

# MARITIME TRADE IN THE BLACK SEA IN THE CONTEXT OF THE RUSSO-UKRAINIAN WAR

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## ABBREVIATIONS AND ACRONYMS

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BSEC	Black Sea Economic Cooperation
BSGI	Black Sea Grain Initiative
CAREC	Central Asia Regional Cooperation Program
CIS	Commonwealth of Independent States
CPPI	Container Port Performance Index
CSTO	Collective Security Treaty Organization
DCFTA	Deep and Comprehensive Free Trade Area
EaP	Eastern Partnership
EU	European Union
EUGBC	EU-Georgia Business Council
EEU	Eurasian Economic Union
GUAM	Georgia, Ukraine, Azerbaijan, and Moldova Organization for Democracy and Economic Development
IGC TRACECA	Intergovernmental Commission Transport Corridor Europe Caucasus Asia
ISPS	International Ship and Port Facility Security Code
LPI	Logistics Performance Index
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Co-operation in Europe
TEU	Twenty-foot equivalent unit
TITR	Trans-Caspian International Transport Route
TRASECA	Transport Corridor Europe Caucasus Asia
UN	United Nations

## EXECUTIVE SUMMARY

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The Black Sea region is often referred to as a gateway between Europe and Asia, though its potential benefits are far from being fully realized. This is especially true for maritime trade - the Black Sea region's share in international maritime trade is only just 2.5%, while the North Sea region accounts for 17%. And despite there being huge potential in the enhancement of port infrastructure and connectivity in the Black Sea region countries, the varying and distinctive geopolitical orientations of these countries largely hinder any significant advancement in regional cooperation. The problem became even more severe with the latest military conflict in the region – the Russian invasion of Ukraine in February 2022, which besides aggravating cooperation problems has significantly shaken up the landscape of the Black Sea's port infrastructure and maritime trade in the region and the security dynamics not only in the wider Black Sea region, but it has also affected the European and, arguably, global security architecture.

The development of maritime trade in a country crucially depends on the performance of its ports. As noted, the Black Sea is not an important player in global value chains, thus it is somewhat unsurprising that Constanta port in Romania, which is the largest port on the Black Sea, is qualified as the only medium-sized port in the Black Sea, according to the Container Port Performance Index.<sup>1</sup> Other important ports discussed in this study include Varna and Burgas in Bulgaria, Odessa and Pivdennyi in Ukraine, Novorossiysk in Russia, Samsun and Trabzon in Türkiye, and Poti and Batumi in Georgia. The war has had major implications on the ports and trade in the Black Sea region. The most negatively impacted has been Ukraine, through the devastating effects on its port infrastructure. In turn, this has had a negative effect on global grain and food prices. In the case of Russia, who has been heavily sanctioned by the West, arrivals in Black Sea ports declined in the first month of the war, but this quickly picked up to previous numbers, while the war has not had any significant implications for Türkiye. In the case of Romania and Bulgaria, as well as Georgia, trade and the amount of cargo transported have increased significantly, as a prominent part of trade from Ukraine, and a smaller part of trade via Russia, has been redirected to these countries.

Amid the war, the Black Sea region has come under a new spotlight as a potential alternative transportation route as governments and businesses seek to circumvent Russia. The Trans-Caspian International Transport Route (TITR), or the so-called Middle Corridor, has been particularly highlighted as such an alternative transport route. As a result, the war has reinforced the importance of the transit potential of the South Caucasus states, particularly Azerbaijan and Georgia and has also brought to the surface the importance of reengaging with Central Asian states. Important initiatives in this respect, such as the planned Black Sea energy submarine cable project, as well as the intent to develop Anaklia deep water seaport in Georgia have been pushed since the start of the war.

New developments notwithstanding, the continuation of Russia's war against Ukraine and the low degree of communication and coordination among the Black Sea states hinder the perception of the region as a viable alternative transit route in addition to the long-existing transit challenges related to the limited capacities, quality of infrastructure, timing and the high logistics costs. The success of the Black Sea region as an alternative transit route is dependent on the political and financial

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<sup>1</sup> World Bank, S&P Global Intelligence. 2021. TRANSPORT GLOBAL PRACTICE. The Container Port Performance Index 2021. A Comparable Assessment of Container Port Performance.

resources that Western states, international organizations and international financial institutions are going to devote to the stability and development of the Black Sea region, as well as the cooperation efforts between the Black Sea littoral and non-littoral states, including countries within the Middle Corridor.

Improving the performance of the system of Black Sea ports and increasing their competitiveness can boost the development of foreign trade and thereby enhance economic growth at the national and regional level. To achieve positive results and to seize the potential of the Black Sea region in enhancing global maritime trade, robust and cooperative efforts from all relevant stakeholders, but most importantly the five Black Sea states (excluding Russia), is needed in order to tackle challenges in three key directions: mitigating the immediate consequences rising from the Russo-Ukrainian War, addressing fundamental infrastructure challenges, and overcoming institutional and cooperation issues. Even though the Black Sea countries, besides their geographical proximity, are very different in political and economic terms, dealing with these challenges in a cooperative manner will lay the foundation for the long-term development of this region, which has much wider international implications.

# 1. INTRODUCTION

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The Black Sea region is often referred to as a gateway between Europe and Asia, though its potential benefits are far from being fully realized. This is especially true for the maritime trade. The Black Sea region's share in international maritime trade is just 2.5%, while the North Sea region accounts for 17%.<sup>2</sup> Meanwhile, water transportation of goods is vital for countries participating in global trade as more than 80% of products traded internationally are transported by sea, and for developing countries, this number is even higher.<sup>3</sup> The development of maritime trade in a country, crucially depends on the performance of its ports. Nowadays, ports have become essential knots in international production and distribution networks, combining crucial logistics and transports functions and acting for countries as the main points of access to the international trading system.<sup>4</sup> Thereby, improving the performance of the system of Black Sea ports and increasing their competitiveness can boost the development of foreign trade and thereby, enhance economic growth at national and regional level.

Thus, there is a huge potential lying in the enhancement of port infrastructure and connectivity in the Black Sea region countries. However, the varying and distinctive tracks of the geopolitical orientations of these countries hinder advancements in regional cooperation, including the development of regional transportation projects, a strengthening of trade ties and higher degree of economic integration.<sup>5</sup> There are huge differences in geopolitical allegiances of the wider Black Sea region, which is traditionally conceptualized to include the Black Sea littoral states – Russia, Türkiye, Ukraine, Georgia, Romania, and Bulgaria, while the wider definition extends the area to include Moldova, Armenia, and Azerbaijan. Some of the wider Black Sea states are members of NATO and the EU, with others aspiring to join them, and some are part of Russian-led military and/or economic structures, while others belong to both EU and Russian-led initiatives. The Black Sea Economic Cooperation (BSEC) brings together all the wider Black Sea states, while GUAM unites Georgia, Ukraine, Azerbaijan, and Moldova in fostering cooperation across the domains.

Accordingly, the contested geopolitics and geoeconomics and the shared problems of separatism and protracted conflicts shape the dynamics of cooperation and confrontation in the region. The problem became more severe with the latest military conflict in the region – the Russian invasion of Ukraine on February 2022, which besides aggravating cooperation problems has significantly shaken up the landscape of the Black Sea's port infrastructure. However, it is yet to be seen how the war might alter the development of the region. On the one hand, as a result of Russian aggression, Ukraine and its ports have suffered tremendous losses, and Russia has been placed under heavy economic sanctions. Furthermore, this conflict and the very existence of a country as unpredictable as Russia in the region might threaten the reliability of trade for the whole region, given the risk that Russia might blockade other Black Sea countries. On the other hand, as Ukraine and Russia possess globally important resources (mainly food and energy), it will remain essential to find ways to transport those resources to the rest of the world. Crucially, it will also be vital to find alternative routes that bypass Russia to transport goods from Asia to Europe. One such route is the Trans-Caspian International Transport Route (TITR) (or the so-called Middle Corridor), which passes through the Black Sea.

This policy paper aims to analyze the needs as well as opportunities for development of the Black Sea ports amid the Russo-Ukrainian War and to produce recommendations on how to overcome those challenges and seize on the created opportunities. The paper proceeds as follows. It first examines the pre-war state of the Black Sea region, followed by the discussion of the war's impact on geopolitics, trade and port infrastructure on the countries of the region. The paper then outlines the existing challenges that need to be addressed. The paper concludes with policy recommendations for relevant stakeholders, while the annexes provide additional insights on the subject matter.

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<sup>2</sup> Danelia, Irakli. 2019. "Georgia's Container Market and The Black Sea Region." *Economic Alternatives*, Issue 1, pp. 106-116

<sup>3</sup> UNCTAD. 2021. *Review of Maritime Transport 2021*. <https://unctad.org/webflyer/review-maritime-transport-2021>

<sup>4</sup> Bucur, Marius; Nicolae, Florin and Cotorcea, Alexandru. 2018. "Port performance evaluation. Case study: Ports in the Black Sea basin." *IOP Conference Series Earth and Environmental Science* 172(1)

<sup>5</sup> Klimenko, Ekaterina. 2018. "Protracted Armed Conflicts in the Post-Soviet Space and Their Impact on Black Sea Security." *SIPRI Insights on Peace and Security*, no.2018/8 (December):26

## 2. THE BLACK SEA GEOPOLITICS PRIOR TO RUSSIA'S 2022 WAR AGAINST UKRAINE

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Historically, the Black Sea region has been a site of great power contestation. With the 1936 Montreux Convention, Türkiye continues to be a major player in the region with unilateral powers to impose limits on the passage of civilian vessels and military warships through the Dardanelles and the Bosphorus straits, linking the Black Sea to the Mediterranean. Turning the Black Sea into its 'lake' has been Russia's first-order priority; its occupation of Georgia's regions in 2008 and the illegal annexation of Crimea in 2014 have been primarily understood as Russia's attempt to gain a strategic foothold in the Black Sea region to prevent further Western penetration. Contrary to Russia's expectations, the illegal annexation of Crimea embedded NATO more into the region with the new measures to ensure the security of NATO member Black Sea states adopted at the NATO Wales Summit in 2014. Ukraine and Georgia are faced with an aggressive Russia and, unlike NATO members Türkiye, Romania, and Bulgaria, both lack credible security guarantees despite increasing defense and security cooperation with NATO, albeit stopping short of full membership. Russia's aggressive opposition to Georgia and Ukraine's desire to join NATO and the EU has shaped the security dynamics in the region, rendering the Black Sea one of the most fragile areas in Europe. This holds particularly true if looking at the security dynamics in the wider Black Sea region, adding Moldova's separatism problem and Armenia and Azerbaijan's conflict over Nagorno-Karabakh to the equation along with the Russian-Georgian conflict and Russia's ongoing war of aggression against Ukraine.

The wider Black Sea region is a web of multiple geopolitical identities. As the biggest regional players, Russia and Türkiye stand out in their capabilities and geopolitical ambitions. Romania and Bulgaria are members of NATO and the EU which guarantees their security and societal resilience. Ukraine and Georgia are the most vulnerable states in the region, lacking credible security guarantees as they face an aggressive and imperial Russia. Wider Black Sea states, such as Moldova and Armenia, are also vulnerable to external threats, while Azerbaijan fares relatively better due to the support it receives from Türkiye and its role as an important energy player. To see a more detailed description of the geopolitical stance of each country, please see **Annex 1: (Geo)Politics of the Black Sea littoral and non-littoral states.**

Cooperation among the Black Sea littoral and non-littoral states takes place across sectors through multiple cooperation platforms. However, various actors belonging to competing geopolitical projects render the degree of cooperation obedient to the geopolitical rivalries among major players. To see a more detailed description of the cooperation platforms operating in the Black Sea region, please see **Annex 2: Cooperation platforms of the Black Sea littoral and non-littoral states.**



## 3. THE BLACK SEA AMID THE RUSSO-UKRAINIAN WAR

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### 3.1 BLACK SEA GEOPOLITICS IN THE MIDST OF RUSSIA'S 2022 WAR AGAINST UKRAINE

Russia's war against Ukraine has drastically changed the security dynamics not only in the wider Black Sea region but it has also affected the European and, arguably, global security architecture. The consequences of the aggression are of a military, political, humanitarian, and economic nature and have been felt across continents, particularly in the wider Black Sea area.

The new security developments amid Russia's war against Ukraine made Black Sea regional security even more fragile. Russia's aggression against Ukraine led to new NATO measures to shore up its defenses. NATO has become even more embedded in the security of the Black Sea, declaring it as one of its most strategically important regions.<sup>6</sup> Historically neutral Finland and Sweden's accession to NATO is being finalized. Western countries provide strong and continued military support to Ukraine to defend itself from Russia's aggression, while security cooperation continues with Georgia and takes a new shape with Moldova.<sup>7</sup> The latest military hostilities between Azerbaijan and Armenia - and fear of its reoccurrence - add to the instability of the wider Black Sea region while embedding Western actors more actively into the mediation process.

Political relations between Western states, their partners, and Russia are at their lowest since the end of the Cold War. The unified Western response to Russia's aggression against Ukraine has taken transatlantic relations to new highs. The United Nations General Assembly, and the international community more broadly, has strongly condemned Russia's war against Ukraine<sup>8</sup> and the atrocities it has perpetuated in Ukraine.<sup>9</sup> The European Union has responded positively to the membership applications submitted by Ukraine, Moldova, and Georgia, putting them on a clear EU membership path. The early attempts to negotiate a ceasefire between Russia and Ukraine proved futile and its prospects are further complicated due to Russia's illegal annexation of additional Ukrainian regions. As a diplomatic or political solution to the war seems at present unlikely, the conflict is poised to continue with no clear end in sight, affecting both traditional and human security in the Black Sea region and beyond.

The economic consequences of the war are also unprecedented. Western states and their partners have imposed heavy economic sanctions on Russia to limit its ability to continue the war while extending economic support to Ukraine and committing to its reconstruction once the war is over.<sup>10</sup> Russia's war against Ukraine, which also extends to the seas, has affected traditional maritime transport routes in the Black Sea, limiting the export of grain and oilseed and affecting food security worldwide.<sup>11</sup> Negotiations led by Türkiye and the UN led to an arrangement between Russia, Ukraine, and Türkiye to resume the export of grain from the Ukrainian ports of Odesa, Chornomorsk, and Pivdennyi, as well as the export of Russian food and fertilizers as part of a separate memorandum of understanding between the UN and Russia, resulting in the Black Sea Grain Initiative (BSGI).<sup>12</sup> The economic con-

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<sup>6</sup> NATO. 2022. "NATO 2022 Strategic Concept." <https://www.nato.int/strategic-concept/>

<sup>7</sup> NATO. 2022. "Madrid Summit Declaration." [https://www.nato.int/cps/en/natohq/official\\_texts\\_196951.htm](https://www.nato.int/cps/en/natohq/official_texts_196951.htm)

<sup>8</sup> United Nations. 2022. "General Assembly resolution demands end to Russian offensive in Ukraine." March 2, 2022, <https://news.un.org/en/story/2022/03/1113152>

<sup>9</sup> United Nations. 2022. "War crimes have been committed in Ukraine conflict, top UN human rights inquiry reveals." September 23, 2022. <https://news.un.org/en/story/2022/09/1127691>

<sup>10</sup> European Commission. 2022. "Joint press release: Ukraine Recovery and Reconstruction Needs Estimated \$349 Billion (€349 Billion)." September 9, 2022, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_5428](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_5428)

<sup>11</sup> European Parliament. 2022. "Russia's war on Ukraine: Maritime logistics and connectivity." At A Glance. [https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/733603/EPRS\\_ATA\(2022\)733603\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/733603/EPRS_ATA(2022)733603_EN.pdf)

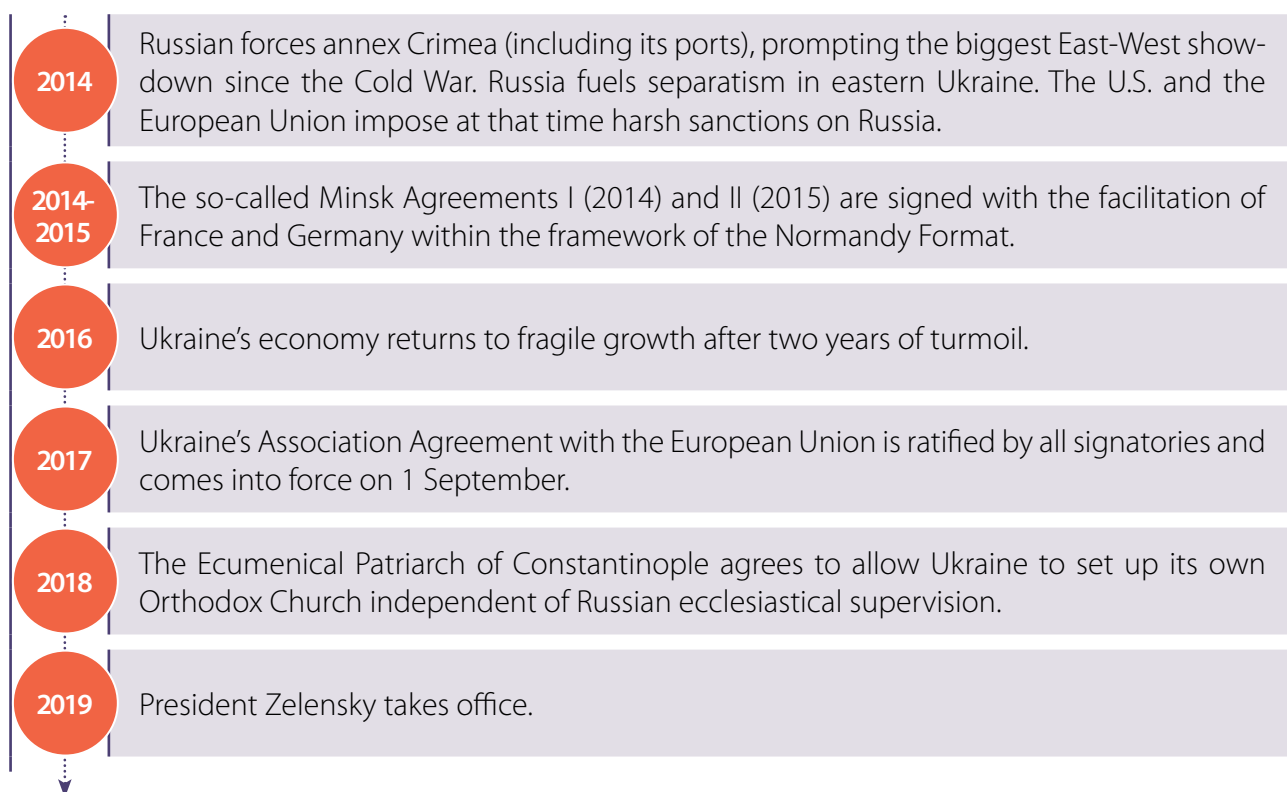
<sup>12</sup> United Nations. 2022. "UN welcomes new centre to put Ukraine grain exports deal into motion." July 28, 2022. <https://news.un.org/>

sequences of the war have also been felt across the energy sector as Russia's war of aggression and its political instrumentalization of energy resources has led to energy price rises and inflation across the U.S. and Europe. The EU in particular is aiming to end its dependence on Russian gas and oil, among others, by diversifying supplies and accelerating the rollout of renewables.<sup>13</sup> To see a detailed description of the geopolitical stance of each country during the war, please see **Annex 1: (Geo)Politics of the Black Sea littoral and non-littoral states.**

Russia's war against Ukraine has brought dire humanitarian consequences for Ukraine and set in motion energy and food crises elsewhere. As a result of the war, millions of Ukrainians have been forced to seek refuge abroad or have been internally displaced. Attack of energy infrastructure in Ukraine can create a humanitarian catastrophe as millions of people are at risk of freezing during winter. Emigration of Russian citizens amid the war has also affected the political and economic stability of the countries neighboring Russia. Added to this is the flare-up of protracted conflicts in the wider Black Sea region as Russia's repeated military failures in Ukraine<sup>14</sup> have emboldened authoritarian actors to take advantage of the power vacuum to achieve strategic ends.

Russia's imperial designs and the ongoing war have brought the Black Sea region into a new period of uncertainty, affecting its traditional and human security to an extent unprecedented. It has, however, also led to new thinking across Europe and the Black Sea region countries on how to enhance multisectoral cooperation to ease the military, political and economic consequences of Russia's war against Ukraine.

### Timeline of the war and its implications on the maritime trade in the Black Sea<sup>15</sup>



[en/story/2022/07/1123532](https://www.voanews.com/a/timeline-ukraine-s-turbulent-history-since-independence/6712746.html)

<sup>13</sup> European Commission. 2022. "REPowerEU: A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition\*." May 18, 2022. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_22\\_3131](https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3131)

<sup>14</sup> Massicot, Dara. 2022. Russia's Repeat Failures: Moscow's New Strategy in Ukraine Is Just as Bad as the Old One." *Foreign Affairs*, August 15, 2022. <https://www.foreignaffairs.com/ukraine/russia-repeat-failures>

<sup>15</sup> Sources: <https://www.voanews.com/a/timeline-ukraine-s-turbulent-history-since-independence/6712746.html>; <https://www.bbc.com/news/world-europe-18010123> <https://www.nepia.com/industry-news/russia-ukraine-military-action-impact-on-shipping/>



<sup>16</sup> International Ship and Port Facility Security (ISPS) Code is an essential maritime regulation for the safety and security of ships, ports, cargo, and crew. ISPS includes 3 levels: SL1 is the level at which the minimum protective and security measures are in permanent effect; SL2 is the level at which, as a result of a heightened threat of a security incident, additional protective security measures are maintained for the duration of the threat; SL3 is the level at which, when a security incident is probable or imminent, further specific protective security measures are initiated and maintained for a limited period. <https://www.themastermariner.com/stcw-a-ii/2/isps-code-security-levels/>

### 3.2 IMPLICATIONS OF THE WAR ON THE BLACK SEA MARITIME TRADE

The war had major implications on the ports and trade in the Black Sea region. The most negatively impacted was Ukraine, through the devastating effects on its port infrastructure. In turn, this had a negative effect on global grain and food prices. In case of Russia, who was heavily sanctioned by the West, the arrivals in Black Sea ports declined in the first month of the war, and picked up to initial numbers soon, while the war didn't have any significant implications for Turkey. In case of Romania and Bulgaria, as well as Georgia, trade and the amount of cargo transported have increased significantly, as a major part of trade from Ukraine, and a smaller part of the trade via Russia, was redirected to these countries.

Before discussing maritime trade in the Black Sea region, it is important to emphasize the COVID-19 pandemic and its impact on global shipping and maritime mobility. The pandemic resulted in supply chain disruptions, which caused huge delays in the maritime trade of goods. The extended lockdowns created pent-up demand which further overwhelmed the capacity of supply chains.<sup>17</sup> As a result, since autumn 2020, the shipping prices have surged strongly and reached the peak in early 2022.<sup>18</sup> Despite the fact that prices have fallen since mid-2022, future shipping costs are expected to be higher and more volatile than in the past due to an operating environment that is becoming more unpredictable.

In this context, the problems in Black Sea ports concerning infrastructure and connectivity quickly became apparent during the pandemic. The supply chain disruptions, delays and rising prices were still present when the Russo-Ukrainian War broke out, which has even further exacerbated the disruptions caused by the pandemic. On the other hand, the shock of the pandemic underscored just how crucial maritime container trade is to the global economy. It also disrupted maritime trade routes and illustrated for companies the vulnerability of basing all operations in one location, exposing the liabilities of the existing maritime trade system.<sup>19</sup> Accordingly, the Black Sea region has been given an opportunity to take advantage of this transformational shift and play an important role in offering businesses an alternative. During the pandemic the necessity for the Black Sea ports to have additional capacities became sorely apparent.

As for the war, its effect on vessels' activity in the Black Sea is clearly displayed in the number of port calls of dry bulk<sup>20</sup> in the region in January-April 2022. The number of port calls made in Ukraine started decreasing a week before the war started, as precautions were increasingly being taken. Throughout the two months immediately after the outbreak of war, there was not a single arrival at a port in Ukraine, but the situation improved slightly in late April. Though the initial shock was significant, in Russia, arrivals surpassed the pre-war level in a month. Meanwhile, the number of port calls in the Black Sea two weeks after the war decreased by 136, while the same decrease for Ukraine and Russia combined was 29% lower (97). Hence, unsurprisingly, the war negatively affected the maritime industry of not only the countries engaged but the whole Black Sea region.

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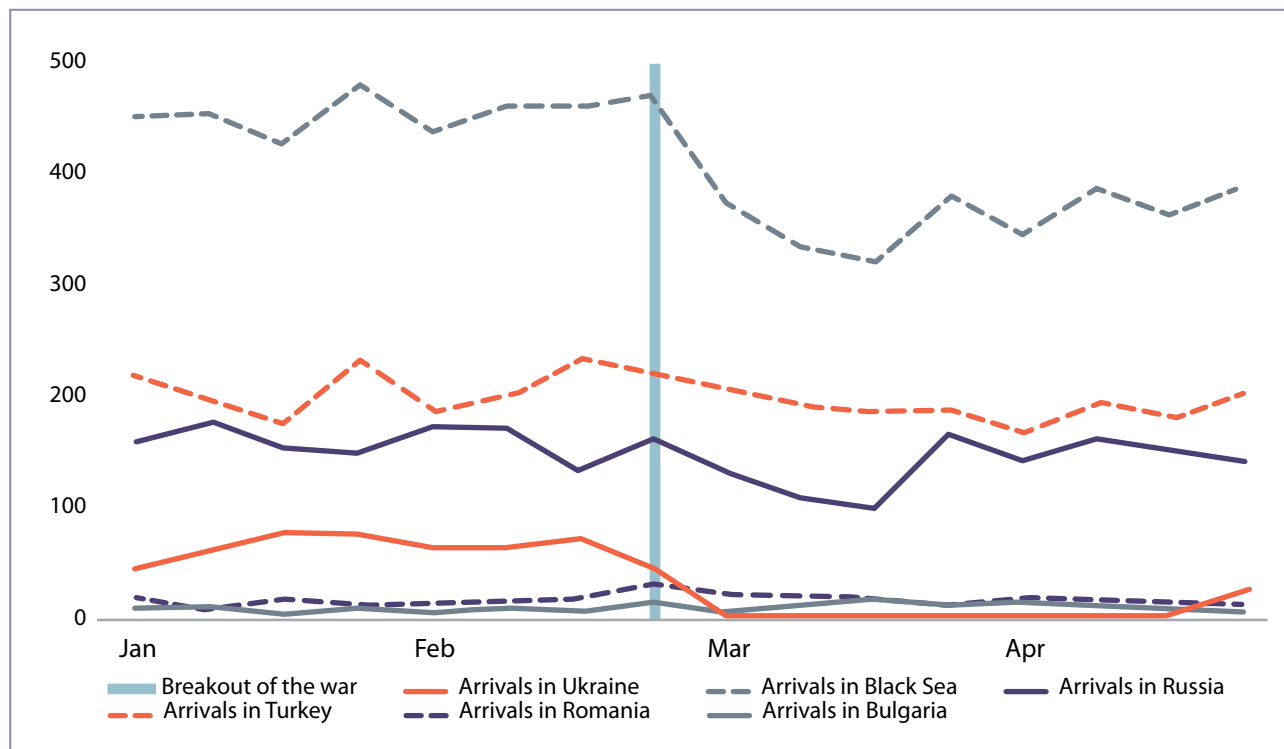
<sup>17</sup> Source: <https://www.imf.org/en/Blogs/Articles/2022/03/28/how-soaring-shipping-costs-raise-prices-around-the-world#:~:text=Pent%20Dup%20demand%20from%20huge,of%20getting%20them%20there%20surged.>

<sup>18</sup> UNCTAD. 2022. Review of Maritime Transport 2022.

<sup>19</sup> Source: <https://www.mei.edu/publications/black-sea-economies-poised-to-take-advantage-post-pandemic-climate>

<sup>20</sup> A vessel call is a single visit to a terminal or port by a vessel. In other words, the number of port calls of dry bulk measures the number of visits recorded in the ports by various vessels.

**Figure 1:** Number of port calls of dry bulk in the Black Sea region (2022)



Source: Marine Traffic

## Implications on Ukraine

As maritime trade is an essential part of Ukraine’s external trade, Russia’s attacks on Ukrainian seaports and inland water transport infrastructure may have been unjustified but were not surprising. Since 2014, Russia has had control of Ukraine’s Crimean ports, resulting in a 10% decrease in Ukraine’s port capacity for grain cargo transshipment.<sup>21</sup> The war which started on February 24th, 2022, has led to Ukraine losing control over the ports of Mariupol, Berdyansk, Skadovsk, and Kherson. Furthermore, until the ‘grain deal’ of August 1, 2022, operations at the majority of its ports had been halted. Only inland ports of Danube river - Reni, Izmail, and Ust-Dunaisk - were still functioning until that point, increasing their turnover fourfold.

Prior to the BSGI, in May 2022, the EU had introduced the so-called “Solidarity Lanes” to help Ukraine export its agricultural goods.<sup>22</sup> After the BSGI was concluded, three Ukrainian ports resumed functioning partially and started serving vessels again to export grain and foodstuffs through a humanitarian corridor in the Black Sea. BSGI has helped increase the amount of grain traded, although it still remains below the pre-war 2021 levels. More specifically, port activity in Ukraine is on the rise after signing the deal, but “shipments are still about 40-50 per cent below the pre-war period.”<sup>23</sup> According to the UN, 9.5 million metric tons of foodstuffs were exported courtesy of the deal in the period of August-October. Ukraine’s exports saw an upward trend from 1.3 MT in April 2022 to 6.6 MT in September 2022.<sup>24</sup> Though the three ports near Odessa have started to partially function again under the supervision of international teams of officials, the ISPS security level has remained at the highest level - 3.

<sup>21</sup> Source: <https://glavcom.ua/publications/124364-anejsija-krimu-golovni-naslidki-dlja-ukrajini-doslidzhennja.html>  
<sup>22</sup> European Commission. 2022. “European Commission to establish Solidarity Lanes to help Ukraine export agricultural goods.” May 12, 2022. [https://transport.ec.europa.eu/news/european-commission-establish-solidarity-lanes-help-ukraine-export-agricultural-goods-2022-05-12\\_en](https://transport.ec.europa.eu/news/european-commission-establish-solidarity-lanes-help-ukraine-export-agricultural-goods-2022-05-12_en)  
<sup>23</sup> United Nations Conference on Trade and Development. 2022. “A trade hope: the role of the black sea grain initiative in bringing Ukrainian grain to the world.” 20 October, 2022. [https://unctad.org/system/files/official-document/osginf2022d6\\_en.pdf](https://unctad.org/system/files/official-document/osginf2022d6_en.pdf), p.6  
<sup>24</sup> European Commission. 2022. “Keeping Ukrainian goods moving.” [https://transport.ec.europa.eu/ukraine/keeping-ukrainian-goods-moving\\_en](https://transport.ec.europa.eu/ukraine/keeping-ukrainian-goods-moving_en)

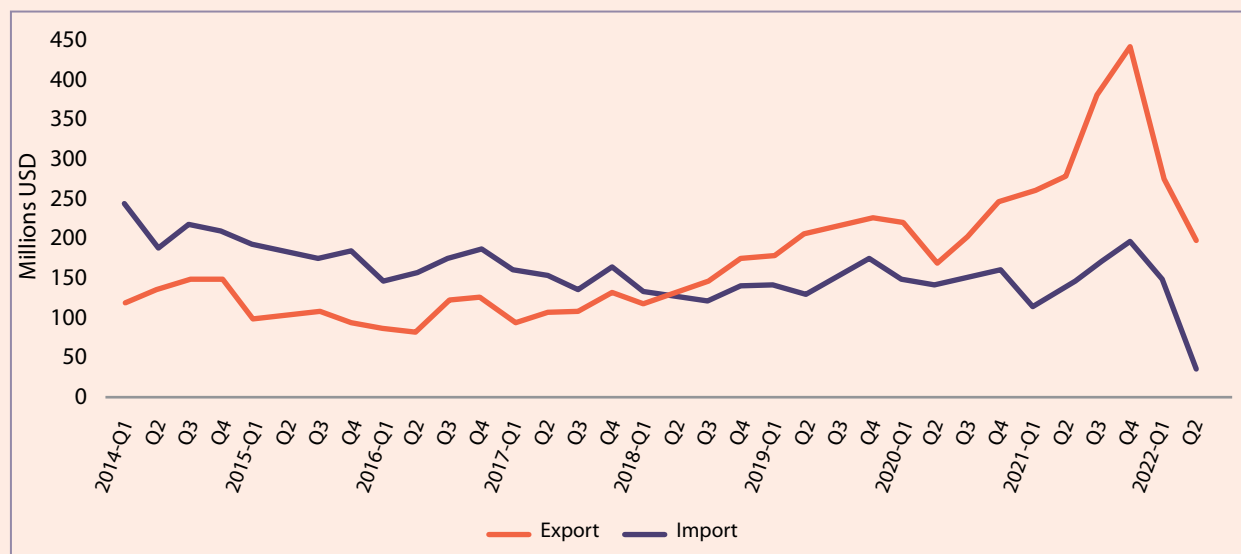
The EU's efforts to improve EU-Ukraine connectivity including railway connections and railroad terminals<sup>25</sup> will be crucial for Ukraine's ability to export its goods in case Russia – which has been accused of stealing several thousand tons of grain from the occupied areas of Ukraine<sup>26</sup> – again suspends participation in the BSGI and blocks the export of goods from Ukrainian ports. The war in general and the maritime blockages in particular have also had a negative impact on Moldova.<sup>27</sup>

According to the 'Audit of War Damage' conducted by the National Council for the Recovery of Ukraine from the War, the total damage caused by Russian attacks on Ukrainian water transport infrastructure amounted to approximately US\$471 million. It is also worth noting that Russia has inflicted only moderate damage on the ports and has not destroyed their whole infrastructure as it has been using them to export stolen grain and ferrous metals from Ukraine. Specifically, Russia has exported stolen metal products worth US\$200 million and grain worth hundreds of millions of USD. Ultimately, even with only moderate damage, the overall losses of water transportation are estimated at US\$2.7 billion.<sup>28</sup>

### Water transport trade in Ukraine

In the analyzed period of 2014-2022(Q2), before the war, imports of water transport services had been mostly increasing in Ukraine, making the country a net importer of water transport services. Meanwhile, the value of exports of water transport services had been decreasing with some fluctuations. As expected, the effect of the war has been devastating for Ukraine's water transport services. In 2022 Q2, compared to 2019 Q4, the exports decreased by 81%, while the imports decreased by 55%.

**Figure 2:** Ukrainian exports and imports of water transport services



Source: National Bank of Ukraine

<sup>25</sup> European Commission. 2022. "European Commission to establish Solidarity Lanes to help Ukraine export agricultural goods." May 12, 2022. [https://transport.ec.europa.eu/news/european-commission-establish-solidarity-lanes-help-ukraine-export-agricultural-goods-2022-05-12\\_en](https://transport.ec.europa.eu/news/european-commission-establish-solidarity-lanes-help-ukraine-export-agricultural-goods-2022-05-12_en)

<sup>26</sup> Aljazeera. 2022. "Is Russia stealing and selling grain from Ukraine?" June 9, 2022. <https://www.aljazeera.com/news/2022/6/9/is-russia-stealing-and-selling-grain-from-ukraine>

<sup>27</sup> European Parliament. 2022. "Russia's war on Ukraine: Implications for transport." June 2022, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733536/EPRS\\_BRI\(2022\)733536\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733536/EPRS_BRI(2022)733536_EN.pdf)

<sup>28</sup> The National Council for the Recovery of Ukraine from the Consequences of the War. 2022. Draft Ukraine Recovery Plan. Materials of the "Audit of war damage" working group. <https://www.kmu.gov.ua/storage/app/sites/1/recoveryrada/eng/audit-of-war-damage-eng.pdf>

## The importance of Ukraine in global value chains

To portray the effects of the halting of operations at Ukrainian ports on both domestic and international markets, it is essential to analyze the significance of Ukraine's maritime industry and its role in the country's external trade, the Black Sea, and beyond. Though the Black Sea region is not a major participant in global maritime trade, security of its ports is crucial for world stability. In particular, the disruption of exports for the commodities provided in Table 2 has been a challenge not only for Ukraine but also for the rest of the world as much of Europe, Asia, and Africa were previously major importers of products from Ukraine.<sup>29</sup> Furthermore, one-third of Ukraine's exported agricultural products were destined for Europe, China, and Africa before the war. Therefore, the export of those commodities through the Black Sea underscores the global importance of the Black Sea region and its ports.

Moreover, maritime trade accounts for an even larger proportion of total exports of key Ukrainian commodities. For instance, before the war broke out, 90% of agricultural products and a large share of critical exports (metals) and imports (coal) went through Ukrainian ports.

**Table 1:** Ukraine's Exports in 2021

Product	Value of exports (Billion)	Rank in global exporters	Share of global exports	Top Markets
Iron Ore	\$6.90	#5	3.10%	EU, China, Japan
Sunflower Oil	\$6.40	#1	46%	India, EU, China
Corn	\$5.90	#4	12%	China, EU, Egypt
Wheat	\$5.10	#5	9%	Egypt, Indonesia, Türkiye
Barley	\$1.30	#3	17%	China, Türkiye, KSA

Source: FAS.USDA, GMK, and Trade Data Monitor LLC

Furthermore, the commodities that are heavily dependent on maritime trade account for most of Ukraine's external trade. In particular, according to the National Bank of Ukraine, agricultural products and ferrous and nonferrous metals amounted to 69% of its total exports in 2021. Although iron ore exports accounted for the highest value (US\$6.9 billion), sunflower oil had a greater share of global exports (46%), making Ukraine the world's leading exporter of this commodity. In addition, Ukraine is also in the world's top five exporters of barley, corn, and wheat, with shares of global exports of 17%, 12%, and 9%, respectively.

<sup>29</sup> National Bank of Ukraine. <https://bank.gov.ua/en/statistic/sector-external>

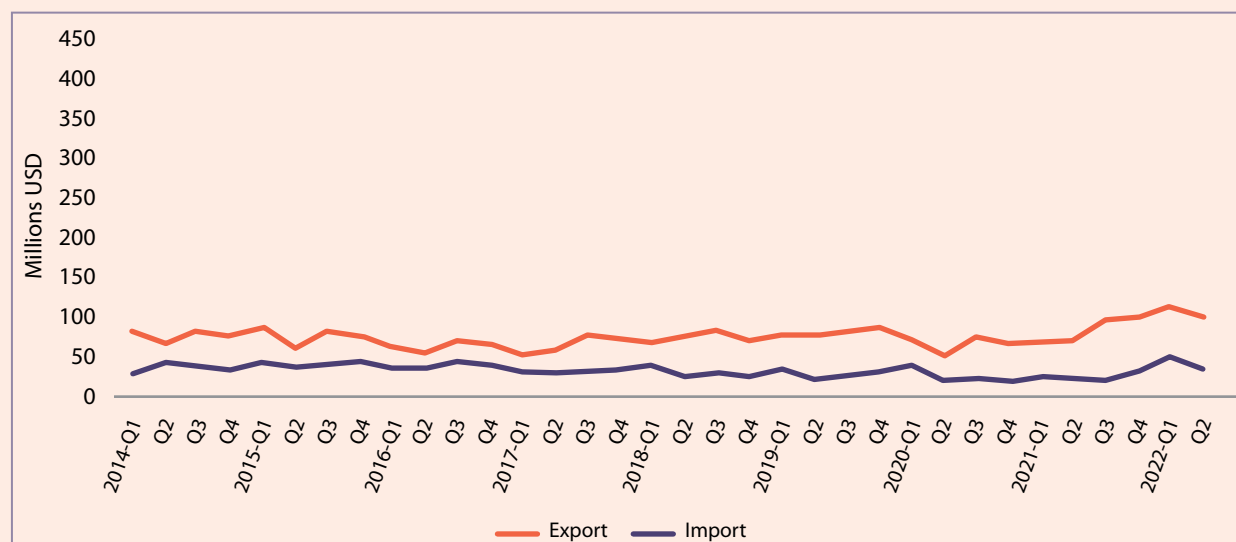
## Implications on Bulgaria and Romania

While the similar data is not available for the analysis of other Black Sea countries, it is certain that the war has led to an increase in port activity in Romania<sup>30</sup> and Bulgaria.<sup>31</sup> As part of the EU's economic sanctions on Russia, the two countries closed their ports to Russian vessels, although some exceptions apply. Re-routing some of the trade from Ukraine due to the war has led to increases of dry bulk vessel calls at ports in Romania and Bulgaria.<sup>32</sup> Cargo destined to Russia and Ukraine has piled up at different ports across Europe, including in Romania and Bulgaria. Overall, traffic in the EU ports "could exacerbate congestion at some port terminals, increasing maritime safety and security risks."<sup>33</sup> However, Romanian and Bulgarian ports maintain first-level ISPS and the increase in port activities is likely to continue as the war drags on, which could again bring further disruptions to trade in the Black Sea region.

## Water transport trade in Georgia

The exports of water transport services in Georgia have been somewhat stable, while the increasing trend of imports is noticeable throughout the analyzed period of 2014-2022(Q2). It is worth mentioning that in 2022 Q1, imports and exports of water transport services increased, however both returned to 2019 Q4 levels in 2022 Q2.

**Figure 3:** Georgian exports and imports of water transport services



Source: National Bank of Georgia

## 3.3 OVERVIEW OF THE PERFORMANCE OF THE BLACK SEA PORTS

There are commercial ports of different categories (size, specializations and infrastructure quality) in the Black Sea basin. According to Container Port Performance Index (CPPI),<sup>34</sup> which is calculated based on total port hours per call, classified as the amount of time taken between a ship's arrival at a port to its departure after completing its cargo exchange, there are no large ports in the region, and only one medium-sized port in Romania. All other ports in the Black Sea are categorized as small.

<sup>30</sup> Datawrapper. 2022. "A gradual rise in port activity in Romania." UNCTAD, [https://www.datawrapper.de/\\_/fkH3n/](https://www.datawrapper.de/_/fkH3n/)

<sup>31</sup> Datawrapper. 2022. "A gradual rise in port activity in Bulgaria." UNCTAD, [https://www.datawrapper.de/\\_/81U7y/](https://www.datawrapper.de/_/81U7y/)

<sup>32</sup> United Nations Conference on Trade and Development. 2022. "Maritime Trade Disrupted: The war in Ukraine and its effects on maritime trade logistics." June 28, 2022. [https://unctad.org/system/files/official-document/osginf2022d2\\_en.pdf](https://unctad.org/system/files/official-document/osginf2022d2_en.pdf), p.4

<sup>33</sup> European Parliament. 2022. "Russia's war on Ukraine: Implications for transport." June 2022, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733536/EPRS\\_BRI\(2022\)733536\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733536/EPRS_BRI(2022)733536_EN.pdf), p.4

<sup>34</sup> Ibid, p.5.



**Table 3:** Container Port Performance Index, 2021

Port Name	Size <sup>35</sup>	Total Points <sup>36</sup>	Rank <sup>37</sup>
Novorossiysk (Russia)	Small	13.6	172
Burgas (Bulgaria)	Small	8.6	195
Odessa (Ukraine)	Small	4.4	209
Varna (Bulgaria)	Small	1.5	225
Poti (Georgia)	Small	1.4	226
Batumi (Georgia)	Small	-2.2	245
Samsun (Türkiye)	Small	-3.7	248
Constanta (Romania)	Medium	-12.7	272
Yuzhny (Ukraine) <sup>38</sup>	Small	-52.2	317

Source: The World Bank and S&P Global Market Intelligence

There is also a big difference in the performance across Black Sea ports. Novorossiysk port in Russia scoring 13.6 points in CPPU performs the best compared to other small ports in the sea, while Yuzhny port in Ukraine with -52.2 points is the worst performer. Constanta port in Romania, being the largest port in the Black Sea, lags with its performance compared to the global ports from the same size category, scoring -12.7 in CPPI. Those results suggest that even though the Black Sea has far-reaching maritime trade potential, countries in the region significantly lag behind the port of other global regions, thereby failing to make the most of their opportunities.

Other valuable indicators for assessing the size and performance of Black Sea ports - number of vessels, tons of cargo, and TEU ports handle annually - are summarized below in the Table 4.

**Table 4:** Approximate number of Vessels, tons of cargo, and TEU ports handle annually.

Port	Vessels	Tons of cargo	TEU
Novorossiysk (Russia)	4 780	86 500 000	188 700
Odessa (Ukraine)	1 200	43 000 000	700 000
Constantza (Romania)	14 300	37 224 000	648 500
Pivdennyi (Ukraine)	–	35 800 000	–
Batumi (Georgia)	665	12 220 000	100 000

<sup>35</sup> Size is divided into three groups: Large: more than 4 million TEUs per year; Medium: between 0.5 and 4 million TEUs per year; Small: less than 0.5 million TEUs per year.

<sup>36</sup> Average port hours are naturally higher in the larger than smaller call size groups. Thus, the index points used to construct the ranking in the administrative approach are an aggregate of the performance of the port, weighted relative to the average across call and vessel size. A positive point means a port compares better compared to the average in one call size and vessel size category, while a negative point means that a port compares poorly to the average in one call size and vessel size category.

<sup>37</sup> Container Port Performance Index covers 370 ports.

<sup>38</sup> Yuzhny port was renamed to Pivdennyi port. [https://en.cfts.org.ua/news/government\\_renames\\_yuzhny\\_port#:~:text=The%20name%20change%20concerns%20the%20Ukrainian%20version%20of,the%20CFTS%20portal%20reports%2C%20citing%20the%20Delo%20publication.](https://en.cfts.org.ua/news/government_renames_yuzhny_port#:~:text=The%20name%20change%20concerns%20the%20Ukrainian%20version%20of,the%20CFTS%20portal%20reports%2C%20citing%20the%20Delo%20publication.)

Trabzon (Turkey)	650	10 000 000	350 000
Varna (Bulgaria)	2 240	7 723 000	155 330
Poti (Georgia)	2 050	7 292 000	210 000
Burgas (Bulgaria)	1 329	6 771 000	25 936
Samsun (Turkey)	1 050	2 318 710	–

Source: Shipnext.com

In the context of the Black Sea which faces Russia's aggression towards Ukraine it is also important to compare safety and security of the ports of this region. According to International Ship and Port Facility Security Code (ISPS),<sup>39</sup> Odessa and Pivdennyi ports in Ukraine are ranked into the higher level of probability of a security incident (SL3), Novorossiysk port in Russia is ranked at the second level (SL2) and other Black Sea ports which have been assessed in this ranking – Constantza (Romania), Varna (Bulgaria), Burgas (Bulgaria) were ranked to the safest level (SL1).

**Table 5:** International Ship and Port Facility Security Code (ISPS) level in ports.

Port	ISPS level
Odessa (Ukraine)	3
Pivdennyi (Ukraine)	3
Novorossiysk (Russia)	2
Constantza (Romania)	1
Varna (Bulgaria)	1
Burgas (Bulgaria)	1

Source: Wilhelmsen.com

<sup>39</sup> Ibid, p.11.

## PROFILES OF THE MAJOR BLACK SEA PORTS



### Constanta – Romania

Constanta is located on the west coast of the Black Sea in Romania. It is the largest port on the Black Sea and is qualified as the only medium-sized port among the small ports in the region, according to the CPPI. It is also important to highlight that the port can handle any cargo, and its dry bulk centers are some of the busiest bulk terminals in Europe.<sup>40</sup> There are specialized terminals for commodities: ores, crude oil, oil products, coals, chemical products, grains, rolled metals, etc.<sup>41</sup> The port handles approximately 14,300 vessels annually, containing 37,224,000 tons of cargo and 648,500 TEUs.<sup>42</sup> Constanta has become the main eastern waterway for agriculture-related businesses in Romania and neighboring countries since 2016.<sup>43</sup> The port is public-private, owned by the Romanian state, and responsible for its regulation and function.<sup>44</sup> Despite the Russo-Ukrainian War, the ISPS remains on the first level. However, a restriction has been added - Russian flag vessels are not allowed to call into Romanian ports, including Constanta.<sup>45</sup>

After the war, Constanta was overloaded. Alongside the increased cargo flows from the trans-Caspian international transport route, the port has processed 800,000 tons of iron ore and about 1.5 million tons of Ukrainian grain,<sup>46</sup> despite Ukrainian trains being hampered by railway infrastructure problems.<sup>47</sup> Furthermore, the truck queue at Constanta port waiting for unloading has reached 30km, while the port's storage capacity utilization often exceeds full capacity, which has forced some Romanian exporters to proceed with other European ports.<sup>48</sup>

<sup>40</sup> Source: [http://www.worldportsource.com/ports/commerce/ROM\\_Port\\_of\\_Constanta\\_1262.php](http://www.worldportsource.com/ports/commerce/ROM_Port_of_Constanta_1262.php)

<sup>41</sup> Source: <https://shipnext.com/port/Constanta-rocnd-rou>

<sup>42</sup> Source: <https://shipnext.com/port/Constanta-rocnd-rou>

<sup>43</sup> Source: <https://www.marineinsight.com/ports/10-major-ports-in-romania/>

<sup>44</sup> Source: [https://www.portofConstanta.com/pn/page/np\\_despre\\_noi](https://www.portofConstanta.com/pn/page/np_despre_noi)

<sup>45</sup> Source: <https://frontnews.eu/en/news/details/27399>

<sup>46</sup> Source: <https://ports.ua/port-konstancza-obrobiv-15-mln-tonn-zerna-i-800-tis-tonn-zalizo%D1%97-rudi-z-ukra%D1%97ni/>

<sup>47</sup> Source: <https://www.reuters.com/world/europe/romanian-black-sea-port-keep-shipping-ukrainian-grain-seeks-eu-funding-2022-08-03/>

<sup>48</sup> Source: <https://www.intellinews.com/romanian-exporters-struggle-to-find-port-capacity-amid-flow-of-goods-from-ukraine-249972/>

## Varna – Bulgaria

Varna is located on the west coast of the Black Sea in Bulgaria. The port is qualified as small according to the CPPI. Major exported commodities include livestock, processed foodstuffs, and grain. The port's infrastructure consists of 3.5 miles of wharf and 32 berths.<sup>49</sup> It is also important to highlight that Varna is a major touristic destination. The port manages to handle all types of cargo, including dry and liquid bulks, containers, and general cargo. The port handles approximately 2,240 vessels annually, containing 7,723,000 tons of cargo and 155,330 TEUs.<sup>50</sup> Since 1996, the port at Varna has been fully state-owned.<sup>51</sup> Despite the Russo-Ukrainian War, the ISPS remains on the first level. Due to the current state of the war, Russian flag vessels are no longer allowed to call into Bulgarian ports, including Varna.<sup>52</sup> Furthermore, the port has started to receive part of the cargo from Ukraine as Constanta is now overloaded.<sup>53</sup>

## Burgas - Bulgaria

Burgas is located on the west coast of the Black Sea in Bulgaria. The port is qualified as small according to the CPPI. Burgas Container Port Throughput averaged 201,000.000 TEUs annually from 2008 to 2020.<sup>54</sup> Port infrastructure is mostly adequate for bulk commodities but lacks corresponding facilities for special handling.<sup>55</sup> Burgas generally handles the following: cargo (48%), bulk carrier (12%), oil/chemical tanker (9%), sailing vessel (6%), and container ship (3%).<sup>56</sup> The port handles approximately 1,329 vessels annually, containing 6,771,000 tons of cargo and 25,936 TEUs.<sup>57</sup> The port is owned by the private firm BMF Port Burgas.<sup>58</sup> Despite the Russo-Ukrainian War, the ISPS remains on the first level. Due to the current state of the war, Russian flag vessels are no longer allowed to call into Bulgarian ports, including Burgas.<sup>59</sup>

## Odessa - Ukraine

The port of Odessa is located on the northwest coast of the Black Sea in south Ukraine. Despite being one of the busiest ports in the Black Sea, according to the Container Port Performance Index, it is still classified as a small port. The port handles the following cargoes: oils, condensed gas, containerized cargo, metal products, iron, sugar, grains, etc.<sup>60</sup> The Odessa port handles approximately 1,200 vessels annually, including 18,000,000 tons of dry and 25,000,000 tons of liquid cargo, and 700,000 TEUs.<sup>61</sup> It is also important to highlight that alongside having one of the best passenger terminals in the world; the port also serves as Ukraine's naval base.<sup>62</sup> The port is owned by the state company Ukrainian Sea Ports Authority.<sup>63</sup> After the breakout of the Russo-Ukrainian War, the ISPS has increased to level 3 (the maximum level). After the war started, Ukraine closed the northwestern part of the Black Sea, including Odessa. However, navigation for vessels carrying grain, foodstuff, and edible oils was renewed after August 1st.<sup>64</sup>

<sup>49</sup> Source: [http://www.worldportsource.com/ports/commerce/BGR\\_Port\\_of\\_Varna\\_119.php](http://www.worldportsource.com/ports/commerce/BGR_Port_of_Varna_119.php)

<sup>50</sup> Source: <https://shipnext.com/port/varna-bgvar-bgr>

<sup>51</sup> Source: <https://port-varna.bg/en/About-us/Port-today>

<sup>52</sup> Source: <https://www.wilhelmsen.com/port-services/ships-agency/campaigns/ukraine-russia/ukraine-russia-port-situation-map/>

<sup>53</sup> Source: <https://www.vanguardngr.com/2022/06/bulgaria-is-set-to-assist-ukraine-in-moving-cargo-on-the-black-sea/>

<sup>54</sup> Source: <https://www.ceicdata.com/en/indicator/bulgaria/container-port-throughput>

<sup>55</sup> Source: <https://www.cogoport.com/ports/burgas-bgboj>

<sup>56</sup> Source: <https://www.marinetraffic.com/en/ais/details/ports/732?name=BURGAS&country=Bulgaria>

<sup>57</sup> Source: <https://www.marineinsight.com/know-more/7-major-ports-and-harbours-in-bulgaria/#:~:text=Port%20of%20Bourgas&text=Around%201%2C329%20vessels%2C%206%2C771%2C000%20tonnes,handled%20annually%20at%20Bourgas%20port.>

<sup>58</sup> Source: <https://seenews.com/news/3siif-acquires-stake-in-bulgarias-bmf-port-burgas-788856#:~:text=BMF%20Port%20Burgas%2C%20the%20private,75%25%20between%202016%20and%202020.>

<sup>59</sup> Source: <https://www.wilhelmsen.com/port-services/ships-agency/campaigns/ukraine-russia/ukraine-russia-port-situation-map/>

<sup>60</sup> Source: <https://www.marineinsight.com/know-more/major-black-sea-ports/>

<sup>61</sup> Source: <https://shipnext.com/port/odessa-uaods-ukr>

<sup>62</sup> Source: <https://www.marineinsight.com/know-more/5-major-ports-of-ukraine/>

<sup>63</sup> Source: <https://www.uspa.gov.ua/en/homepage-inform-en>

<sup>64</sup> Source: <https://www.wilhelmsen.com/port-services/ships-agency/campaigns/ukraine-russia/ukraine-russia-port-situation-map/>

### **Novorossiysk - Russia**

The port of Novorossiysk is located on the northeast coast of the Black Sea in Russia. According to the CPPI, despite being one of the largest ports in the Black Sea it is still classified as small. The port extends across a 3.4-sq. km harbor area, including 89 functioning berths for vessels of all sizes.<sup>65</sup> The port of Novorossiysk handles the following cargoes: general cargo (29%), crude oil tanker (17%), bulk carrier (15%), oil/chemical tanker (8%), and pleasure craft (7%).<sup>66</sup> The port handles approximately 4,780 vessels annually, containing 86,500,000 tons of cargo consisting of 188,700 TEUs. The port of Novorossiysk specializes in handling grain, sugar, metal, scrap, mineral fertilizers, refrigeration, containers, timber, and crude oil cargoes.<sup>67</sup> Transnet – a Russian state-owned company, owns the port. After the breakout of the Russo-Ukrainian War, no restriction has been added regarding cargo operations; however, the ISPS has increased to level 2.<sup>68</sup>

### **Samsun – Türkiye**

The port of Samsun is located on the south coast of the Black Sea in Türkiye. The largest Turkish port in the Black Sea is classified as a small port according to the CPPI. The port's main terminal area extends to 440,000 sq. meters, including five berths.<sup>69</sup> The seaport of Samsun handles the following cargoes annually: general cargo (64%), bulk carrier (10%), fishing (5%), oil/chemical tanker (4%), and ro-ro<sup>70</sup> cargo (3%).<sup>71</sup> The port handles approximately 1,050 vessels, 2,318,710 tons of dry, 37,340 tons of bulk liquid, and 197,190 tons of general cargo annually. The port serves as the main facility for Iranian exports and imports.<sup>72</sup> The Samsun port handles pallets, coil sheets, metal goods and pipes, marble stone, roll paper, bagged goods, etc.<sup>73</sup> The port is owned by the Republic of Türkiye's State Railways Directorate.<sup>74</sup>

### **Trabzon – Türkiye**

The port of Trabzon is located on the southwest coast of the Black Sea in Türkiye. According to the CPPI, the port of Trabzon is classified as small. The port has a transit trade between Iran and Iraq and is a Free Zone area. The main exported commodities from the Trabzon port are cereals, vegetables, fruit, tea, and hazelnuts.<sup>75</sup> The port handles the following vessels annually: general cargo (51%), fishing (14%), pleasure craft (4%), and suction dredger (1%).<sup>76</sup> The port welcomes approximately 650 vessels annually.<sup>77</sup> It is also important to highlight that the Trabzon port is the only publicly traded port among the international operating ports and coastal facilities in Türkiye.<sup>78</sup> The port is owned by Albayrak Group.<sup>79</sup>

<sup>65</sup> Source: <https://www.marineinsight.com/know-more/7-major-ports-in-russia/>

<sup>66</sup> Source: <https://www.marinetraffic.com/en/ais/details/ports/767?name=NOVOROSSIYSK&country=Russia>

<sup>67</sup> Source: <https://shipnext.com/port/novorossiysk-runvs-rus>

<sup>68</sup> Source: <https://www.nepia.com/industry-news/russia-ukraine-military-action-impact-on-shipping/>

<sup>69</sup> Source: <https://www.marineinsight.com/know-more/major-black-sea-ports/>

<sup>70</sup> Roll-on/roll-off

<sup>71</sup> Source: <https://www.marinetraffic.com/en/ais/details/ports/788?name=SAMSUN&country=Turkey>

<sup>72</sup> Source: <https://shipnext.com/port/samsun-trssx-tur>

<sup>73</sup> Source: <https://www.marineinsight.com/know-more/major-black-sea-ports/>

<sup>74</sup> Source: <https://www.samsunport.com.tr/en/about-us/introduction-and-history#:~:text=The%20port%20was%20transferred%20to,still%20operated%20by%20this%20directorate.>

<sup>75</sup> Source: <https://shipnext.com/port/trabzon-trtzx-tur>

<sup>76</sup> Source: <https://www.marinetraffic.com/en/ais/details/ports/789?name=TRABZON&country=Turkey>

<sup>77</sup> Source: <https://shipnext.com/port/trabzon-trtzx-tur>

<sup>78</sup> Source: <https://trabzonport.com.tr/en/about-us/>

<sup>79</sup> Source: <https://trabzonport.com.tr/en/about-us/>

### **Poti – Georgia**

The port of Poti is located on the east coast of the Black Sea in Georgia. The port is classified as a small port according to the CPPI. The largest port in Georgia has 15 berths and a total quay length of 2.9 kilometers. It is also essential to highlight that in January 2022, a new seaport was opened in Poti.<sup>80</sup> The port of Poti offers an international gateway to Georgia, Armenia, and Azerbaijan. It handles containers, liquids, dry bulk cargo, and passenger ferries.<sup>81</sup> The port bears the following vessels annually: general cargo (56%), bulk carrier (9%), container ship (7%), sailing vessel (5%), and oil/chemical tanker (5%).<sup>82</sup> The port of Poti handles approximately 2,050 vessels annually, 7,292,000 tons of cargo, and 210,000 TEUs. It is owned by the private company APM Terminals. Due to the Russia-Ukraine War, cargo inflows from the trans-Caspian international transport route have increased as companies try to bypass Russia by using the Middle Corridor.

### **Batumi – Georgia**

The port of Batumi is located on the southeast coast of the Black Sea in Georgia. The port is regarded as a small port according to the CPPI. The port specializes in petroleum, crude oil, and petroleum products;<sup>83</sup> however, it also handles shipments of metals, grains, cement, fertilizers, corn, wood, construction equipment, and sugar. The port has five specialized terminals and 11 docks with a processing capacity of 18 million tons annually.<sup>84</sup> The Batumi port handles the following vessels: general cargo (27%), oil/chemical tanker (18%), bulk carrier (9%), oil products tanker (7%), and LPG tanker (6%).<sup>85</sup> The port handles approximately 12,220,000 tons of cargo, 100,000 TEUs and 665 vessels annually.<sup>86</sup> The port is owned by Kazakhstan's national oil and gas company JSC NC KazMunaiGaz.<sup>87</sup>

### **Pivdennyi<sup>88</sup> – Ukraine**

The port of Pivdennyi is located on the northwest coast of the Black Sea in Ukraine. According to the CPPI, the port is classified as small. Pivdennyi is the deepest and newest port in Ukraine.<sup>89</sup> The port handles commodities like petroleum products, oils, chemicals, ammonia, methanol, and dry cargoes comprising metals, ores, coal, grains, etc.<sup>90</sup> The port handles the following vessels: bulk carrier (60%), oil/chemical tanker (17%), and general cargo (14%).<sup>91</sup> Approximately 35,800,000 tons of cargo is handled annually.<sup>92</sup> The port is owned by the state company Ukrainian Sea Ports Authority.<sup>93</sup> After the breakout of the Russo-Ukrainian War, the ISPS has increased to level 3 (the highest available). Ukraine closed the northwestern part of the Black Sea, including Pivdennyi, after the war broke out. However, navigation for vessels carrying grain, foodstuff, and edible oils was renewed after August 1st.<sup>94</sup>

<sup>80</sup> Source: <https://georgiatoday.ge/poti-new-seaport-officially-opens/>

<sup>81</sup> Source: <https://www.apmterminals.com/en/poti/our-port/our-port>

<sup>82</sup> Source: <https://www.marinetraffic.com/en/ais/details/ports/786?name=POTI&country=Georgia>

<sup>83</sup> Source: <https://shipnext.com/port/batumi-gebus-geo>

<sup>84</sup> Source: <https://www.marineinsight.com/know-more/major-black-sea-ports/>

<sup>85</sup> Source: <https://www.marinetraffic.com/en/ais/details/ports/787?name=BATUMI&country=Georgia>

<sup>86</sup> Source: <https://shipnext.com/port/batumi-gebus-geo>

<sup>87</sup> Source: [https://www.batumiport.com/en/about\\_the\\_company/](https://www.batumiport.com/en/about_the_company/)

<sup>88</sup> Ibid, p. 17.

<sup>89</sup> Source: [http://www.worldportsource.com/ports/commerce/UKR\\_Port\\_of\\_Yuzhny\\_1576.php](http://www.worldportsource.com/ports/commerce/UKR_Port_of_Yuzhny_1576.php)

<sup>90</sup> Source: <https://www.marineinsight.com/know-more/5-major-ports-of-ukraine/>

<sup>91</sup> Source: <https://www.marinetraffic.com/en/ais/details/ports/884?name=YUZHNY&country=Ukraine>

<sup>92</sup> Source: <https://www.marineinsight.com/know-more/5-major-ports-of-ukraine/>

<sup>93</sup> Source: <https://www.uspa.gov.ua/en/homepage-inform-en>

<sup>94</sup> Source: <https://www.wilhelmsen.com/port-services/ships-agency/campaigns/ukraine-russia/ukraine-russia-port-situation-map/>

### 3.4 WIDER IMPLICATIONS OF THE WAR

Russia's war against Ukraine has had various implications not only for its immediate region, but globally. In addition to other implications, the war also created the need of exploring new solutions to ensure the energy security of Europe, as well as of the wider Black Sea region, in order to alleviate the global food crisis and the supply of critical raw materials, and to ensure the uninterrupted transportation of goods. In terms of energy security, the EU in particular sought to decrease its dependence on Russia – and to address the consequences of Russia's decision to suspend gas deliveries to some EU states – through charting new partnerships including with Azerbaijan, the U.S., Canada, Norway, Israel, and Egypt.<sup>95</sup> The inauguration of the Interconnector Greece-Bulgaria (IGB) aims at strengthening the security of gas supply for Bulgaria as well as for the Western Balkans, Ukraine and Moldova.<sup>96</sup> Although the UN-brokered BSGI has yielded some results,<sup>97</sup> the food crisis exacerbated by Russia's war against Ukraine threatens millions with food insecurity, particularly affecting 48 mostly low-income countries that are dependent on imports from Russia and Ukraine.<sup>98</sup> The supply of critical raw materials has also been affected.<sup>99</sup>

The uncertainty of war and the absence of clear signs of its resolution posit significant challenges. Given its larger objectives of denying sovereignty to Ukraine and amid battlefield setbacks, Russia is likely to escalate matters,<sup>100</sup> leading to the protraction of the conflict. The almost quotidian deterioration of military, political and economic relations between Russia and the West further adds to the uncertainty as Russia could disrupt – as it did with the temporary suspension of its participation in the BSGI only to resume its participation shortly again due to Türkiye's facilitation – diplomatic efforts to continue maritime trade across the Black Sea to sow discord among Western states. Maintaining the progress achieved by international diplomacy, particularly vis-à-vis the Black Sea Grain Initiative, is therefore crucial for the continuation and the full restoration of maritime trade in the Black Sea region. Equally important is that the state leaders across the region match words with deeds in terms of further developing transit infrastructure across Central Asia and the South Caucasus so that it can serve as a viable replacement to other routes that are being avoided due to the war and the fear of non-compliance with the international sanctions regime.

#### **Implications on the Black Sea as an alternative trade route**

Amid the war, the Black Sea region has come under a new spotlight as a potential alternative route of transportation as governments and businesses seek to circumvent Russia.<sup>101</sup> The war has brought new challenges and strategic opportunities for the Black Sea littoral states; which has necessitated reflections on their new role in the emerging geopolitics and geoeconomics of Europe and has required re-engaging with European and Central Asian states to seize the potential of the existing connectivity networks.

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<sup>95</sup> European Council/Council of the European Union. 2022. "Energy prices and security of supply." Last reviewed 30 September 2022. <https://www.consilium.europa.eu/en/policies/energy-prices-and-security-of-supply/>

<sup>96</sup> European Commission. 2022. "Launch of the Interconnector Greece-Bulgaria (IGB)." October 1, 2022. [https://ec.europa.eu/info/news/launch-interconnector-greece-bulgaria-igb-2022-oct-01\\_en](https://ec.europa.eu/info/news/launch-interconnector-greece-bulgaria-igb-2022-oct-01_en)

<sup>97</sup> United Nations. "Updates from the Joint Coordination Centre." <https://www.un.org/en/black-sea-grain-initiative/updates>

<sup>98</sup> Georgieva, Kristalina, Sosa, Sebastián and Rother, Björn. 2022. "Global Food Crisis Demands Support For People, Open Trade, Bigger Local Harvests." IMF Blog, September 30, 2022. <https://www.imf.org/en/Blogs/Articles/2022/09/30/global-food-crisis-demands-support-for-people-open-trade-bigger-local-harvests?fbclid=IwAR0vVSQBZn2WrdwvozC8WpKufCKDVLiP2QwCGQVzBwONW312J8SD8LNRbok>

<sup>99</sup> OECD. "The supply of critical raw materials endangered by Russia's war on Ukraine." August 4, 2022. <https://www.oecd.org/ukraine-hub/policy-responses/the-supply-of-critical-raw-materials-endangered-by-russia-s-war-on-ukraine-e01ac7be/>

<sup>100</sup> Clement, Peter. 2022. "Putin's Risk Spiral: The Logic of Escalation in an Unraveling War." Foreign Affairs, October 26, 2022. <https://www.foreignaffairs.com/ukraine/putin-risk-spiral-logic-of-escalation-in-war>

<sup>101</sup> Khistovani, Giorgi, Kapanadze, Nika, Chkhenkeli, Anastasia, Surmanidze, Ana, Matcharashvili, Shota. 2022. "Maritime trade and port infrastructure in Black Sea countries. PMC Research Center, Black Sea Bulletin #8, September 6, 2022. [https://www.pmcresearch.org/slider\\_file/7020631700e05a760.pdf](https://www.pmcresearch.org/slider_file/7020631700e05a760.pdf)

The war has reinforced the importance of the transit potential of the South Caucasus states, particularly Azerbaijan and Georgia. Already prior to the war, Georgia had sought to strengthen its transit role, including through aiming at increasing its physical and digital connectivity with the European Union.<sup>102</sup> The signing of the gas deal between the EU and Azerbaijan put Georgia in the spotlight, leading to a visit by the Azerbaijani president and the announcement to increase current energy and gas transit capacities.<sup>103</sup> As the data published by the Ministry of Economy and Sustainable Development of Georgia show, the rise of total cargo transportation in 2022 compared to the previous year,<sup>104</sup> keeping up with increasing volumes, necessitates improvement of all aspects of Georgia's logistics performance. The country ranks 119<sup>th</sup> out of 160 countries in the latest available 2018 Logistics Performance Index (LPI) and scores below its income group across all components such as customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness.<sup>105</sup> Specifically, according to the Asian Development Bank's 2021 study, "the bottlenecks and gaps on Tran-Caucasus rail and road infrastructure" and "unresolved capacity and rail access issues at Georgian ports" are identified among the weaknesses of the Mediterranean and Black Sea Corridor.<sup>106</sup> The recent announcement by Georgia's prime minister that Georgia is planning to bring back to life the Anaklia deep sea water port<sup>107</sup> is a significant development as having another deep water port in the Black Sea would increase the competitiveness of the region and its position in the wider transit ecosystem. More importantly, recent plans of deploying a submarine electricity cable under the Black Sea would allow the export of energy from the South Caucasus to the EU.<sup>108</sup> Increasing Georgia's transit capacities will also benefit Armenia which remains dependent on Georgia to reach international markets including the exploration of using ferries as a complementary trade route amid land route overload in Georgia.<sup>109</sup>

The war has also brought to the surface the importance of reengaging with Central Asian states, as sanctions and restrictions limits the shippers and logistics service providers to use the China–Europe rail route running through Russia efficiently.<sup>110</sup> The Trans-Caspian International Transport Route (TITR), or the so-called Middle Corridor, has been particularly highlighted as an alternative transport route.<sup>111</sup> It should be noted that the China-Europe route passing through Central Asia and South Caucasus has been previously brought into focus within China's Belt and Road Initiative (BRI).<sup>112</sup> In June 2022, the foreign ministers of Azerbaijan, Türkiye and Kazakhstan issued a declaration highlighting the importance of increasing "the potential of the Trans-Caspian East-West Middle Corridor, which starts from Southeast Asia and China, runs through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, Türkiye,

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<sup>102</sup> European Commission. 2021. "Recovery, resilience and reform: post 2020 Eastern Partnership priorities." Joint Staff Working Document. [https://www.eeas.europa.eu/sites/default/files/swd\\_2021\\_186\\_f1\\_joint\\_staff\\_working\\_paper\\_en\\_v2\\_p1\\_1356457\\_0.pdf](https://www.eeas.europa.eu/sites/default/files/swd_2021_186_f1_joint_staff_working_paper_en_v2_p1_1356457_0.pdf), p.29-31

<sup>103</sup> Civil.ge. 2022. "President Aliyev Visits Georgia." October 24, 2022. <https://civil.ge/archives/512722>

<sup>104</sup> Ministry of Economy and Sustainable Development of Georgia. 2022. "Total cargo transportation." <http://www.economy.ge/?page=ecoreview&s=26&lang=en>

<sup>105</sup> Asian Development Bank. 2021. "Ports and Logistics Scoping Study in CAREC Region." March 2021, <https://www.adb.org/sites/default/files/publication/690856/ports-logistics-scoping-study-carec-countries.pdf>, p.14

<sup>106</sup> Ibid, p.36

<sup>107</sup> Gabritchidze, Nini. 2022. "Georgia pledges to revive Anaklia port project, take controlling share." Eurasianet, December 12, 2022. <https://eurasianet.org/georgia-pledges-to-revive-anaklia-port-project-take-controlling-share>

<sup>108</sup> <https://www.reuters.com/business/energy/four-leaders-sign-agreement-bring-green-azeri-energy-europe-2022-12-18/>

<sup>109</sup> Gabritchidze, Nini and Mejlumyan, Ani. 2022. "Armenia to set up ferry between Georgia and Russia." Eurasianet, August 16, 2022. <https://eurasianet.org/armenia-to-set-up-ferry-between-georgia-and-russia>

<sup>110</sup> United Nations Conference on Trade And Development (UNCTAD). 2022. "Review of Maritime Transport 2022". [https://unctad.org/system/files/official-document/rmt2022overview\\_en.pdf](https://unctad.org/system/files/official-document/rmt2022overview_en.pdf)

<sup>111</sup> Carafano Jay, James and Silviu, Nate. 2022. "The West Should Welcome the Middle Corridor." The Heritage Foundation, October 3, 2022. <https://www.heritage.org/trade/commentary/the-west-should-welcome-the-middle-corridor>

<sup>112</sup> More information on this topic is provided by: Khishtovani, Giorgi; Zabakhidze, Mariam; Gabriadze, Irakli and Beradze, Rezo. 2019. "The Belt and Road Initiative in the South Caucasus Region." Emerging Markets Forum & PMC Research Center. [https://pmcresearch.org/policypapers\\_show/2/The-Belt-and-Road-Initiative-in-the-South-Caucasus-Region](https://pmcresearch.org/policypapers_show/2/The-Belt-and-Road-Initiative-in-the-South-Caucasus-Region)



and further to European countries.”<sup>113</sup> In July 2022, the Georgian PM visited Kazakhstan and stressed “the need of increasing the efficiency and capacity of the Trans-Caspian Corridor”<sup>114</sup> while during a joint press conference with the president of Azerbaijan, Georgian’s prime minister again pointed out the importance of the Middle Corridor.<sup>115</sup> These notwithstanding, the role of the Middle Corridor in improving links between East and West remains to be seen as challenges such as those related to geography, poor infrastructure, human-made barriers, high logistics costs and low logistics performance index abound. And while improvements are being made, “moving freight across borders in CAREC countries still requires too much time, cost, effort, and uncertainty.”<sup>116</sup>

The development of the Black Sea region as a viable and competitive alternative transit route requires the allocation of significant political and financial resources by Western states and international financial institutions to Central Asia and the South Caucasus so that these states are able to address the shortcomings in terms of the development of transport infrastructure and respective port capacities. More broadly, as the war may well last for some time, it remains vital that the U.S. and NATO prioritize the Black Sea region in terms of economic and energy security, including through “military protection of energy infrastructure and military protection of food trade, including escort missions, within the region.”<sup>117</sup> This is particularly important amid plans of deploying a submarine electricity cable under the Black Sea, as once deployed the cable could become the target of Russia’s hybrid warfare tactics to disrupt connections between the South Caucasus and Europe.

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<sup>113</sup> Bayramli, Nigar. 2022. “Azerbaijan, Türkiye, Kazakhstan Sign Declaration on New Transport Corridors.” *Caspian News*, June 28, 2022. <https://caspiannews.com/news-detail/azerbaijan-turkiye-kazakhstan-sign-declaration-on-new-transport-corridors-2022-6-28-0/>

<sup>114</sup> Ministry of Foreign Affairs of Georgia. 2022. “Ilia Darchiashvili has met with his Kazakh colleague.” <https://mfa.gov.ge/News/ilia-darchiashvili-yazakh-kolegas-shekhvda.aspx>

<sup>115</sup> Civil.ge. 2022. “Georgian PM Visits Kazakhstan.” July 27, 2022. <https://civil.ge/archives/502153>

<sup>116</sup> Asian Development Bank. 2021. “Ports and Logistics Scoping Study in CAREC Region.” March 2021, <https://www.adb.org/sites/default/files/publication/690856/ports-logistics-scoping-study-carec-countries.pdf>

<sup>117</sup> Hodges, Ben, Horrell, Steven and Kuz, Ivanna. 2022. “Russia’s Militarization of the Black Sea: Implications for the United States and NATO.” CEPA, September 22, 2022. <https://cepa.org/comprehensive-reports/russias-militarization-of-the-black-sea-implications-for-the-united-states-and-nato/?fbclid=IwAR2t55Kklacqk-AL7zjrNREJmVUty6xpBCcKa3fwRdrxbVZmwXSpME4QInA>

## 4. CHALLENGES

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The invasion of Ukraine by Russia on the 24<sup>th</sup> of February 2022 has had an **immediate negative impact on trade in the Black Sea**, steaming from a few sources. Firstly, the war has brought Ukrainian seaports to a standstill - **Ukraine's major ports have been badly damaged or have stopped operating altogether as the war continues**. According to some estimations, Ukraine accounts for around a third of all container turnover in the Black Sea basin.<sup>118</sup> Thus, the very limited activity of Ukrainian ports at present has significantly affected maritime trade in the region.

On top of that, **in the initial months of the war between Russia and Ukraine, the transport of goods in the Black Sea was associated with certain risks**. Nine of the top ten global container lines have suspended operations in the Black Sea region, while other logistics businesses have exited the Russian market.<sup>119</sup> Companies were reluctant to proceed with trade activities in the Black Sea as many feared that the transported goods might be subject to specific risks, while relocating alternative trading routes to other countries was avoided, as they feared negative effects of the conflict could spread to those countries too. However, after few months it became apparent that the aforementioned risks in the Black Sea were limited, and that it was indeed vital that important cargo flows continue unabated.<sup>120</sup> Still, it is worth noting that insurance remains a major problem for grain-carrying ships from Ukraine's Black Sea ports under the BSGI, while ships from Russia face high insurance premium.<sup>121</sup>

At the same time, the war created operational difficulties causing significant delays in the Black Sea's regional supply chain. The need to reroute goods traded with Ukrainian ports caused an **overloading of the ports of other countries around the Black Sea basin**. Naturally, this caused the cost of storing containers laden with Ukrainian imports to increase and prices of freight in Black Sea ports to rise.

Another important factor limiting trade in the Black Sea is the **sanctioning of Russia** as a response for its unprovoked and unjustified invasion of Ukraine in February 2022. Even though obviously sanctioning was a crucial measure aimed at weakening Russia's ability to finance the war, such measures inevitably also come with some negative effects. Russia has played a key role in the Black Sea region as a supplier of resources for trade. However, due to international sanctions, most of the countries in the region and beyond no longer accept many goods originated from Russia. Thus, the supply of goods from both Russia and Ukraine, which were the largest providers of goods intended for trade in the Black Sea, has been dramatically limited, and is thus affecting overall trade in the region.

In addition, the global supply chain leader, **China still faces COVID-19 related lockdowns in its key port cities, again hampering supply chains**. And only very recently has China eased COVID-19 restrictions at ports.<sup>122</sup> Accordingly, the **abundance of resources to be traded in the region** was also an important reason reducing trade in the Black Sea after the beginning of the war.

Apart from the immediate issues arising from the war, there are various other fundamental **infrastructure challenges** in the Black Sea region that need to be addressed. These issues have become even more important with the amount of cargo from Central Asia and other destinations moving to the active ports in the Black Sea. The amount of time needed to transport cargo through the Middle Corridor is currently significantly higher than through its Russian alternative. This is linked to the multimodality of the corridor, however certain **operational inefficiencies** have exacerbated most Black Sea ports. These

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<sup>118</sup> Source: The Black Sea Container Shipment Market and the Impact of the Russia-Ukraine Conflict on Container Shipments in the Region

<sup>119</sup> United Nations Conference on Trade And Development (UNCTAD). 2022. "Review of Maritime Transport 2022". [https://unctad.org/system/files/official-document/rmt2022overview\\_en.pdf](https://unctad.org/system/files/official-document/rmt2022overview_en.pdf)

<sup>120</sup> Source: <https://bm.ge/en/article/maersk-on-vital-role-of-black-sea-region-for-cargo-flows/114416>

<sup>121</sup> United Nations Conference on Trade And Development (UNCTAD). 2022. "Review of Maritime Transport 2022". [https://unctad.org/system/files/official-document/rmt2022overview\\_en.pdf](https://unctad.org/system/files/official-document/rmt2022overview_en.pdf)

<sup>122</sup> Source: <https://lloydlist.maritimeintelligence.informa.com/LL1143328/China-eases-Covid-rules-at-ports>

inefficiencies include the lack of capacity in certain ports, lack of parking space and lack of qualified specialists.<sup>123</sup> More importantly, inefficiencies arise from the lack of coordination between relevant entities (for instance, in case of Georgia, border crossing services (operated by the police), customs services (operated by the revenue service), and the operators of ferry companies,<sup>124</sup> resulting in the overall inefficiency of the process in several instances. The relatively limited use of digital solutions also exacerbates these problems. Ultimately, these issues put investors off, thus hindering competition in the region. In addition, Ukrainian ports are mostly state-owned, limiting the participation of investors in their operations.

In terms of fundamental infrastructure issues, two major obstacles have been highlighted by many respondents, especially regarding the development of the Middle Corridor. First, **the non-existence of a deep-sea water port in Georgia**, and second the **lack of regular ferry routes between Georgia and the EU**.<sup>125</sup> While both issues have long been identified and efforts have been made to tackle them accordingly,<sup>126</sup> concrete results are yet to be seen.

There are issues in the Caspian Sea as well. First and foremost, there are **not enough vessels in the Caspian** – according to one of the respondents, before the war, three vessels were associated with the Middle Corridor in the Caspian Sea; and now this number has only increased to seven. Also, there is an initiative to run small barges between the ports in the Caspian Sea, so as to increase time effectiveness and other related opportunities. While these changes are encouraging, the cost of adding new vessels is high due to the absence of a shipbuilding factory in close vicinity: as the Caspian is a geographically-closed sea, it is extremely hard and costly to add each additional vessel to its fleet.

Referring to the multimodality of the Middle Corridor, the **capabilities of railways**, and their linkages with port infrastructure are **insufficient**. This issue has been observed in Azerbaijan, Georgia, Ukraine, Romania, and Kazakhstan. More specifically, some respondents identified the lack of container-carrying platforms both in Azerbaijan and Kazakhstan as one of the reasons why the corridor is unable to handle increased traffic properly. Others stated that linkages between the railway and Constanta port are not satisfactory, especially due to the increased volumes of cargo.

The **lack of interoperable transport connections between Black Sea countries and the EU**, including physical differences between the railway networks of the EU and EaP countries, further exacerbate the issue of interoperability along the Middle Corridor and the Black Sea. As Georgia, Ukraine and Moldova recently became observer participants of the Transport Community,<sup>127</sup> it would be easier for the EU to take more active steps, in part, by seizing on the already existing plans as part of the Eastern Partnership (EaP) to increase connectivity between the EU and the EaP countries. There is a need for the EU to start the development of advanced solutions – as outlined in the European Commission's communication on the extension of the trans-European transport network (TEN-T) to neighboring third countries – to address the challenge of realizing an interoperable cross-border network between the Eastern partners and the EU, as the EaP's rail network is equipped with a 1520-mm rail track gauge while the European Union's standard gauge is 1435 mm. Doing this is crucial to delink Georgia and the South Caucasus's infrastructure from the impact of Russia's railway system and for this area to integrate more with the European transport network, thus creating new opportunities for the South Caucasus states. The transport community could play a role in accelerating the process<sup>128</sup> while the newly-

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<sup>123</sup> It is worth noting that there are ongoing efforts both in Poti and Constanta ports to increase their capacities, which would improve the current situation significantly. For instance, the project would ease the parking problem in Poti as it is creating sufficient space by devoting 2ha of territory to trucks and trailers.

<sup>124</sup> EUGBC Business Line issue - [https://drive.google.com/file/d/1MrYf2SQTCS7EZXioo\\_zFAKDxbe3qf0bj/view](https://drive.google.com/file/d/1MrYf2SQTCS7EZXioo_zFAKDxbe3qf0bj/view), pg. 60

<sup>125</sup> The most commonly referred route is Poti-Constanta

<sup>126</sup> Most recently, the announcement on the continuation of the Anaklia Deep Sea Port project by the Government of Georgia.

<sup>127</sup> European Commission. 2022. "Closer ties with Ukraine, Republic of Moldova, and Georgia: Transport Community strengthens relations." November 15, 2022. [https://transport.ec.europa.eu/news/closer-ties-ukraine-republic-moldova-and-georgia-transport-community-strengthens-relations-2022-11-15\\_en](https://transport.ec.europa.eu/news/closer-ties-ukraine-republic-moldova-and-georgia-transport-community-strengthens-relations-2022-11-15_en)

<sup>128</sup> European Commission. 2021. "on the extension of the trans-European transport network (TEN-T) to neighbouring third countries." Communication from the European Commission to the European Parliament and the Council. December 14, 2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0820&from=EN>

established European Political Community (EPC) that gathers the heads of governments together could, in parallel, be utilized to bring the issue to the agenda of the key European decisionmakers.

In addition to these challenges, there are major **institutional and/or cooperation issues** that hinder the development of the Black Sea ports. While there are various intercountry and other coordination platforms within the region that work on issues in the Black Sea (See section 2.1 on “cooperation in the Black Sea”), **the level of coordination between relevant countries is still insufficient**. For instance, while BSEC has a number of projects related to transportation, it does not focus on the ports directly. CAREC, which actively promotes the use of corridors, does not comprise of Romania or Bulgaria. Also, **coordination and harmonization of policies between the countries of the Middle Corridor is lacking**. For instance, such countries do not have coordinated tariffs on transportation, which is a major obstacle for developing transit in the region.

Apart from intercountry cooperation and coordination, the **lack of cooperation between ports**, and between the states and the respective ports is another issue. A number of respondents have noted that most individual port-operating companies focus on their own narrow commercial interests, are content with the status quo, and are not particularly interested in developing alternative routes, as this would increase competition within the region.

It is also important to note that **Russia** – the instigator of the war in Ukraine – **plays a disproportionately large role in the Black Sea region** through the port of Novorossiysk. Against the background of international sanctions being imposed on Russia, **container turnover in Novorossiysk is likely to decrease dramatically (only food, humanitarian cargo and medical supplies are currently allowed)**.<sup>129</sup> Due to sanctions, leading maritime container lines are refusing to accept cargo originating from Russia. We can, therefore, expect container turnover in the Black Sea basin to decrease by around 25%, and for monthly turnover in the region to fall by up to 60% (depending on how long the conflict and sanctions will last), with internal shipments between the countries of the region accounting for approximately 8%, and ocean shipping to the countries of Asia, Europe, the Americas and Africa accounting for the remaining 52%.

In addition to affecting the shipment of cargo of Russian origin, the sanctions against Russia also have a significantly negative impact on the cargo turnover and the container services of neighbouring countries. The countries of the Caucasus and Central Asia are clear examples of this, as the Black Sea basin represents a gateway for them to trade with the rest of the world. There is an **abundance of Russian investment and assets owned by sanctioned Russian businesspeople in the countries of the region**<sup>130</sup> thus the current restrictions are preventing the aforementioned companies from transporting their cargo. Global maritime companies are not serving these firms, thereby further reducing container turnover.

Apart from Russia, the **importance of Türkiye**, second biggest Black Sea state, with the control over the entrance of the sea, is also high and is expected to increase due to the war.

The combination of all the described issues, and the fact that the Black Sea is a relatively remote sea, accessed only through the Bosphorus Strait, result in **high service costs in the Black Sea** (and effectively, the Middle Corridor) compared to other seas (and routes). For instance, when compared to the fees in the Mediterranean and the Baltics, ferry service costs are approximately three times higher, with the costs being the highest in Georgia among the Black Sea countries.<sup>131</sup>

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<sup>129</sup> Source: <https://forbes.ge/en/shavi-zghvis-sakonteinero-bazari-da-ruseth-ukrainis-omis-gavlana-sakonteinero-gadazidvebze-regionshi/>

<sup>130</sup> Source: <https://forbes.ge/en/shavi-zghvis-sakonteinero-bazari-da-ruseth-ukrainis-omis-gavlana-sakonteinero-gadazidvebze-regionshi/>

<sup>131</sup> EUGBC Business Line issue - [https://drive.google.com/file/d/1MrYf2SQTCS7EZXioo\\_zFAKDxbe3qf0bj/view](https://drive.google.com/file/d/1MrYf2SQTCS7EZXioo_zFAKDxbe3qf0bj/view), pg. 60

## 5. CONCLUSIONS AND POLICY RECOMMENDATIONS

The disruptions brought about by Russia's war against Ukraine have highlighted the need for uninterrupted trade in the Black Sea region and its importance for global energy and food security while Western economic sanctions against Russia have demonstrated the region's significance as an alternative transit route. To tap into this potential and design sustainable networks of connectivity that prove resilient to the geoeconomic shocks caused by the war and instability in the region, regional actors should show the political will to enhance cooperation and coordination in tackling fundamental and immediate challenges, to invest in upgrading and optimizing current port infrastructure, and to improve coordination with port operator companies and international shipping companies. The multimodality of the alternative transit route, as well as the urgency of the current challenges, makes inter-country cooperation as urgent as ever.

In the meantime, due to Russia's malign role in the region, Western states and organizations should commit to ensuring the stability and development of the region, including through providing security guarantees that at least protect trade and through allocating financial resources so that the wider Black Sea region is gradually linked with the political, economic, and infrastructural domains of the European Union.

Please see the recommendations for the areas of focus for targeting selected identified challenges in the table below:

Challenge	Recommendation
Limited trade due to the war	<ul style="list-style-type: none"> <li>• Ensuring that damaged and closed port infrastructure in Ukraine remain functional in the medium term</li> <li>• Unblocking Ukrainian ports, primarily for the export of agricultural products, products of the mining and metallurgical complex, and energy, and imports of various types of goods (which are currently undertaken via trains and trucks)</li> </ul>
Lack of regular ferry routes in the Black Sea	<ul style="list-style-type: none"> <li>• Intensification of work in terms of establishing new ferry routes in the Black Sea (e.g., Poti, Georgia – Constanta, Romania)</li> </ul>
The non-existence of a deep water port in Georgia	<ul style="list-style-type: none"> <li>• Intensification of work in terms of the development of a deep water port in Georgia (Anaklia, Poti)</li> </ul>
Lack of railway capabilities	<ul style="list-style-type: none"> <li>• Increase investments in the improvement of the capabilities of the railways, with a focus on the compatibility with other transport infrastructure (roads, ports)(especially relevant for Azerbaijan, Georgia, Romania, Ukraine)</li> <li>• Ensuring the interoperability of the railways within the Black Sea region (by harmonizing with the EU)</li> </ul>
Lack of vessels in the Caspian Sea	<ul style="list-style-type: none"> <li>• Increase the number of vessels in the Caspian Sea (possibly, through the development of a shipbuilding factory)</li> </ul>

<p>Inefficiencies in the ports</p>	<ul style="list-style-type: none"> <li>• Detailed diagnosis of the management processes of crucial Black Sea ports (case-by-case) and the provision of recommendations for the respective governments and international donor organizations</li> <li>• Based on the provided recommendations, optimization of existing capabilities within the ports, such as increasing the capacity of the ports, increasing interoperability with roads and railways, investing in digital solutions, and improving cargo management processes (in part by cutting bureaucracy)</li> </ul>
<p>Lack of cooperation between ports, as well as between ports and respective states</p>	<ul style="list-style-type: none"> <li>• Increase the focus from country-level and regional-level authorities on the interests of port-operating companies. Potentially, creation of a union of Black Sea Ports could facilitate this process</li> <li>• Elaboration of a more strategic vision of the development of the Black Sea ports and the routes between them via collaboration between the relevant Black Sea States and by the involvement of key stakeholders (such as ports operators, international shipping companies and various international cooperation platforms)</li> </ul>
<p>Insufficient level of coordination between relevant countries</p>	<ul style="list-style-type: none"> <li>• More focus on transport and port infrastructure within the BSEC framework</li> <li>• More focus from the EU, as well as the US, on ensuring the immediate and long-term security and development of the Black Sea</li> <li>• More focus from the EU on the intensification of harmonization activities, including ensuring the interoperability of rail networks between the EU and the wider Black Sea region</li> <li>• Creation of new short-term and medium-term strategies for the development and security of the Black Sea by the Black Sea states in a collaborative manner. The strategies should respond to the current needs arising from the war, and to more longer-term fundamental challenges</li> </ul>
<p>Insufficient coordination and harmonization of policies in the Middle Corridor</p>	<ul style="list-style-type: none"> <li>• More focus from the EU on the development of the Middle Corridor, as an alternative route to Russia</li> <li>• Intensification of harmonization activities within the corridor</li> <li>• More focus on the Middle Corridor in organizations working on the development of the Black Sea (BSEC)</li> <li>• More focus on the Black Sea in organizations working on the development of the Middle Corridor (CAREC)</li> <li>• Higher cooperation and coordination between BSEC, TRACECA and CAREC, and other relevant cooperation platforms</li> <li>• Higher involvement of major international shipping companies and the port-operating companies in the planning and implementation of key initiatives</li> </ul>
<p>Russia's disproportionately large role in the Black Sea region</p>	<ul style="list-style-type: none"> <li>• Support the relocation of companies currently residing in Russia in other Black Sea countries</li> </ul>

## ANNEX 1: (GEO)POLITICS OF THE BLACK SEA LITTORAL AND NON-LITTORAL STATES

There are huge differences in geopolitical allegiances of the wider Black Sea region. The Black Sea littoral and non-littoral states are members of the UN, OSCE, and Council of Europe. Some of the wider Black Sea states are members of NATO and the EU, with others aspiring to join them, and some are part of Russian-led military and/or economic structures, while others belong to both EU and Russian-led initiatives. The Black Sea Economic Cooperation (BSEC) brings together all the wider Black Sea states, while GUAM unites Georgia, Ukraine, Azerbaijan, and Moldova in fostering cooperation across the domains.

Table 1.1 below shows the geopolitical allegiances that the wider Black Sea states have:

**Table 1.1** Geopolitics of the wider Black Sea region

	NATO	EU	CIS	CSTO	EEU	GUAM	BSEC	NATO aspirants	EU Aspirants	EaP
Russia			X	X	X		X			
Türkiye	X						X		EU candidate	
Georgia						X	X	X	X	X
Romania	X	X					X			
Bulgaria	X	X					X			
Ukraine						X	X	X	EU candidate	X
Armenia			X	X	X		X			X
Azerbaijan			X			X	X			X
Moldova			X			X	X		EU candidate	X

Source: Authors

### Geopolitical stance of Black Sea littoral and non-littoral states

#### Russia

Russia is the most destructive player in the Black Sea region. Following the collapse of the Soviet Union, Russia has sought to disrupt the Western-led rules-based international order and regain control of the foreign and domestic politics of the former Soviet republics, primarily Ukraine, Georgia, and Moldova that have increasingly aligned with Western security, political and economic institutions. Russia's instrumentalization of the separatist conflicts in the former Soviet Union, its war of aggression against Georgia in 2008, its illegal annexation of Crimea in 2014, and support for separatist forces in eastern Ukraine were the harbingers of the full-fledged war that it unleashed against Ukraine in February 2022. Russia's war has undermined international norms and principles and brought unprecedented military, political, economic, and human security challenges.

Russia sees the Black Sea region as its strategic stronghold against the West, a security buffer zone to deal with potential threats emanating from its south, and an important trade and transportation venue giving Russia access to the Mediterranean and leverage over the Central Asian states that rely on Russian ports.<sup>132</sup> This is part of the reason why Russia waged a war of aggression against Ukraine. In Russia's perception, losing Ukraine in particular and the former Soviet republics more generally to the West would effectively end Russia's great powerhood. Despite Russia's military failures, its determination to continue the war, including by announcing 'partial mobilization' and by annexing four more Ukrainian territories, points to the grim picture of continued uncertainty in the Black Sea region and beyond.

<sup>132</sup> Stronski, Paul. 2021. "What Is Russia Doing in the Black Sea?" Carnegie Endowment for International Peace, May 20, 2021. <https://carnegieendowment.org/2021/05/20/what-is-russia-doing-in-black-sea-pub-84549>

## **Türkiye**

Türkiye is an important Black Sea player, holding a key that links the Black Sea to the Mediterranean. Although a member of NATO, Türkiye is often seen as an independent player with its own foreign policy objectives, including vis-à-vis the Middle East and the South Caucasus. Often at odds with NATO and the U.S., including lately on delaying Finland and Sweden's NATO membership bids, Türkiye enjoys frenemy relations with Russia. Türkiye has criticized Russia for the annexation of Crimea and the war against Ukraine, provided military support to Ukraine to defend itself against Russia, but refrained from joining Western sanctions against Russia and plays an active role in mediating a diplomatic solution to the war.

The sources of Türkiye's balancing act are rooted, on the one hand, in its "desire to keep a foot in each camp and to manage great-power rivalry" and, on the other, in its economic challenges and energy dependence on Russia.<sup>133</sup> As Türkiye imports about 80% of its grains from Russia and Ukraine,<sup>134</sup> it understandably seeks diplomatic solutions to the Russo-Ukrainian War. In the long term, it seeks to balance Russia's military influence in the Black Sea region and promote multilateral cooperation.<sup>135</sup> For these reasons, the security of the Black Sea region is important for Türkiye, not least because it can devote its foreign policy attention to places and threats it considers strategically more important.

## **Ukraine**

Ukraine's foreign policy over the last few decades has been strictly pro-European, although, depending on respective governments, it had tried to either remain neutral vis-à-vis Russian and Western-led military alliances or fully embrace a pro-Western foreign policy. However, Ukraine's irreversible pro-Western foreign policy took hold following Russia's illegal annexation of Crimea in 2014.

Since 2014, Ukraine has been at the center of the Black Sea security complex. With the annexation of Crimea, Russia gained a strategic upper hand in the Black Sea region, while blockading the Sea of Azov to adversely affect Ukraine's exports. Notably, following Russia's illegal annexation of Crimea in 2014, Ukraine closed all Crimean ports<sup>136</sup> and imposed a special legal regime concerning the temporarily occupied territories, including Crimea and the city of Sevastopol.<sup>137</sup> In February 2022, Russia waged a full-scale war of aggression against Ukraine, turning the Black Sea region into a zone of further insecurity. In defense of its territorial integrity and sovereignty, Ukraine enjoys strong military, political and economic support from Western states and their partners. As the war still wages on – and with Russia's annexation of four Ukrainian regions in addition to Crimea – the future of regional security remains uncertain.

The Black Sea is important for Ukraine both militarily and economically. With regard to the former, before 2014 Ukraine's security interests in the Black Sea region were limited,<sup>138</sup> but that changed with Russia's annexation of Crimea and conflicts in eastern Ukraine which led Ukraine to prioritize "hard security challenges and threats and brought to the forefront the necessity of security cooperation with like-minded countries (Romania and Türkiye) and organizations (NATO)."<sup>139</sup>

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<sup>133</sup> Council on Foreign Relations. 2022. "Türkiye's Growing Foreign Policy Ambitions." *Backgrounder*, August 24, 2022. <https://www.cfr.org/backgrounder/turkeys-growing-foreign-policy-ambitions>

<sup>134</sup> Dalay, Galip. 2022. "Ukraine's wider impact on Türkiye's international future." *Chatham House*, March 10, 2022. <https://www.chatham-house.org/2022/03/ukraines-wider-impact-turkeys-international-future>

<sup>135</sup> Toucas, Boris. 2018. "Türkiye Has No Allies in the Black Sea, Only Interests." CSIS, February 13, 2018. <https://www.csis.org/analysis/turkey-has-no-allies-black-sea-only-interests>

<sup>136</sup> Schatz, J. V and Koval, D. 2019. "Russia's Annexation of Crimea and the Passage of Ships Through Kerch Strait: A Law of the Sea Perspective." *Ocean Development & International Law*, 50(203): 1–23

<sup>137</sup> Verkhovna Rada of Ukraine. 2022. "On Ensuring Civil Rights and Freedoms, and the Legal Regime on the Temporarily Occupied Territory of Ukraine." <https://zakon.rada.gov.ua/laws/show/en/1207-18#Text>

<sup>138</sup> Wezeman T. Siemon and Kuimova, Alexandra. 2018. "Ukraine and Black Sea Security." *SIPRI Background Paper*, December, 2018:14, <https://www.sipri.org/publications/2018/sipri-background-papers/ukraine-and-black-sea-security>

<sup>139</sup> Kakachia, Kornely, Valiyev, Anar, Shelest, Hanna, Lebanidze, Bidzina, Khyllko, Maksym, Alili, Ahmad, Kandelaki, Salome. 2022. "Black Sea Security after the Russian invasion of Ukraine: Views from Ukraine, Georgia, and Azerbaijan." Policy Paper No. 31, *Georgian Institute of Politics*, September 2022, p.9



Economically, the region is equally important as 70% of Ukraine's total exports are usually carried by sea.<sup>140</sup> For these reasons, security and development in the Black Sea region are among Ukraine's top priorities.<sup>141</sup>

## **Georgia**

Since regaining independence from the Soviet Union, Georgia's foreign policy has been consistently pro-Western particularly since the early 2000s when it declared its intentions to join NATO and the EU. In 2008, Russia invaded Georgia, occupied Abkhazia and Tskhinvali Region/South Ossetia, and recognized their independence. Despite Russia's aggression, Georgia persisted in its European and Euro-Atlantic integration ambitions, while, since 2012, trying to mend economic and cultural ties with Russia. The Russian-led borderization policies aimed at a creeping annexation of Georgia's breakaway territories affect the everyday security and well-being of the populations living across the so-called Administrative Boundary Line. As a result, the Georgian public largely see Russia as a threat.<sup>142</sup>

Since the annexation of Crimea, Georgia has extended strong support to Ukraine's territorial integrity and sovereignty. Moreover, Georgia has provided political, diplomatic, and humanitarian support to Ukraine amid Russia's war of aggression in 2022, although while complying with the international sanctions regime, it has not introduced individual economic sanctions on Russia.

The Black Sea region is important for Georgia for security, normative and economic reasons. Security-wise, as with Ukraine, Russia is seen as its major threat. Georgia persistently brings up the increasing role of NATO in the Black Sea region as a solution to Black Sea stability. Normatively, being a Black Sea country allows Georgia to assert its European identity. Economically, Georgia sees the Black Sea region as a geoeconomically important transit venue on global East-West and North-South trade routes.<sup>143</sup>

## **Romania and Bulgaria**

As a member of NATO and the EU, Romania is an important player in the Black Sea. Since the 1990s, it has been a key advocate of Euro-Atlantic integration in the Black Sea and since 2010 it has hosted a US base contributing to the NATO ABM system.<sup>144</sup> Since the annexation of Crimea, it has been the main focal point in NATO's defense posture in the Black Sea against threats from Russia. It leads and participates in many NATO-led military exercises in the Black Sea region and beyond. Within NATO, it has been a key proponent of NATO's increased commitment to the Black Sea<sup>145</sup> and maintains strong support for Ukraine and Georgia's NATO and EU membership aspirations. Romania also extends strong support to Moldova having closer relations with the EU and to its cooperation with NATO.

Bulgaria, also a member of NATO and the EU, is part of NATO's commitment to deterrence in the Black Sea region particularly since 2014. However, the national political divide over relations with Russia and the diverse priorities of its national security render Bulgaria's defense policies ambiguous.<sup>146</sup> Bulgaria's energy dependence on Russia has given way to "economic incentives for a more generous interpre-

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<sup>140</sup> European Parliament. 2022. "Russia's war on Ukraine: Maritime logistics and connectivity." At A Glance. [https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/733603/EPRS\\_ATA\(2022\)733603\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/733603/EPRS_ATA(2022)733603_EN.pdf)

<sup>141</sup> Kakachia, Kornely, Valiyev, Anar, Shelest, Hanna, Lebanidze, Bidzina, Khylyko, Maksym, Alili, Ahmad, Kandelaki, Salome. 2022. "Black Sea Security after the Russian invasion of Ukraine: Views from Ukraine, Georgia, and Azerbaijan." Policy Paper No. 31, *Georgian Institute of Politics*, September 2022, p.9-10

<sup>142</sup> Sirbiladze, Irakli and Panchulidze, Elene. 2022. "Caught in Between: Georgia's European Aspirations Under Russian Influence." In *Russia and the Future of Europe: Views from the Capitals*, edited by Michael Kaeding, Johannes Pollak and Paul Schmidt. pp. 123-126, Springer

<sup>143</sup> Khokrishvili, Elguja & Lebanidze, Bidzina. 2022. "Georgia and the Black Sea: Risks, Resilience and Opportunities." *Z Außen Sicherheitspolit* (15):189–200

<sup>144</sup> Melvin J. Neil. 2018. "Rebuilding Collective Security in the Black Sea Region." SIPRI Policy Paper. December, 2018. <https://www.sipri.org/publications/2018/sipri-policy-papers/rebuilding-collective-security-black-sea-region>, p.40

<sup>145</sup> Melvin J. Neil. 2018. "Rebuilding Collective Security in the Black Sea Region." SIPRI Policy Paper. December, 2018. <https://www.sipri.org/publications/2018/sipri-policy-papers/rebuilding-collective-security-black-sea-region>, p.40

<sup>146</sup> Melvin J. Neil. 2018. "Rebuilding Collective Security in the Black Sea Region." SIPRI Policy Paper. December, 2018. <https://www.sipri.org/publications/2018/sipri-policy-papers/rebuilding-collective-security-black-sea-region>, p.40

tation of Russian behavior.”<sup>147</sup> While supportive of the European and Euro-Atlantic aspirations of other Black Sea states, it “has been rather inactive and pragmatic in foreign policy, but has aimed to diversify its relations with various actors such as Russia, Türkiye or China, at times outside the ‘acceptable’ framework of a common EU foreign policy.”<sup>148</sup>

### **Non-littoral states**

**Moldova.** Moldova navigates two foreign policy paths running parallel and both can be seen rooted in domestic political dynamics where pro-European and pro-Russian political parties contest over the future of the country. Militarily a neutral state, Moldova grapples with Russian-supported separatism. Moldova enjoys close ties with Romania while its “identity per se is a contested issue, oscillating between Romanianism and Moldovanism.”<sup>149</sup>

Moldova has expressed strong political and humanitarian support for Ukraine following the Russian invasion of Ukraine, and has been affected by the fallout of the war leading to the EU’s increased economic support. Similar to Georgia, it has not introduced bilateral sanctions on Russia while remaining compliant with the international sanction regime. Becoming an EU candidate state, Moldova’s current government is strongly embedded on the European path, receiving EU support to its armed forces and pondering limited cooperation with NATO. Given the economic uncertainties and security threats emanating from Russia, Black Sea security and development are important for Moldova.

**Armenia.** Armenia has been a close partner to Russia, participating in all Russian-led organizations and integration projects, including the Collective Security Treaty Organization (CSTO). Its conflict with Azerbaijan over Nagorno-Karabakh has defined the security dynamics in the South Caucasus and the wider Black Sea region. Being the ‘least frozen’ of the other protracted conflicts in Eurasia, a major war in 2020 has turned the tide in favor of Azerbaijan, reversing the strategic upper hand Armenia had enjoyed since 1994. Emboldened by Türkiye’s support, Azerbaijan seeks to pursue maximalist objectives leaving Armenia in a vulnerable position amid Russia’s lack of engagement. While Armenia participates in the EU’s Eastern Partnership program, it does not aspire to EU membership. Security in the wider Black Sea region is crucial for Armenia due to its dependence on neighboring countries to reach international markets.

**Azerbaijan.** Azerbaijan is an important energy actor in the wider Black Sea region and has traditionally pursued an independent foreign policy – though strongly supported by neighboring Türkiye – that tries to maintain equilibrium between the West and Russia. Retaining a strategic advantage over Armenia in the Nagorno-Karabakh conflict in 2020, Azerbaijan welcomed Russian peacekeepers on the ground, followed by the signature of the Declaration on Allied Interaction with Russia shortly before Russia’s aggression against Ukraine. Since the 2020 war, Azerbaijan pursues maximalist objectives, including through recent escalations in 2021 and 2022, to maintain a long-term strategic advantage over Armenia and ensure increased links with Nakhchivan and Türkiye, affecting security dynamics in the wider region.

Due to the energy crisis resulting from Russia’s war against Ukraine, Azerbaijan signed a gas deal with the European Union, furthering its importance as an energy actor for Western states. Similar to Georgia, Azerbaijan is “naturally interested in establishing a stable and secure Black Sea belt to gain more economic and transit benefits.” It enjoys strategic partnerships with Türkiye and Georgia as the two countries help Azerbaijan build “its transportation, political and economic relations with the West”.<sup>150</sup>

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<sup>147</sup> Flanagan J. Stephen, Binnendijk, Anika, Chindea A. Irina, Costello, Katherine, Kirkwood, Geoffrey, Massicot, Dara, Reach, Clint. 2020. “Russia, NATO, and Black Sea Security.” [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RRA300/RRA357-1/RAND\\_RRA357-1.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RRA300/RRA357-1/RAND_RRA357-1.pdf), p.76

<sup>148</sup> Nitoiu, Cristian and Moga, Lucian. 2020. “Change and continuity in Bulgaria and Romania’s foreign policies post-EU accession.” *European Politics and Society*, 22 (1): 13

<sup>149</sup> Morar, Stefan and Dembińska, Magdalena. 2021. “Between the West and Russia: Moldova’s international brokers in a two-level game.” *Eurasian Geography and Economics*, 62(3):1-2

<sup>150</sup> Kakachia, Kornely, Valiyev, Anar, Shelest, Hanna, Lebanidze, Bidzina, Khylyko, Maksym, Alili ,Ahmad, Kandelaki, Salome. 2022. “Black Sea Security after the Russian invasion of Ukraine: Views from Ukraine, Georgia, and Azerbaijan.” Policy Paper No. 31, Georgian Institute of Politics, September 2022, p.10

## ANNEX 2: COOPERATION PLATFORMS OF THE BLACK SEA LITTORAL AND NON-LITTORAL STATES

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**Economic cooperation.** The major venue for cooperation among the wider Black Sea region states is through the Black Sea Economic Cooperation (BSEC), membership of which also extends to Greece and the Western Balkans. However, while EU engagement in the region through multilateral and bilateral means succeeded to increase the EU-driven regionalism, BSEC did not manage to encourage stronger intra-regional trade intensity for most of the states in the region.<sup>151</sup> Indeed, in addition to the two EU member states of Romania and Bulgaria which belong to the EU single market, Georgia, Ukraine and Moldova enjoy Deep and Comprehensive Free Trade Area (DCFTA) agreements with the EU, the latter of which being their top trading partner. The EU is also an important, if not the top, trading partner for other wider Black Sea states including Türkiye, Armenia and Azerbaijan, and was the strong trading partner, largely due to energy imports, of Russia before the war in 2022. Most of the Black Sea states enjoy close economic cooperation with Russia either through the CIS or bilateral trade relations and are thus somewhat dependent on Russia. The Black Sea states also provide important opportunities for energy transit, although because this includes countries and institutions with conflicting interests, a single strategy that suits all remains unrealizable.<sup>152</sup>

**Political cooperation.** Due to competing geopolitical allegiances, political integration into the wider Black Sea region is non-existent. GUAM is believed to be the closest thing to political integration although its focus and scale is limited, and it is being subsumed by the larger EU project of political integration to which Ukraine, Georgia and Moldova in particular aspire. Although participating in the EU's Eastern Partnership program, Armenia and Azerbaijan, due to their own reasonings, do not seek close political convergence with the EU. Türkiye and Russia, as bigger players, pursue individual paths incompatible with EU values. Amid Russia's war against Ukraine, new developments – such as the EU's European Political Community project – can give way to new possibilities of political cooperation in the region, although the project is still at a nascent stage, and prospects of its success remain to be seen.

**Military cooperation.** Military cooperation among the Wider Black Sea region states also develops along the lines of member states' geopolitical allegiances. As members of NATO, Türkiye, Romania and Bulgaria enjoy NATO's security guarantees, while Türkiye as a lone military actor pursuing policies often incompatible with NATO's priorities. Russia as a major power enjoys closer military relations with Armenia, while also cooperating with Azerbaijan. Azerbaijan is a strategic partner of Türkiye, while also cooperating with both Georgia and Türkiye in a trilateral format. Ukraine and Georgia do not belong to any military alliances, although both enjoy close military cooperation with NATO; amid Russia's aggression, Ukraine is the recipient of strong military support from Western states. Moldova is a neutral state, although the current government has pursued limited security cooperation with NATO and the EU. The EU's engagement in the region has been dominated by conflict mediation and crisis management, although the EU is providing security support to Ukraine, Moldova and Georgia and ponders its role as a strategic actor.

**Other relevant cooperation platforms.** While not directly linked to the Black Sea, important organizations for the purpose of this study include the Intergovernmental Commission Transport Corridor Europe Caucasus Asia (IGC TRACECA), which unites 13 countries,<sup>153</sup> including all Black Sea littoral states except Russia and covering almost all members of the Middle Corridor, and the Central Asia Regional

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<sup>151</sup> Hajizada, Mukhtar and Marciacq, Florent. 2013. "New regionalism in Europe's Black Sea Region: the EU, BSEC and changing practices of regionalism." *East European Politics*, 29 (3):321

<sup>152</sup> Bakulina, A. Anna. 2021. "The Black Sea Region energy cooperation: current trends and prospects." *International Journal of Energy Economics and Policy*, 11(4), 257–266.

<sup>153</sup> Armenia, Azerbaijan, Bulgaria, Georgia, Iran, Kazakhstan, Kyrgyz Republic, Moldova, Romania, Tajikistan, Türkiye, Ukraine, Uzbekistan

Cooperation Program (CAREC Program), which unites 11 countries,<sup>154</sup> including only Georgia from the six littoral Black Sea states. The goal of TRACECA, which was founded in 1993, is to strengthen economic relations, trade and transport communication in the regions of the Black Sea basin, the South Caucasus and Central Asia. Currently, the TRACECA countries are gradually implementing the Strategy of the IGC TRACECA 2016-2026.<sup>155</sup> CAREC, initiated in 1997 and formalized in 2001, has a broader focus on Central Asia and is relevant through its promotion of trade corridors in the region, including the Middle Corridor. Currently, the CAREC program is implementing its CAREC 2030 Strategy. In addition, while the primary goal of BSEC is to develop broad economic cooperation within its member states, one of its areas of cooperation is transport.<sup>156</sup> Even though the organization does not focus directly on ports, it is engaged in implementing the EU's Motorways of the Sea initiative.<sup>157</sup>

Apart from these two organizations focused on the Middle Corridor, the newly-established "Black Sea Platform" concentrates directly on the Black Sea. Established by the EU-Georgia Business Council (EUG-BC) in 2022, the "Black Sea Platform" aims to involve all relevant stakeholders and promote the implementation of two EIP flagship initiatives for Georgia and the Black Sea, namely, "Black Sea connectivity – improving data and energy connections with the EU" and "Transport connectivity across the Black Sea – improving physical connections with the EU".

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<sup>154</sup> Afghanistan, Azerbaijan, People's Republic of China, Georgia, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, Uzbekistan

<sup>155</sup> <http://www.traceca-org.org/en/home/strategy-of-igc-traceca-2016-2026/>

<sup>156</sup> <http://www.bsec-organization.org/areas-of-cooperation/transport/information>

<sup>157</sup> [https://transport.ec.europa.eu/transport-modes/maritime/motorways-sea\\_en](https://transport.ec.europa.eu/transport-modes/maritime/motorways-sea_en)



Research