submarines, maritime patrol aircraft and coast guard vessels assist in this activity.

The Operation Black Sea Harmony is conducted in cooperation with the ongoing NATO *Operation Active Endeavor* in the Mediterranean.

In addition to these initiatives, a meeting was held in Istanbul in 2006 with the participation of the coast guards commanders of the littoral countries. During this meeting they signed a document under the title of "*Agreement on Black Sea Coast and Border Guards Cooperation Forum*".

There is also an initiative launched by Bulgaria. It is the creation of an institution called *Black Sea Border Coordination and Information Centre*. This *Centre* was established in Burgas in 2003 and is aimed at the maritime security of the littoral coastguards.

3.1.2.1 Montreux Convention

There is an international Convention signed in 1936 in Montreux, Switzerland, that limits the tonnage of the military vessels that non-littoral countries of the Black Sea would be allowed to keep in the Black Sea. The provisions of this Convention should not be perceived as an obstacle to cooperation with non-littoral countries. It is rather meant to preserve a military balance for the stability in the Black Sea. The most important provisions that limit the tonnage of the military vessels of the non-littoral countries could be summarized as follows:

- The aggregate tonnage of the vessels of the non-Black Sea Powers shall not exceed 30,000 tons.
- This upper limit may be increased to 45,000 tons in case the tonnage of vessels of one of the riparian countries exceeds at least by 10 tons the tonnage of the Soviet fleet in the Black Sea (the reference to the Soviet fleet is formulated as "*the tonnage of the strongest fleet at the time of the signature of this Convention*").
- The tonnage which any one non-Black Sea Power may have in the Black Sea shall be limited to two-thirds of the aggregate tonnage of the all other non-riparian fleets present at a given time in the Black Sea.

3.2 Black Sea as an area of economic cooperation

The complementarities between the economies of countries surrounding the Black Sea offer this region enormous potential for cooperation. The cooperation initiatives in the military fields are explained in the previous chapter. As to the cooperation in the economic field, the most concrete initiative in this area is the establishment of the Black Sea Economic Cooperation.

3.2.1 The Black Sea Economic Cooperation (BSEC)

The establishment of the Black Sea Economic Cooperation (BSEC) was the very first initiative to capitalize on the new parameters that were emerging in the region after the fall of the Soviet Union. BSEC was established on the idea that stronger economic cooperation among the Black Sea countries would enhance stability in the region by helping the member states to achieve sustainable economic structures. Thus, its institutional framework was set up with the underlying motive of integrating the region into the world economy. Taking economic cooperation as a common denominator, the founders of the organization had the far-reaching objective of turning diverse approaches in the region into a common understanding of peace, stability, democracy and the spirit of conciliation. In this context, BSEC has come a long way towards helping the member states' ongoing process of transformation.

It cannot be claimed that BSEC has met all the expectations in its 15 years of existence. However, a new spirit of cooperation has started to emerge between the member states. Several reasons might explain why BSEC could not achieve the desired level of effectiveness in its initial phase:

- a) Frozen conflicts in the region are perhaps the most important reasons.

- b) Lack of concrete, project-based achievements, which would have made BSEC more meaningful to all concerned; and
- c) Failure to draw up attainable short-term strategies, which might have given the organization more visibility and credibility.

These shortcomings could be attributed to the fact that BSEC was the first example of an institutionalised and widely inclusive multilateral cooperation platform in the Black Sea region consisting of member countries with divergent economic and social experiences, as well as different visions and agenda for their future.

Consequently, a total consensus on the side of the members could not easily be reached with regard to their expectations from the organization. However, recently, the organization has achieved a visible degree of progress with the common efforts of all its members. This is due to a growing understanding among the members on the essentiality of BSEC, as a regional cooperation platform and a common determination towards shifting to a project-oriented and result-based approach within the organization. These facts demonstrate that in its fifteen-year evolution process BSEC has been able to gather its members around common ideas, goals and policies that, itself, is sufficient proof of the success of the organization.

The growing local and international interest in the Black Sea region imposes on BSEC the obligation to play a more active role and the re-emerging spirit of cooperation between the members gives the BSEC the chance to respond positively to new opportunities and challenges.

The BSEC area includes a population of 330 million inhabitants and a territory of 20 million square kilometres with dynamic human potential and rich natural resources including oil and natural gas.

The BSEC needs to be restructured to ensure a more effective decision-making mechanism as well as due and rapid implementation of the decisions taken at the top level. This restructuring cannot be achieved by amending the regulations or by adopting a number of decisions. Instead, BSEC should be transformed into an organization with a certain degree of flexibility to be able to respond quickly to new challenges in an ever-changing global environment.

Deepening of existing cooperation with other organizations, such as OECD and UNDP, and effective implementation of ongoing partnership projects should also be regarded as a priority.

Another main pillar is the endorsement of a sector-by-sector approach, which will also correspond with the project-oriented vision that BSEC has recently adopted. At the level of a given sector, priority should be given to making further progress in the fields of trade and investment, transport, energy, environment and combating organized crime. A brief outline of the strategy to be followed in some cooperation areas are provided below:

3.2.1.1 Energy

This is one of the main areas of cooperation, but this subject is discussed in detail in the previous paragraphs.

3.2.1.2 Transport

Recently, the BSEC has witnessed a considerable degree of progress in the field of transport. Concrete steps have to be made to materialize the Black Sea Ring Highway and Motorways of the Sea, which will further deepen the cooperation between the major ports of the Black Sea, to preserve the momentum of cooperation achieved in this field.

3.2.1.3 Trade and Investment

There is a huge potential for trade between the Black Sea countries, which have complementary economic structures. Therefore, trade and investments among the BSEC countries should be made easier by taking further steps on issues such as visa facilitation, elimination of non-tariff barriers and further interaction between the business communities of member countries.

Another important step for trade facilitation will be the elimination, to the extent possible, of the non-tariff barriers.

3.2.1.4 Combating Against Terrorism and Organized Crime

Terrorism and organized crime have become major sources of concern for all over the world including the Black Sea region. The trans-national nature of issues such as terrorism, illegal migration, trafficking in human beings and drug make the cooperation between the law enforcement authorities inside the region more and more essential to overcome this common threat.

3.2.1.5 Raising Awareness of a Common Black Sea Identity

One of the most important missions of BSEC is raising awareness of a common identity among the peoples of the Black Sea that, despite their own diversities, have historical, social and cultural ties. Underlining these common values will help create an environment of understanding in a region where the search for stability, peace and prosperity has always been the priority.

3.2.1.6 Environment

Environmental problems are characterized by their international nature, as well as by their increased complexity and interrelation with other socio-economic factors. Problems, such as water and air pollution, generation of solid and hazardous waste, soil degradation, deforestation, climate change and loss of biodiversity cannot be contained within political borders. The degradation of the environment of the Black Sea region calls for an urgent and consolidated action from the BSEC members. The environmental problems of the Black Sea are inextricably linked to those of the Mediterranean and need common approach with the countries of the Mediterranean basin.

Conclusion

The Black Sea basin is a region full of opportunities but full of challenges as well. The frozen conflicts constitute an obstacle for the full utilisation of these opportunities. The littoral countries are the first to benefit from these potentials.

After Bulgaria's and Romania's accession to NATO and EU, the Black Sea has become an area of direct interest for the West. However, any action that does not take into consideration regional balances and sensitivities is likely to fail.

Mihail E. Ionescu

“Frozen” Conflicts and the Security Environment in the Greater Black Sea Area

Introduction

The security environment in the contemporary Black Sea region is a complex and multi-leveled one, as a consequence of the troubled historical inheritance of this area and the heterogenous nature of risks and threats.

With the end of the Cold War, more than 16 years ago, the huge risk of a nuclear confrontation between the superpowers was moved away and the Black Sea ceased to be a Soviet lake. Nowadays, it is believed that the Greater Black Sea Area’s future depends not only on the structural and material determinants of the security architecture but also on the building up of a common identity and a common strategic culture.

Among other initiatives, the Regional Stability in Greater Black Sea Area Working Group (RSGBSA-WG), under the aegis of the PfP Consortium of the Defense Academies and Security Studies Institutes, has been created in 2006, in order to enhance the spirit of cooperation and good understanding among the Black Sea peoples. The Institute for Political Studies of Defense and Military History, Bucharest, provided the secretariate of the group and is involved in its activities. The educational side of the RSGBSA-WG activity is very important, because the decision-

makers, the academics and public opinion should be aware of the huge transformations brought by the revolution in military affairs and the evolutions within the region. The RSGBSA-WG is able to provide policy analysis and assistance to leaders dealing with the current and future security challenges in the Black Sea region. Through education, a common security and strategic culture could develop in the region and create a sense of common regional identity.

But the solving of the frozen conflicts needs above all a strong political commitment towards multilateralism and confidence building among rival parties, the acknowledgement that without mutual compromise there is no available solution. A solution that satisfies only one party is not a good and durable one because the conflict would endure and affect the future generations.

1. The nature of security risks

There are two kinds of security risks: conventional and unconventional ones. The so-called “frozen conflicts” have a dual nature: on one side they are “conventional” ones because they involve hostile states (one state which supports a secessionist movement in another’s territory) and, on the other side, they are also “unconventional” because the separatists usually organize themselves in transnational networks and they survive using organized crime fluxes and other illegal activities¹.

In fact, the recent past brought some forms of hostile interactions between states in the region, turning around these so-called “frozen conflicts”. Traditionally, Russia has been accused by Moldova and especially by Georgia of feeding the ethnic sepa-

¹ Olga Savceac, “Transnistria-Moldova Conflict, ICE Case Studies”, No. 182, May, 2006 <http://www.american.edu/ted/ice/moldova.htm>.

ratism on their territories². Until now, neither Moldova nor Georgia or Azerbaijan managed to resolve these conflicts. But, more interesting, there is no consensus, even among the experts and politicians from involved countries, on the exact identity of the contending actors. For example, in the Republic of Moldova one point of view stands that the real conflict is between Moldova and Russia and not between Moldavians and Russians, therefore the issues of ethnic conflict is denied and that of geopolitics is overemphasized³. In Georgia also the general impression of most of the public opinion and leadership is that the real conflict is between Russia and Georgia where Abkhazs and Ossetians are seen as proxy of Moscow. Of course, Tbilisi doesn't recognize the quality of “peace-keepers” for the Russian forces standing between Georgians and the separatist territories⁴. To put it in a more objective way, the ethnic tensions and conflicts have been instrumentalized by foreign actors willing to fulfil their strategic and geopolitical wishes, in a zero-sum game against the affected states.

2. The Kosovo case

More than that, the existence of the extremely difficult situation in Kosovo creates a sensitive context in the case of these Black Sea area conflicts. The “Kosovo case” has been used especially by the separatist leaders in Transnistria, Abkhazia, South Ossetia as a test case for the successful territorial secession of a terri-

² “Moscow Offers Political Shield for the Tiraspol Regime”, November 1, 2005, http://www.bbc.co.uk/romanian/news/story/2005/10/051030_voronin-rusia.shtml.

³ Vladimir Socor, “Kozak Plan Resurfaces under OSCE Colors”, July 14, 2005, http://jamestown.org/edm/article.php?article_id=2370007.

⁴ Molly Corso, “Georgian-Russian Relations Continue to Deteriorate”, December 7, 2005, <http://www.pinr.com/>.

tory within a state⁵. Even Russian president Vladimir Putin has repeatedly warned that a successful separation of Kosovo from Serbia could be the first step for the creation of new states in Transnistria, Georgia and Karabakh. But some experts in Russian studies contend that in fact the independentist move of Kosovo and the Black Sea-Caucasus territories is not good for Russia because it has its own separatist movements in the Muslim South, especially Chechnya. For Vladimir Putin, it seems that both scenarios for Kosovo are good. In case this province would stay within Serbia, Moscow would be rewarded for its strong support for Belgrade, while in case of successful separation and statehood making, Russia will claim the right for the so-called “states” Transnistria, Abkhazia and South Ossetia to become independent states.

From a Romanian point of view, things are very complex and sensitive. Traditionally, Romania is in favour of keeping Kosovo within Serbia, and some analysts remarked that this stand puts Romania in the same camp with Russia but also with some other EU states: Greece, Spain etc. Bucharest, Athens, Madrid have an obvious interest in the territorial status quo, as these states have their own ethnic-religious minorities and could be threaten by secessionist movements. Bucharest usually invokes the international law principles which guarantee the independence, sovereignty and territorial integrity of all the states⁶.

So, Romania has its own vision and interests in Kosovo but should also contribute to the formation of a EU common foreign

⁵ Andrew Rettman, “Kosovo issue inflaming separatism in EU neighbours”, 24.02.2006, www.euobserver.com.

⁶ “Discourse of the Romanian president Traian Băsescu at the annual meeting of the Romanian ambassadors and consuls”, September 3, 2007, http://www.presidency.ro/?_RID=det&tb=date&id=9099&_PRID=ag.

policy in the Balkans as well as in the GBSA. Therefore, it is possible that Bucharest will eventually agree with the predominant point of view within the EU in order not to split the internal coherence. If this happens, it will represent a real departure from the traditional diplomatic tradition of our country and a sign of “postmodernity” in the sense of overpassing states sovereignty’s sensitivity.

Certainly, the former Soviet space represents a challenge and an opportunity for the European Union and its member states, taking into consideration the geographic proximity, political, economic and cultural ties and the need for an integrated management of the European and Eurasian security. It is obvious that the relations between the European Union and the former-Soviet states developed since the end of the Cold War, in direct connection with the evolution of the Common Foreign and Security Policy of the EU. Romania came into the EU, in January 2007, bringing also a historical record and some specific perceptions and interests concerning Russia and CIS states. The EU member states should understand Romanian sensitivity, as well as the Polish, Baltic states’ sensitivity, and find a common position on these issues with Russia.

3. EU and the Black Sea states

Nobody could deny the fact that the EU is already part of the GBSA, as it has among its members Romania and Bulgaria. But even before being a Black Sea strategic player, EU tried to get actively involved in the former-Soviet space. The legal base for these relations was represented by the Partnership and Cooperation Agreements (PCAs) that EU offered to the newly-independent states, members of the Commonwealth of Independent States (CIS), and, in the case of Russian Federation and Ukraine, the Common Strategies for individual countries (in

1999). The PCA between EU and Russia will be automatically prolonged even after 2007 on an annual basis – unless either side withdraws from the agreement. One should also know that, on the occasion of the St. Petersburg Summit in May 2003, the EU and Russia agreed to reinforce their cooperation by launching four ‘common spaces’ in the framework of the Partnership and Cooperation Agreement.

The geographical proximity of these Black Sea states made the EU very interested in the security related issues, given the fact that these new states experienced serious domestic and even foreign policy troubles. Beyond the fact that the democratization process and the establishment of a real market-economy did not work well, there were problems related to the viability of these nation-states, often multi-ethnic and/or pre-modern in their socio-economic structures, which emerged after the collapse of the Soviet Union.

The EU already has a strategy for the direct neighbourhood, through the European Neighbourhood Policy, the Barcelona Process and now the Black Sea Synergy. Therefore, EU gradually assumed the task of managing and supporting the political and economic transformation of the newly-independent states by promoting the market-economy, democracy, increased border security and the rule of law. But Brussels, in spite of its good will and generous intentions, generally lacked a coherent common strategy for the post-Soviet space, as its CFSP still was in construction and it did not want to upset Russia, which has strong interests in the region.

The difficulties generated by this huge challenge were both domestic and external in their nature. Domestic because the structural/institutional cohesion of the CFSP was relatively weak, at the beginning of the nineties, and the European traditional powers had their own perceptions and interests in the eastern area.

The EU enlargements in May 2004 and January 2007 represented an enhancement of this problem, keeping in mind the fact that 10 of the 12 new members are former communist countries and they have their specific and traditional relations, not always very positive, with the eastern neighbours⁷. Poland and the three Baltic states already reacted angrily to some Russian activities like the North Stream pipeline project and the future EU-Russian bilateral treaty. In fact, these new member states managed to block the signature of such a treaty as the old agreement expired. On December 1, 2007, the Partnership and Cooperation Agreement (PCA) between the European Union (EU) and Russia had its 10th anniversary and expired.

According to one school of thought, in the external realm, EU had to deal with a volatile and tensioned geopolitical environment, strongly determined by Russia’s tendency to re-create its traditional sphere of influence, in its direct neighbourhood.

The so-called “frozen conflicts” constitute a blow for the success of the EU’s neighbourhood policy. As the EU clearly wants to stabilize the region and eliminate the insecurity sources, it has the interest to eliminate these conflicts which create the risk of inter-state wars and forced immigration waves.

EU decision makers eventually understood that these frozen (encapsulated) conflicts were inherited from the communist era and that a durable resolution needed not only an acceptable compromise between local contenders, but also a geopolitical deal among the regional and great powers, the international organizations. The reasons to become involved in these issues were not only related to security, but also to the humanitarian and economic dimensions. It is obvious that without Russian agree-

⁷ See especially Nicu Popescu, Mark Leonard, “A Power Audit of EU-Russia Relations”, *Policy Paper*, European Council on Foreign Relations, http://ecfr.3cdn.net/456050fa3e8ce10341_9zm6i2293.pdf.

ment, the EU and the Black Sea states cannot definitively solve the “frozen” conflicts.

European public opinion progressively became more sensitive to the fate of Chechens killed by Russian troops, of the dead and refugees in Georgia’s South Ossetia and Abkhazia and in Nagorno-Karabakh, pushing their governments to take some steps in order to support a resolution of these conflicts. Because EU lacked perfect diplomatic cohesion and adequate military means to play a significant role in this “game”, its preferences have turned to the economic and political realms. The former-Soviet states negotiated individually with the EU the ‘Partnership and Cooperation Agreements’ whose main objectives were to set up a new trade regime with these states, to institutionalize political relations for an improved co-operation, to establish objective conditions concerning the progress of the countries concerned in terms of political and economic reform.

But the existence of the already-mentioned “frozen” conflicts is also a huge problem for the states which are the subjects of these conflicts. Moldova, Georgia, Armenia, Azerbaijan are willing to integrate the EU and, some of them, also NATO but it is well known that these organizations do not accept as members states with existing territorial conflicts with neighbours. In order not to make Russia’s separatism game, US authorities often claimed that the existence of the separatist conflicts in Georgia will not hamper the chances of these states for future NATO membership. As a proof of gratitude, the government in Tbilisi agreed to enhance the size of Georgian troops operating in Iraq. At a moment when even UK, the closest friend of the US, decided to withdraw some of its forces from Iraq, the Georgian behaviour did not pass unnoticed in Washington.

The EU is not a unitary foreign policy actor in its relations with Russia and often Moscow played on the divisions of the European

states. But there are some states which understood that the Russian policies in Moldova and Georgia prevent the resolution of these conflicts.

The main problem faced by EU in relations with the former Soviet states is that the PCAs, unlike the Stabilization and Association Agreements (SAAs), were not offering to the countries involved the prospect of European membership, through the fulfilment of the ‘Copenhagen criteria’ and the implementation of the *acquis communautaire*. The new neighbourhood agreements which entered in vigour do not ensure the future EU membership for the Eastern states. Compared with the East-Central European countries, which worked hard to resolve their domestic (communitarian) conflicts in order to ease their European integration, the eastern belt’s states let themselves driven by domestic considerations and by consensus-building among the relevant domestic interest groups. In the same time, some of the contenders in the conflict situations received support from Russia and/or other neighbours. Therefore, the partial resolution of these conflicts reflected not a consensus, a fair deal between stake-holders, but the military power rapports on the battle fields. The balance of power logic is obvious in the actions of the separatist entities which formed a de facto “bloc” for coordinating their moves against their foes (the states suffering from separatism), and tried even to find the right to express themselves at the UN General Assembly! On the other side, Moldova, Georgia and Azerbaijan also coordinated their policies in some important matters, declaring solidarity against separatism and what they called the Russian threat.

The former-Soviet space was characterized by the existence of a security vacuum, a reality which favoured political turmoil in some of the most fragile states and the outcome of this situation is the existence, nowadays, of some important frozen conflicts on the eastern flank of the enlarged European Union.

4. Different visions and interests

If Moscow wants to keep Moldova in its sphere of influence and prevent any westernization, Romania wants Moldova to become part of the EU. Therefore, Romanian and Russian visions and interest in theory are colliding in an obvious way. This is the reason why since three years our diplomacy is trying to associate Moldova with the Balkan states which are in the EU integration cards. Bucharest wants the Transnistria conflict to come to an end. It does not push Moldova to give up Transnistria nor to adopt more aggressive policies toward Russia. Bucharest simply wants the EU to become more involved in the resolution of this conflict and a more direct role for itself vis-à-vis the fate of Moldova as a European state. From a Romanian point of view, the logical strategy for solving the conflict in Transnistria would be a multilateral negotiated solution, with EU and USA having the same power as Russia. It is not enough that EU and US are active observers, as they were granted this status in 2005. They should have the same status like Russia, OSCE and Moldova. At the same time, it is not normal that the secessionist and illegal Transnistria (from the point of view of international law) had the same right to negotiate as Moldova, the sovereign and recognized state. The Russian forces who survey the “borders” between Transnistria and Moldova should be replaced by EU forces, or EU-OSCE forces, because the Russian troops are no credible peace-keeping forces.

In the future, Romania and Russia should play a different game, not a zero-sum game but a win-win game.

In June 2007, Paula De Sutter, a US State Department’s senior official, stated that there is a need for a multinational force which could replace Russian troops based in Moldova's separatist

Transnistria region in defiance of the Moldovan government⁸. As Russian President Vladimir Putin some months ago announced a moratorium on observance of the CFE treaty and threatened to withdraw altogether if the United States and other NATO members did not ratify it soon, the US and EU should stay firm and ask Russia to accept this international peace-keeping force in Moldova as soon as possible, while Moscow should be constantly remembered that it has committed itself in 1999 to withdraw all its forces and armaments from Moldova.

5. Romania's eastern policy

Romania is currently in a process of conceiving and refining its “eastern” policy, in its quality of an EU state, more precisely a border state. Romania received enough signals from Brussels that the EU is waiting Bucharest to assume an increasingly assertive political, diplomatic and economic role within the ENP and especially within the Black Sea Synergy. Worth to remember that former foreign minister M.R. Ungureanu, in January 2007, at the CAGRE reunion, had proposed the setting up of a Black Sea dimension within the EU's CFSP, following the “northern” dimension model launched more than 7 years ago by Finland, Denmark and the Baltic states (in their quality of states aspiring to EU membership). Ungureanu also spoke of a “Bucharest process” after the Barcelona Process model⁹. The Romanian diplomacy's initiative referred to strengthening EU ties with Moldova, Ukraine, but also with Georgia, Armenia and Azerbaijan. As a NATO member, Romania supports some of the Black Sea states

⁸ “US Pushes for Peace Force in Moldova”, June 5, 2007, *International Herald Tribune*.

⁹ Adrian Lungu, “Romania officially asks an EU policy for the Black Sea”, January 24, 2007, http://www.euractiv.ro/uniunea-europeana/articles%7CdisplayArticle/articleID_9243/Romania-cere-oficial-o-politica-UE-pentru-Marea-Neagra.html.

to implement the IPAPs and to try to get MAPs from NATO as a decisive step for membership.

The *National Security Strategy of Romania* (2006) is speaking clearly about the huge risks and threats posed by the existence of regional conflicts and military crisis in the EU’s neighbourhood. NSS asserts that “the security regional cooperation, materialized in the existence of numerous organizations, gives the opportunity to improve the common mechanisms for assessing the strategic environment, for identifying a common agenda for risks and adequate instruments for managing crises”. The NSS mentions that there are “asymmetric risks and conflict points” in the Black Sea area. The frozen conflicts are called “separatist” conflicts.

“The Black Sea region is the richest area of Europe in separatist conflicts, tensions and disputes”. All these tensions are depicted as serious threats to the security of the region and they bring the danger of the break out of violent confrontations. The Black Sea states must, according to this document, refraining from any support for these separatist, terrorist or criminal forces. NSS spoke also of the military forces that are “illegally stationed” on the territories of other states, without explicitly mentioning Russia¹⁰.

This approach is totally compatible with the recent EU’s *Black Sea Synergy* document. The EU text stated that “the Commission advocates a more active EU role through increased political involvement in ongoing efforts to address the conflicts (Transnistria, Abkhazia, South Ossetia and Nagorno-Karabakh) and has proposed that the EU should also look at ways of enhancing its participation e.g. in monitoring. Black Sea Synergy could offer one means of addressing the overall climate by tackling the un-

¹⁰ National Security Strategy of Romania, 2006, <http://www.presidency.ro/static/ordine/SSNR/SSNR.pdf>.

derlying issues of governance and lack of economic development, lack of social cohesion, of security and of stability. Special attention must be paid to promoting confidence-building measures in the regions affected, including cooperation programs specifically designed to bring the otherwise divided parties together.”

The future of the Black Sea security environment cannot be predicted but it will probably be shaped by the power and security competition between a recovering Russia, based on its military might and energy resources, and a West which is expanding its influence to the East. The fate of the “frozen” conflicts will be negotiated among the power centers involved in the strategic “game” in this valuable region called the GBSA. Romania, as a part of the Western world, should act solidarily with the countries within EU and NATO, and press for a rapid and durable resolution of these conflicts.

Gayane Novikova

The South Caucasus as a Part of the Wider Black Sea

Introduction

During the recent decade, the aims of the activity of the Euro-Atlantic structures have been the following:

- to provide for an impeded supply of energy resources from the Caspian to Europe for some diversification of the Russian energy resources;
- to create an insurmountable buffer zone for the unconventional threats, coming from the Middle East;
- to slow down the process of crystallization of the Islamist moods in the Muslim communities inside Europe;
- to promote the ongoing development of the post-Soviet states as the best possibility for securing their predictability and loyalty to the West.

Thus, the region of the Wider Black Sea, on the one hand, has become a result of materialization of the idea of creating some acceptable frameworks for cooperation of the bordering states of the EU with their immediate neighbours both on the economic and political levels. This region creates new opportunities for the states that have been included in it, some of them being completely European, and the others – Turkey and the three South

Caucasian states – have dual regional identity. In addition, Russia and Turkey consider themselves as Eurasian states.

On the other hand, there is an objective desire of the states of the Wider Black Sea, having united, to use all advantages of their first of all geographical position for development of economies of their states, and for getting serious political dividends in the future. For the vast majority of the Wider Black Sea states the main task is to create an internal counter-balance to, conventionally, the Old Europe, to work out political and economic mechanisms, which would allow them to play the increasing role in the Eurasian continent. After joining the EU by Bulgaria and Romania, new configurations within that all-European structure is becoming more effective.

In addition, the format of the Wider Black Sea seems quite attractive for a number of post-Soviet states, considering it as a jumping-off structure for the direct participation in the EU.

Since January 2007 the South Caucasus *de jure* and *de facto* should be considered as the formal neighbour to the European Union.

The South Caucasian states, within the Wider Black Sea, have found themselves at one of such a phase of development when they can acquire *subjectness* as one of the flanks of the European security system.

South Caucasus as a part of the Wider Black Sea

At the same time it is the South Caucasus that is becoming a bridge between the Wider Black Sea and the Greater Middle East, attaching an inter-regional status to the whole Black Sea region.

Conventionally for the West as a whole, which has already tackled “its” Balkan conflicts, the South Caucasus is seen as quite an unstable and problematic periphery, taking into account the availability of three of four ethno-political conflicts of the Black Sea region, uncontrolled illegal migration and the use of this area as a transit zone for illegal trade with arms, drug traffic, trafficking and smuggling. The last point refers to a less extent to Armenia, and greater extent – to Georgia and Turkey.

However, the functional importance of the South Caucasus is increasing along with the West’s intention to secure:

- alternative sources of energy and the ways of its supply;
- prevention of resumption of military actions in the immediate closeness to its borders;
- predictability of the political behaviour of Armenia, Azerbaijan and Georgia by means of support to continuation of democratization processes in these countries;
- at least their loyalty in case of escalation of the crisis, related to Iran (is more relevant to the USA).

The main mechanism for keeping a relative stability in the South Caucasus, according to some European states and partly United States, is inclusion of the South Caucasian states into the New Neighbourhood Policy of the European Union. Europe, first, is trying to unify its approach to the South Caucasian states, proposing some pattern, i.e. the Action Plan within that program; second, unifying its efforts with the USA, Europe is in consistent search for some frameworks, within which it could achieve at least a minimal interaction of the three completely different states on the sub-regional level.

Engagement into the ENP is something like a *carte blanche* for Armenia, Georgia and Azerbaijan, but the essence is that inte-

gration of such a problematic region cannot be considered as priority goal for the European Union as an international structure. The EU officials continuously stress that this structure is ready to play a consultative role and become donors for some period of time.

First of all such approach is quite vividly exposed, referring to the four unresolved ethno-political conflicts of the Black Sea area: the Transnistria conflict, the Abkhazian and the South-Ossetian conflicts, Nagorno-Karabakh conflict. The possibility of the way out of the limits of the quite precisely-outlined zone for these conflicts, however, seems improbable: first, they are extremely devastating for the direct parties to these conflicts, and second, they are really impeding the economic development of these states, which both creates opportunities for outside manipulation of the parties to the conflicts. Undoubtedly, the escalation of each of the mentioned conflicts can have negative consequences at least for immediate neighbours, and on the regional level, for the whole Black Sea area.

However, despite the threat of resumption of the military actions in the areas of the conflicts the EU stems from the thesis that active engagement into the settlement process is not desirable for it.

Regardless that:

- adoption of decision on inclusion into the New Neighbourhood Policy is a forced step by the EU, resulted by its vision of possibilities for guaranteeing security along its borders;
- implementation of the mentioned priorities (in case there are no internal obstacles¹¹) will get the South Caucasian states

¹¹ Quite a serious test for all three South Caucasian states become Parliamentary and Presidential elections of 2007-2008, the start of which had been done on May 12, 2007, in Armenia.

only slightly to the level of the most undeveloped EU member states;

- the lack of mechanisms to enforce implementation of the obligations, taken by the countries, to a great extent reduces the effectiveness of the Action Plan and creates an illusion of impunity while prolonging the terms;
- the South Caucasian states during a very long period will still be objects of policy in the global European processes,¹² participation of Armenia, Azerbaijan and Georgia should be evaluated extremely positively, first of all, for the countries of the sub-region themselves.

Besides determination of priorities within the AP ENP and, therefore, the steps aimed at overcoming some challenges (corruption, poverty, conflict resolution, regional cooperation, etc.), the states of the South Caucasus within the borders with somewhat other configuration, i.e. the Wider Black Sea region, can expect a more active role, depending on the level of their attractiveness for the other states of the newly shaped region.

Georgia, for example, having a direct access to the Black Sea and providing for the transit of energy resources from the Caspian to Turkey and then on, and being considered as a “locomotive” of democracy in the sub-region, has economic and political preferences by the West, first of all, the United States. The unilateral orientation toward the Western structures while the con-

¹² The elements of subjectness appear only in case when European states solve some principle issues with their immediate neighbours. Bright examples of that are the Armenian-Turkish relations in the context of the Turkish-EU relations, or speeding up the signing of the Action Plans within the ENP with all three South Caucasian states against the background of the escalated Georgian-Russian relations. At the same time it should not be ruled out that some EU member states that do not take part directly in the mentioned processes, or are in the opposite camp, will display some irritation (the syndrome of the “importunate fly”).

tinuation of confrontation with Russia also lets receiving some dividends, taking into account the increased competition/confrontation between Russia and United States. At the same time increasing of the internal instability and authoritarian ways of governing, undoubtedly preventing the development of Georgia and creating some tension in the whole region, may change the image of that country and reasonable reduction of the western investments.

Azerbaijan, despite its conventional affiliation to Europe, is considered as an alternative source of energy to the contrary to Russia, and therefore, is a desirable partner in the system of the same Black Sea area regardless the nature of the internal processes and the model of power in that country.

For Armenia, which has a peripheral positioning within the configuration of the Black Sea states, it is important to take part in any integration projects, which stimulate economic development of the South Caucasian zone and at the same time impose the search for tackling the accumulated political problems both on the bilateral, trilateral and multilateral levels. I would like to point out that for this country it is easier to establish cooperation outside the sub-region of the South Caucasus, in particular, with Greece, Bulgaria, Romania, Ukraine, than Azerbaijan and Georgia, although just the latter states have a vital importance for it.

At the same time in case of some pragmatic approach it should be stated that one of the fewest aspects of attractiveness of Armenia for the West is that it is one of the main parties of the Nagorno-Karabakh conflict, and stability of the region mainly depends on its behaviour model. The only intrigue here may be in the more visible inclination toward Russia and/or that Russia will consider that country as its "stronghold" in the South Caucasus.

In any case, the increased level of competition between Russia and the United States plus Turkey's factor will create some opportunity for Armenia, allowing to intensify contacts with the European Union both on the bilateral basis and within the frameworks of the Black Sea region.

Besides the above-mentioned vectors of coinciding and non-coinciding interests of the states of the Wider Black Sea region, it is necessary to pay a special attention to distribution of the states by already existing or just newly shaped political-military alliances, in particular, GUAM. The internal political processes in Ukraine, Georgia, Azerbaijan, on the one hand, are a real impediment to their active participation in creating a new region, and on the other hand, it lets them act in one front first of all against Russia – now in the area of the Black Sea. One should expect activation of their efforts aimed at engagement of Turkey, if not to the direct participation in GUAM, then as an observer. In this case GUAM, in parallel to NATO, can become another internal military and political axis of the Black Sea region. Besides stating that today Turkey's participation in the economic and political life of the mentioned states is intensifying under such objective factors as:

- energy resources of the Caspian, the ways of their supply to the West;
- the lack of any shifts in the Armenian-Turkish relation toward improvement;
- the election of a representative of the Islamist circles as President of Turkey with further intensification of the Islamization of Turkey and its possible kickback from the EU, it is understandable that Turkey intensifies its activity in all organizations, able to provide a dominating role within the format of the Wider Black Sea and Greater Middle East.

Conclusion

So taking into account the objective realities, strategic interests of the great powers, international institutions and such subjective factor as the vision of the South Caucasian states of their own role, it is possible state the following:

- Europe and the European institutes are on the way of overcoming the inertia in perception of the South Caucasian states as countries, situating outside the zone of their interests; however, a substantial increase of such interest should not be expected.
- Europe is not ready to take up the whole responsibility for tackling the whole complex of inter-related and serious problems of the sub-region of the South Caucasus; so Europe will try to confine itself with following-up the compliance or not compliance of the democratic transformations with the high European standards, allotting the South Caucasus just the role of division-line with the problematic Middle East.
- The South Caucasus in all large-scale Euro-Atlantic projects will still be holding the peripheral status for long.
- The only project where a relative *subjectness* of Armenia, Georgia and Azerbaijan is possible is the Wider Black Sea project.
- The actual deadlock situation will force the South Caucasian states to search the ways for mutual understanding and the way out to the level of the trilateral cooperation and creation of the regional security system on their own.
- In the long-term perspective under the targeted and consistent enforcing Armenia, Azerbaijan and Georgia from outside toward cooperation, there can be expected that participation of these states in the European integration projects may stimulate their positive interest toward each other, and with

the appearance of which some formation of security environment there can be started in the South Caucasus. In case of the successful realization of that approach the importance and attractiveness of the South Caucasus as a component of the European security system will increase.

From the view of formation of the security system in the South Caucasus configuration “Wider Black Sea” may be not only an interim link for our three states toward a larger-scale participation in the European processes, but also the environment, in which there can be creation of favourable conditions at least for probing the potential of the sub-regional South-Caucasian cooperation.

Challenges and Perspectives

At the same time there are a number of quite serious obstacles for implementation of plans for cooperation in the area of the Wider Black Sea:

1. The level of coordination of efforts of all states, members of the Wider Black Sea, is very low. There are several organizations, uniting this or that group of states of the newly-shaped region, but cooperation among them is either minimal, or does not exist at all. The role of coordinator could be assumed by the BSEC. Up to the recent time the results of its activity were simply miserable, as long as the organization was unable to create any frameworks for multilateral cooperation among its members and failed in attracting a serious donor support from the US or EU. The plans focused on the economic interests of a number of states – members of that organization, were not precisely formulated. Today, along with inclusion of the political component, some activation of the BSEC can be seen.

2. There are many historical problems that have been dividing this area in the course of centuries. Tackling of some problems can be considered within the European integration, but not all of such problems can be settled in the visible future.
3. There is a substantial difference among the Black Sea states by the level of the political development and democratic transformations, as well as in the paces of the economic development.
4. The states of the Wider Black Sea area are very diverse in their ethnic and confessional composition.
5. For the Old Europe Bulgaria and Romania are “its” states, meanwhile in application to the post-Soviet space it still has to overcome the perception of these states as “other’s”.
6. Among the Black Sea states the struggle for leadership is inevitable, and as a result of such struggle the existing division-lines with participation of formally off-regional actors as well will only deepen.
7. One of the main minuses of the Wider Black Sea can be considered the lack of mechanisms of enforcing the states to cooperation. It is just that factor that can nullify the ambitious plans and concrete possibilities of the states, not only of the South Caucasus, but the Black Sea too.
8. A serious challenge can be the reduction of the donor support to the Black Sea states.

Only in the long-term perspective, in case if the states of the Wider Black Sea region overcome all or the majority of the above-mentioned challenges, they will be able to change their

marginal status in the Wider Europe to the status of a politically and economically self-efficient region. Otherwise, the states of the region will preserve their peripheral status with all consequences in the economical, social and cultural spheres.

Panayotis Gavras

Growth and Gradualism – Economic Developments, Business Activity and Patterns of Investment and Trade in the Black Sea Region

It is evident from looking at economic data that the Black Sea region is helping itself substantially in increasing its weight and relevance in the greater European economy and the global context. The region continued its recent record of strong real GDP growth in 2006, with rates reaching 6.6% (see *Figure 1*). This development has been sustained since 2000, and the region has averaged real growth of 6.0% annually. For the period, this entails a cumulative economic expansion of 50%.

As a parenthesis, it is particularly encouraging that the smaller Black Sea economies – namely those of Albania, Azerbaijan, Armenia, Georgia and Moldova – have been the fastest growing. *Figure 2* shows that for 2006, their GDP growth rate was over 19%, more than three times the overall regional rate. Generally, these smaller countries underwent the most trying initial periods of 'transition' from centrally planned to market oriented economies, and experienced setbacks from political and economic crises. They remain among the poorer countries in the Black Sea region and, due to their small size and geographic location, they

have suffered greater perceptual problems. Thus, it is especially gratifying to observe their progress, as per capita incomes expressed in dollars have quadrupled since 2000 (see *Figure 3*), the economies have more than doubled, and most importantly, living standards have risen while poverty rates have declined sharply.

Returning to the region as a whole, the Black Sea's performance is all the more impressive when placed in the context of global growth and measured against other regions. As *Figure 4* shows, real economic growth in the Black Sea region was more than double the average annual rate of growth of the World Economy for the five year period from 2002-2006 and over four times the rate of the original 12 Euro zone countries, the region's most important and proximate wealthy market for the development of trade and investment ties. It was also considerably higher than the average annual rate of 4.4% achieved by the 'transition' states from Central and Eastern Europe (CEE) and the Baltics which joined the EU in 2004. Indeed, the Black Sea region was the third fastest growing region globally between 2002-2006, exceeded only by East Asia and South Asia.

Overall, the region's economies have transformed steadily as they have grown during this period, with the importance of the private sector growing and becoming ever more vital for further growth. The share of private expenditure in GDP formation has risen, and accounts either for the bulk or the entirety of the incremental growth.

The favourable developments have been distributed geographically across the Black Sea region and observed for all countries, despite the fact that they possess differing economic structures which, if anything, are diverging. The region includes energy exporting countries such as the Russian Federation and Azerbaijan. Much of Georgia's growth is also energy related, as a transit

country for major oil and gas pipelines. Growth in Albania, Armenia, Moldova and Greece is the result of strong domestic demand fuelled in part by external transfers, with remittances playing a significant role in the case of the first three, while Greek growth is also related to shipping receipts and tourism. Strong consumption and investment has contributed to growth in Romania, Turkey and Bulgaria, countries which are benefiting from declining interest rates and an improved investment climate as new EU members or candidates, as well as receiving growing transfers. Ukraine's recent growth is also partly due to burgeoning domestic demand, but also to an agricultural recovery and impressive manufacturing growth, with metallurgic exports performing especially well.

As *Table 1* shows, we expect these favourable growth conditions to continue for 2007, in an atmosphere of controlled inflation and fiscal stability. All Black Sea countries are expected to exhibit healthy growth, and estimates for the region as a whole are again for real GDP growth of over 6.0%.

We certainly believe that this positive trend is sustainable; our analyses indicate that the Black Sea region is well placed to maintain real annual GDP growth on the order of 4-6% in coming years. This in turn suggests that Black Sea states will achieve a measure of convergence with the economies of Central Europe and the Baltics, as well as the wealthy economies of Western Europe, in terms of income per capita and overall indicators of well-being.

Business Environment and Country Risks

The high economic growth in the Black Sea region is to a considerable degree a reflection of the improvements in the business environment across the region, and more generally in declines in

the extent of country risk in individual states. While external perceptions of improvements in the region have lagged, key qualitative measures reflect the observed improvements which go beyond high percentages and demonstrate prudent economic management and the credibility of commitment to stability and reform. Black Sea countries have improved their standing in respected and influential country risk and business environment indices such as Transparency International's annual *Corruption Perceptions Index*, EBRD's *Transition Reports*, the World Bank's *Doing Business* surveys, and *Euro money's* Country Risk Indices.

Creditworthiness has also improved, often dramatically with multiple step upgrades in sovereign credit ratings (see *Table 2*). Whereas the Black Sea region had only one country rated investment grade at the end of 1999, it now has four. As a further indication of the region's growing maturity and economic progress, four more countries 'entered the market' and received ratings for the first time, so that now every Black Sea country is rated.

Perhaps the best indication of business confidence and risk perceptions is the extent to which external firms are willing to risk their money in the region for potential reward. As *Figure 5* shows, between 2000 and 2006, foreign direct investment into the Black Sea region increased ten-fold, from US-\$ 8 billion, to US-\$ 86 billion. More tellingly, in the context of rapid growth the level of annual net foreign direct investment as a share of GDP increased three and one half times during this period, from 1.2% to 4.2% of GDP. It bears mentioning that in these figures there is considerable and growing intra-Black Sea foreign direct investment. Greek and Turkish firms have been active investors in the Greater Black Sea Area since the 1990s, and more recently Russian firms have also picked up their activity, mainly in neighbouring countries.

If there is a problem, it is that some of the region's economies may be in danger of overheating. Lending may be growing too fast, economic growth may be too uneven and dependent on unstable factors such as currently favourable terms of trade, rather than distributed across many sectors. In some cases, current account deficits are too high, leading to questions of sustainability; in others, current account surpluses may be too high, fuelling fears of inflation, declining competitiveness of certain parts of the economy, and excessive dependence on unpredictable factors such as global energy prices.

There are additional problems which Black Sea countries are facing. Structural reforms are still needed in many sectors, with energy and, especially, agriculture, ranking as the most difficult. The existing state of infrastructure is also emerging as a potential constraint on growth. For while the private sector is booming in most countries, and levels of financing for investment and trade are surging, the energy and transport infrastructure required to support the increased flows of goods, services, and people is lagging. And while the fiscal situation is healthier today than in the past, meeting new infrastructure threatens to overwhelm fiscal capacity.

The threats of overheating and potential bottlenecks are real issues, and they certainly require careful attention on the part of policymakers and the international financial community. Fundamentally though, one needs to keep in mind that these are problems of success, and that they represent a dramatic turnaround relative to where things stood a decade ago.

Trends in Economic Integration of Black Sea Countries

Trade cooperation and integration are questions for which good statistical data is hard to come by, and methodological issues

can become fiendishly complicated. So I will confess up front that I do not have much faith in the trade data – among other things intra-regional Black Sea trade figures show that the region is running a deficit with itself, and more often than not the data which country A shows for exports and imports with country B bear no resemblance to the data country B shows for trade with country A. One can look for trends across time, though, hoping that the errors made from year to year remain consistent and thus the observed changes signify something, but even this assumption is open to debate.

That said, for lack of better alternatives we have crunched the available data and *Figure 6* shows aggregate trade figures for Black Sea Countries between 1999 and 2006. Despite the unreliability of the data, and the short timeframe of its availability, I will hazard a couple of observations – stressing that they can only be guesses, backed by some anecdotal evidence.

Recorded trade among Black Sea countries has grown slightly over 350% in value – likely inflated in dollar terms by factors such as increased energy prices and the decline in the value of the dollar.

As a share of GDP, and partly due to the overall economic growth, the increase has been more modest, as intra-Black Sea region trade has risen from 6% of GDP to approximately 8.2% of GDP.

Similarly, intra-Black Sea region trade as a share of total trade turnover has increased moderately from 13 to 16%. Thus, while there is a trend of growing trade among Black Sea countries, it is gradual and more or less steady.

Most of the increase seems to be accounted for by EU 'Ins' – Albania, Bulgaria, Greece, Romania and Turkey – which are the

countries which either are EU members, candidates for EU membership or have a membership perspective. They are trading among themselves at an increasing rate, but they are also trading with other members of BSEC at a higher rate, and they thus account for most of the observed increase in BSEC trade.

By way of contrast, the EU 'Outs' – Armenia, Azerbaijan, Georgia, Moldova, Russia and Ukraine: the countries without an EU membership perspective – have shown much smaller increases in the level of trade among themselves, although their trade with the EU 'In' BSEC members is growing at a faster rate and thus accounts for most of their increase in BSEC trade.

Further breakdown of the figures suggests that the main driver of increased trade in the Black Sea region is Turkey, for whom there has been a significant increase of trade with neighbouring Black Sea countries. Azerbaijan, Georgia and Romania experience growth in BSEC trade above the three and one half times growth average, while Russia is at this average and the other countries are below.

Interestingly, due to Azerbaijan's extraordinary growth in trade and GDP levels, its commerce appears to be re-orienting away from the Black Sea region, with the share of its trade volume with Black Sea countries declining over 30%. By this measure, Turkey is still the regional champion, as its share of trade with Black Sea countries nearly doubled. Greece was second, with its share of Black Sea trade growing 40%. Georgia and Ukraine were next, growing at around 25%, while Romania and Russia also exhibited double digit growth.

Taken in isolation, and as Azerbaijan shows, the numbers can tell pretty much any story we want them to tell, thus proving the old adage about lies, damn lies, and statistics. However, put together with the investment data and the overall economic

data, this more complete collection of figures suggests that while Black Sea countries are still re-orienting their trade patterns, with the European Union playing a more prominent role in many cases, they are also discovering – or in some cases re-discovering – trade links with neighbours who may or may not historically have been major trading partners. The effect, such as it exists, is positive but for now remains modest.

I will stop here, acknowledging that while the presentation touched on trade in goods, it has ignored services. The reason quite simply is the even greater unreliability of available data, although we can surmise from observation and anecdotes that there is growth in areas such as tourism, shipping and trucking, and even financial services.

It is my hope that this presentation has given a flavour of developments in the region. From our ongoing observations, things appear to be going in the right direction, and while reverses may occur, we do believe the economies are substantially more stable and resilient to shocks than they were a few years ago. As the private sector has expanded, the evolution and restructuring of the region's economies has accelerated, often beyond the control of governments – which I should underscore is not necessarily a bad thing. As for investment, trade integration and economic cooperation, it is difficult to be definitive. The trends indicate growing links and some deepening. However, while the prospects appear positive, the pace will most likely continue to be gradual, with slowdowns and some backtracking possible and even likely from time to time.

Figure 1: Sustained Growth in Black Sea Region Since 2000

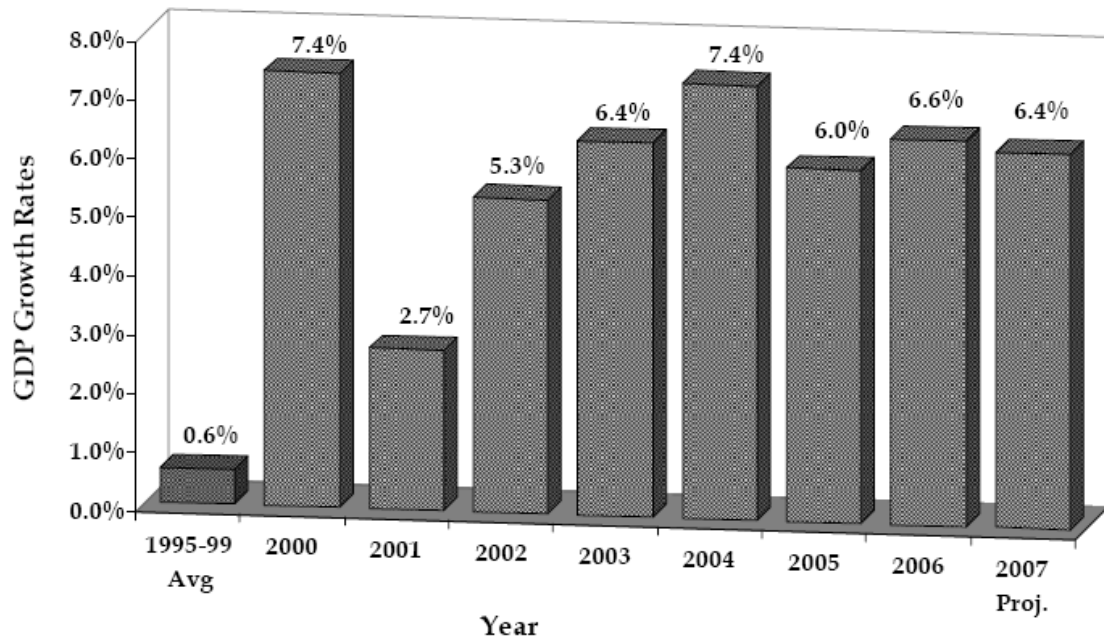


Figure 2: Higher Growth of Small Countries vs. Overall BSEC

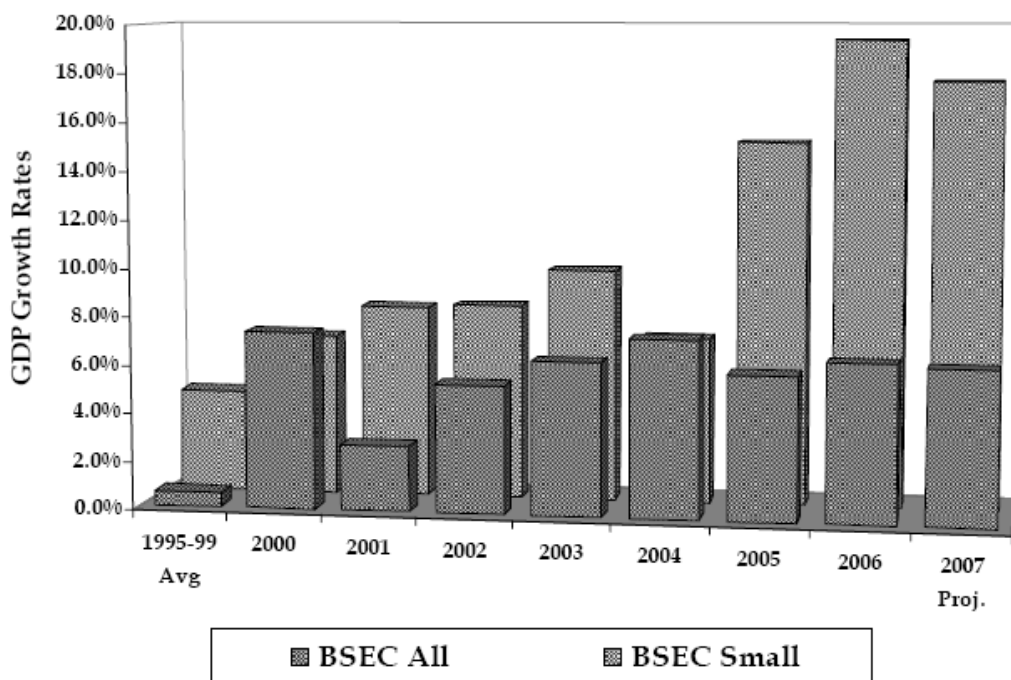


Figure 3: Per Capita Incomes- Small Countries vs. Overall BSEC

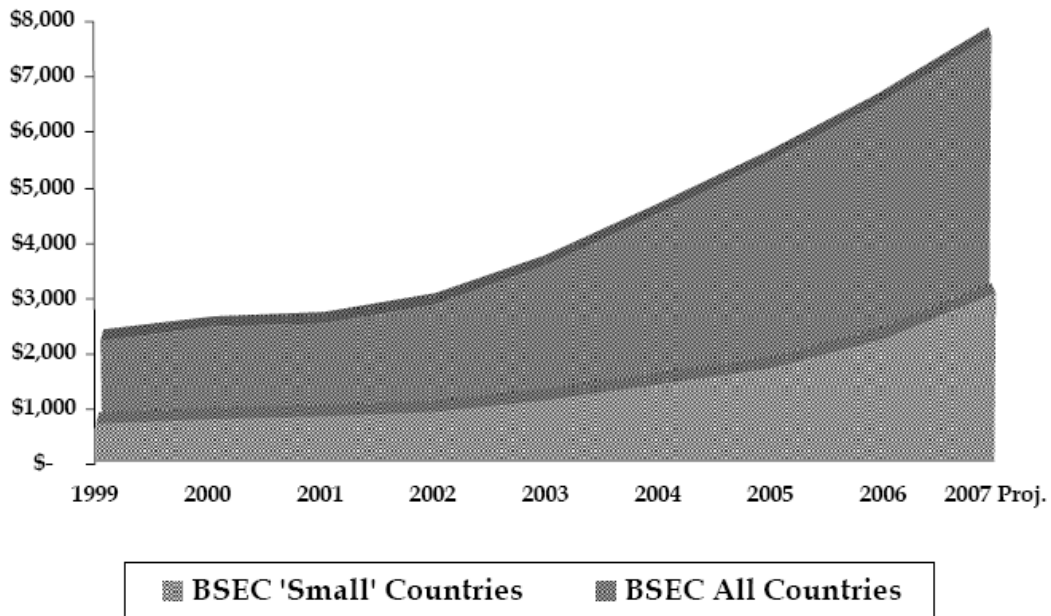


Figure 4: Among Fastest Growing Regions Globally

Five Year Average Annual GDP Growth 2002-2006

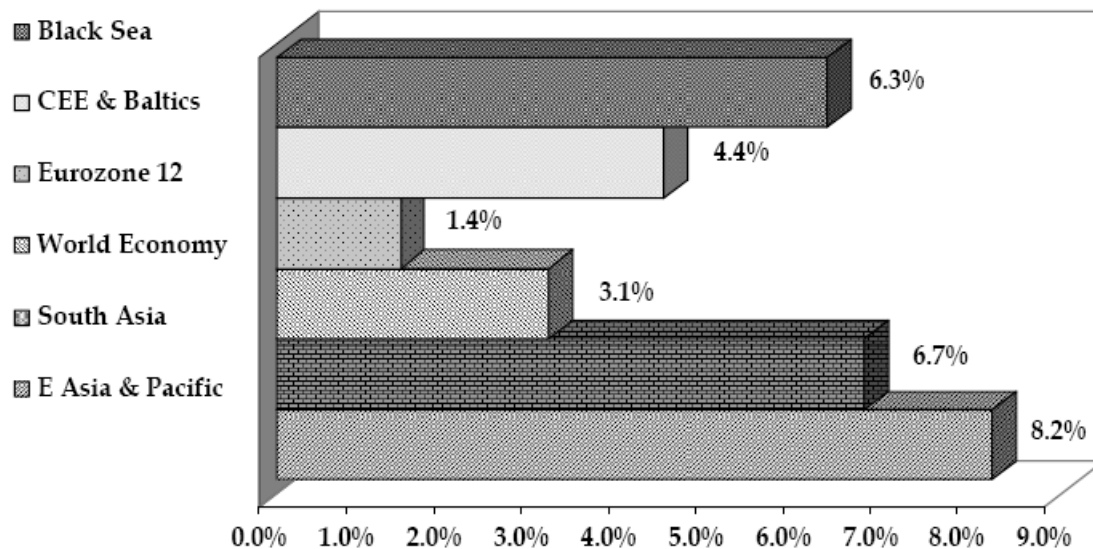


Figure 5: FDI Trend in BSEC since 2000

Foreign Direct Investment in the Black Sea Region

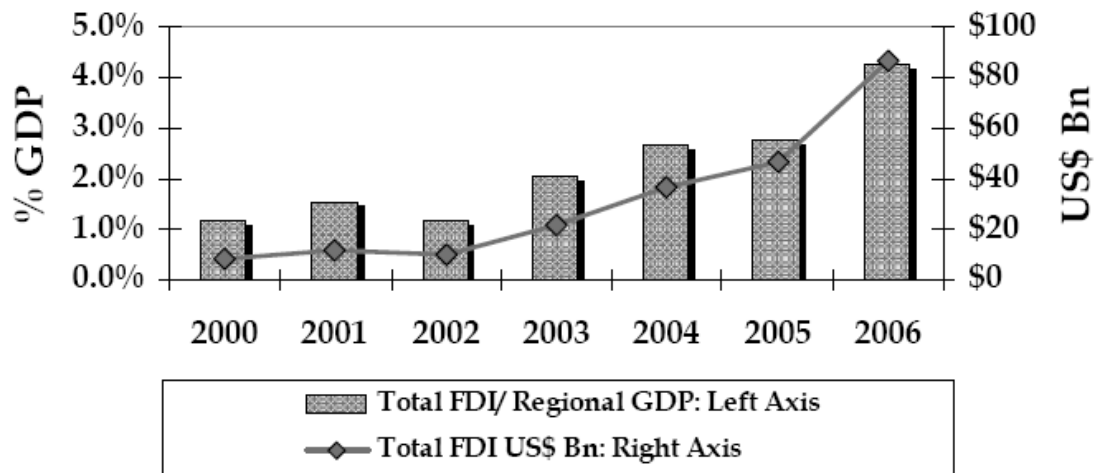


Figure 6: Trade Trends in the Black Sea Region

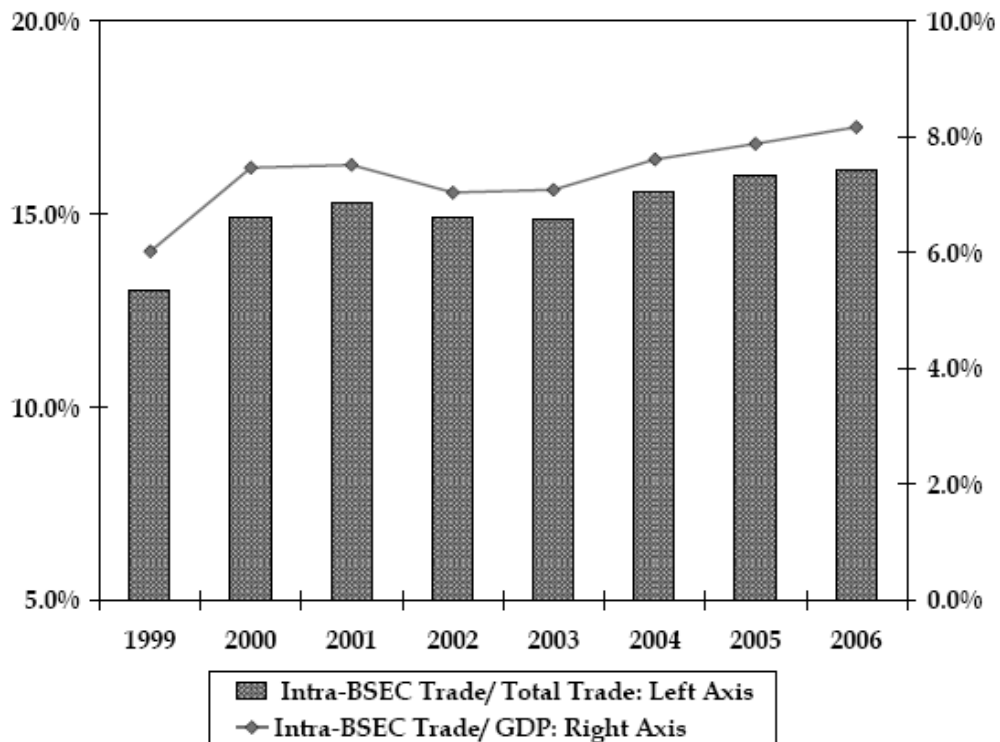


Table 1: 2007- Expected to Continue

<i>Projections</i>	GDP Growth	Inflation	Budget Bal/ GDP	Cur Acct Bal/GDP
Albania	6.0%	2.5%	-3.9%	-7.4%
Armenia	10.0%	4.0%	-2.3%	-5.7%
Azerbaijan	28.3%	15.5%	-5.3%	27.0%
Bulgaria	5.8%	5.6%	2.0%	-16.8%
Georgia	8.0%	7.1%	-2.3%	-14.2%
Greece	3.7%	2.6%	-2.4%	-8.4%
Moldova	6.0%	10.5%	-0.2%	-6.1%
Romania	6.5%	4.4%	-3.1%	-11.4%
Russia	6.7%	7.8%	3.2%	6.8%
Turkey	6.0%	9.4%	-2.8%	-6.3%
Ukraine	6.8%	10.4%	-2.6%	-2.5%

Table 2: Sovereign Credit Rating Comparison

	December 1999			October 2007		
	Moody's	S&P	Fitch	Moody's	S&P	Fitch
Albania	—	—	—	B1	—	—
Armenia	—	—	—	Ba2	—	BB-
Azerbaijan	—	—	—	Ba1	—	BB+
Bulgaria	B2	B+	B+	Baa3	BBB+	BBB
Georgia	—	—	—	—	B+	BB-
Greece	A2	A-	BBB+	A1	A	A
Moldova	B2	—	B-	Caa1	—	B-
Romania	B3	B-	B-	Baa3	BBB-	BBB
Russia	Ca	SD	CCC	Baa2	BBB+	BBB+
Turkey	B1	B	B+	Ba3	BB-	BB-
Ukraine	B3	—	—	B1	BB-	BB-

James Sherr

Concluding Remarks¹³

This has been a path-breaking conference. Black Sea Synergy is also a path-breaking initiative, but like all of the most serious EU initiatives, it starts modestly. The question is whether it will end modestly or produce a major impact.

It will end modestly if it merely aims to produce a synergy between existing programmes and networks. Such a synergy will, of course, be useful, and it might produce some serious and visible changes. But the risk is that it will mainly benefit the class of people who participate in programmes and networks. It is a course that risks generating activity rather than accomplishment.

If the EU intends to have a major impact, then what is needed is a synergy between external impulses and internal change: internal change in countries that will not realise their aspirations unless they overcome the Soviet legacy. We need to bear in mind the distinction between *nezavisimost'* – juridical independence – and *samostoyatel'nost'* – 'the ability to stand'. The collapse of the Soviet Union proliferated *nezavisimost'*. But successor states are still deficient in their ability to translate good policy into good practice. In other words, they are deficient in insti-

¹³ Disclaimer: The views expressed are strictly those of the author and do not necessarily reflect the thinking or policy of the British government.

tutional capacity. The biggest mistake is to treat this challenge as a technical enterprise. The fundamental challenges are to change the culture of business, the culture of administration and the culture of power. Whether we are talking about armed forces, police, tax authorities or education, anyone seeking to make rational and necessary changes immediately encounters the realities of power, not only in his national capital but in his own office. Even in Durham and Düsseldorf, people are unlikely to challenge the status quo without incentives or support. How much more true this is in Donetsk! The EU will stimulate activity rather than accomplishment if it fails to change incentives and provide support.

Today membership perspectives for the newly independent states of this region are not on the political horizon of the EU, and the domestic reasons for this, which are potent, simply cannot be overridden in democracies, even when there is a compelling rational argument for doing so. Therefore, the countries of this region need to behave in ways that make membership perspectives realistic tomorrow. For countries lacking the civic and collective self-confidence that Britons and Germans take for granted, that will be uncommonly difficult. But it must be done. The role of leaders is to instil confidence that it can be done. Above all, they must lead.

But the EU faces tough choices as well. Does it wish to be a magnet or a barrier? Of course, when it comes to illegal migration, human trafficking, narcotics and organised crime, there must be barriers. But barriers against countries are another matter. Arguments can be made for them, and in some cases, they might even be necessary. But we should understand the consequences, particularly when the countries concerned consider themselves culturally and historically part of Europe. Any policy which simultaneously promotes integration and erects barriers is a contradiction in terms. The consequences visible in this region

– most painfully visible in visa policy (Schengen and non-Schengen) – are demoralisation, bitterness and resentment. The consequence which should be plain in Brussels is loss of influence. Like power, influence abhors a vacuum.

That fact should also remind us that the outcome of Black Sea Synergy will be influenced by external pressures and external actors. The United States has been a determinant actor in this region, and I will not disguise my view that it should remain so. But there has been a change. In the 1990's the principal currency of US influence was protection. Thanks to the dramatic events that occurred on 9/11 and the Iraq war, some perceive that the American presence now exposes them to danger. This perception might be partially or even fundamentally misguided, but it is as much a part of today's political reality as is the growth of virulent, fanatically anti-modernist Islamism. Both of these factors (alongside a highly ambivalent relationship with the EU) have been deeply disorientating to Turkey. Yet the greater part of its political establishment has concluded that no error of US policy will be remedied by the withdrawal of US power and influence from the region. It has also concluded that allies will not be able to secure influence over US policy on an anti-American basis. These are wise conclusions, but they are angrily contested in Turkey and, with less vehemence, in other allied countries as well.

Three other external realities will influence this region, whether we like it or not: the future of Kosovo, the future trajectory of Iraq and the future character of Iran. Where the latter is concerned, the prudent conclusion to reach is that there is no nuclear weapons option for Iran, whether the Iranian leadership understands this or not. And because the established means of persuasion are failing to change their understanding, it would be prudent to worry.

The factor remaining after these others are considered, perhaps the most persistent one, is Russia: the one country that is both inside the region and outside it. Russia's mood today is both resentful and self-confident. The country is committed to the 'strict promotion' of its own national interests, and it feels entirely principled about promoting them. (In Putin's words, "Russia has earned a right to be self-interested"). What is more, it now has means at hand, not only energy (which has an all-European dimension), but two others: an aggressive intelligence presence and a limited, but increasingly methodical re-profiling of military capabilities for rapid intervention, particularly in this region and the Caspian. Whether the issue is Kosovo, support for sanctions against Iran, US anti-ballistic missile defences in Central Europe, observance of arms control treaties or the resolution of frozen conflicts, the Kremlin is demonstrating that it will not be swayed by 'the merits of the case', but only by *quid pro quos* which advance its interests. Today that means agreements that advance two long-term goals: Russia's primacy in the former Soviet Union and 'equality' (a *de facto* right of veto) in wider matters of European security. The post-Cold War partnership, founded at a time of weakness and disorientation in Russia, is over. We now need to ask ourselves whether the post-Cold War status quo could be undermined or revised.

But when doing so, we should not forget that 'Russia is never as strong or as weak as it seems'. The succession issue is enough to remind us of that. As counter-intuitive as it sounds, energy should also remind us of that, because the increasingly recognised gap between future supply and demand not only affects EU markets, but Russia's rapidly growing economy. Russia's citizens regard abundant and affordable energy as a basic entitlement. What happens when that entitlement is questioned? That question is worrying the Kremlin, and it might oblige a future leadership to question many of today's certainties. Third, there are all the deep seated demographic, social, institutional and infrastruc-

tural problems that today's success have left largely undressed. And finally, there is China.

In short there are a range of concerns which make it worth asking whether, indeed when, Russians will be in a mood to reconsider the merits of cooperation with the West, as well as the contribution that the West could make to Russia's well-being and security. A large part of that question will be answered here.

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