

The Wider Black Sea Region: An emerging Hub in European Security

Svante E. Cornell
Anna Jonsson
Niklas Nilsson
Per Häggström

SILK ROAD PAPER
December 2006



Central Asia- Caucasus Institute
Silk Road Studies Program

The Wider Black Sea Region: An Emerging Hub in European Security

Svante Cornell
Anna Jonsson
Niklas Nilsson
Per Häggström

© Central Asia-Caucasus Institute & Silk Road Studies Program –
A Joint Transatlantic Research and Policy Center
Johns Hopkins University-SAIS, 1619 Massachusetts Ave. NW, Washington, D.C. 20036
Uppsala University, Box 514, 75120 Uppsala, Sweden
www.silkroadstudies.org

“The Wider Black Sea Region: An Emerging Hub in European Security” is a *Silk Road Paper* produced by the Central Asia-Caucasus Institute & Silk Road Studies Program. The *Silk Road Papers* series is the Occasional Papers series of the Joint Center, published jointly on topical and timely subjects. It is edited by Svante E. Cornell, Research and Publications Director of the Joint Center.

The Central Asia-Caucasus Institute and Silk Road Studies Program is a joint transatlantic independent and externally funded research and policy center. The Joint Center has offices in Washington and Uppsala, and is affiliated with the Paul H. Nitze School of Advanced International Studies of Johns Hopkins University and the Department of Eurasian Studies of Uppsala University. The Joint Center is the first of its kind and is today firmly established as a leading focus of research and policy worldwide, serving a large and diverse community of analysts, scholars, policy-watchers, business leaders and journalists. The Joint Center aims to be at the forefront of research on issues of conflict, security and development in the region; and to function as a focal point for academic, policy, and public discussion of the region through its applied research, its publications, teaching, research cooperation, public lectures and seminars.

© Central Asia-Caucasus Institute and Silk Road Studies Program, 2006

ISBN: 91-85473-27-8

Printed in Sweden

Distributed in North America by:

The Central Asia-Caucasus Institute
Paul H. Nitze School of Advanced International Studies
1619 Massachusetts Ave. NW, Washington, D.C. 20036
Tel. +1-202-663-7723; Fax. +1-202-663-7785
E-mail: caci2@jhudig.admin.jhu.edu

Distributed in Europe by:

The Silk Road Studies Program
Department of Eurasian Studies
Uppsala University
Box 514, SE-75120 Uppsala
Sweden
Tel. +46-18-471-2217; Fax. +46-18-106397
E-mail: info@silkroadstudies.org

Editorial correspondence should be addressed to Svante E. Cornell, Research and Publications Director, at either of the addresses above. (preferably by e-mail)

Table of Contents

- Preface 5
- Summary and Recommendations6
- Introduction: Why Focus on the Black Sea Region?13
- European and EU Interests in the Black Sea Region 17**
 - Long Term Regional Stability18
 - Promotion of Democratic Institutions and the Rule of Law19
 - Securing A Stable European Energy Supply 20
 - Preventing the Spread of Organized Crime and Terrorism..... 22
 - Conclusions 22
- Democratic Security: The Expanding European Area of Stability and Democracy... 23**
 - Why Democratic Security?23
 - The Interrelationship of Democracy, Rule of Law and Human Security..... 26
 - Sovereignty, Governance, and Democracy 27
 - Elections, Civil Society, and State-Building 30
 - Weak States and Developing Democracies in the Wider Black Sea Region..35
 - Conclusions 43
- Unresolved Conflicts and Military Security in the Wider Black Sea Region.....44**
 - The Challenge of Unresolved Conflicts in the Black Sea Region 44
 - Security Institutions and Balances in the Black Sea Region61
 - Conclusions71
- Europe’s Energy Security: Role of the Black Sea Region 73**
 - Russian and Eurasian Gas and European Markets 73
 - Russian Energy Policy 76
 - Europe’s Alternative: The East-West Corridor 83
 - Conclusions 94
- Soft Security Threats: The Salience of Organized Crime96**

Weak States, Organized Crime and Unresolved Conflicts	96
The EU and Frameworks for Cooperation in the Black Sea Region	106
Existing Cooperation Frameworks in the Black Sea Region.....	106
EU Involvement in Black Sea Regional Cooperation	112
How can the EU Utilize Existing Cooperation Frameworks?.....	117

Preface

The emergence of a Wider Black Sea Region as an emerging hub of European security is a major development in the first decade of the twenty-first century. This process is currently unfolding, and has substantial implications for European security in a wider definition of the term – touching upon traditional, military aspects of security, but equally affect increasingly important areas of energy security and so-called ‘soft security’ challenges. The emergence of this region is taking place as a result of multiple developments – the eastward expansion of the European Union being primary among these, in combination with important developments in the political and economic spheres in the countries surrounding the Black Sea.

This study proposes to analyze this process and its implications for Europe and for European policy toward the region. The study was made possible by generous support from the European Security division of the Swedish Ministry of Foreign Affairs, which the Joint Center gratefully acknowledges. The authors are also grateful to the German Marshall Fund of the United States for the opportunity to participate in its seminars and recognize their intellectual debt to the various participants in these seminars and to its organizer, Mr. Ronald Asmus.

Svante E. Cornell
Research Director
Central Asia-Caucasus Institute & Silk Road Studies Program

Summary and Recommendations

A range of developments over the past few years has attracted increasing attention to the emergence of the Wider Black Sea Region as a new hub of European security. These have included the parallel enlargements of the EU and NATO in 2004, along with the growing strategic importance of the Caucasus and Central Asia – due to NATO’s role in Afghanistan and an increasing awareness of the implications of EU energy dependence on Russia and of the Caspian’s role as a potential alternative. Added to this has been Turkey’s aspirations to EU membership and the “color” revolutions in Georgia and Ukraine. In combination, all these factors have contributed to the Wider Black Sea region being seen as an important component of European security. These developments have also made a range of issues connected to the Wider Black Sea Region central to the security of EU member states, as they have brought a wide array of traditional and non-traditional security concerns connected to the region in closer proximity of the EU.

The EU’s interests in the region can broadly be defined along four categories. These are: promoting long-term stability and conflict management; promotion of democratic institutions and the rule of law; securing a stable energy supply for Europe; and combating organized crime and terrorism, including concerns over migration and border controls.

The states of the Wider Black Sea Region continue to face persistent security challenges dating back to the collapse of the USSR, most dramatically in the form of unresolved territorial armed conflicts. The EU’s enlargement has brought the unresolved conflicts over Transnistria in Moldova, Abkhazia and South Ossetia in Georgia, the Armenian-Azerbaijani conflict and the increasingly region-wide conflict in the North Caucasus in closer proximity of the EU. The situation in these conflict zones is far from stable, as

frustration with the lack of progress in resolution processes makes a relapse into armed conflict a distinct possibility. Negotiation processes and peacekeeping formats continue to be dominated by Russia, increasingly identifiable as a party to these conflicts rather than a neutral mediator. Persistent instability already carries obvious implications for Europe concerning the inflow of drugs, arms and migrants. Moreover, a relapse into large-scale violence in either conflict will in all likelihood have serious consequences for the EU. Building regional stability is in this context an important priority for the EU and an objective which can only be pursued through the management and eventual resolution of the conflicts in the region.

Building the rule of law and democratic institutions in its neighborhood constitutes a major interest on the part of the EU. In the Wider Black Sea Region, developments in the rule of law and democracy are of a varied nature. Far-reaching progress is notable in Bulgaria, Romania, and Turkey through their adherence to EU standards. Simultaneously, the peaceful revolutions in Georgia and Ukraine brought new incentives for democratic reform. However, Moldova, Armenia and Azerbaijan also display promising prospects for developing pluralism and the rule of law, even though democratic advancement in these countries has been pursued at a slower pace.

EU member states are showing concern over Europe's growing energy dependence on Russia, as an increasingly assertive Russian policy that has a proven track record of using energy as a tool to achieve foreign policy goals constitutes a threat to Europe's energy security. Diversifying its energy supply, particularly as concerns natural gas, is hence of paramount importance for Europe. As the main substantial source of natural gas not controlled by Russia that is available in Europe's neighborhood, the Caspian region is of vital importance. The oil and natural gas reserves in Azerbaijan, Turkmenistan and Kazakhstan are thus crucial to Europe's future energy supply and access to these significantly adds to the strategic importance of the Wider Black Sea Region.

The region is also a major concern for the EU regarding its interests in preventing the spread of organized crime and terrorism. The instability,

unresolved conflicts, poverty and non-transparent state institutions of the region have turned it into a central area for these non-traditional security threats. Countering these threats in the Black Sea itself, as well as in the countries of the Wider Black Sea region, will be an increasingly important priority for Europe.

In a region partly divided by tension and conflict, several frameworks for regional cooperation have nevertheless emerged. These include BSEC, the only institutionalized organization covering the entire Wider Black Sea Region. In addition to this, the newly reformed ODED-GUAM, the Community of Democratic Choice as well as increasingly developed forms of exchange between smaller Black Sea states and new EU members constitute encouraging initiatives, implying development towards a more cooperation-friendly context in the region.

In adapting to this context and its increasing importance for European security, the EU faces a need to proactively address the security concerns emanating from this region through the formulation and conceptualization of its relationship with the new neighborhood. This study argues that conceptualizing the south-east European neighborhood in terms of a Wider Black Sea Region enables the wide array of security concerns listed above to be addressed in a cohesive and coherent manner instead of through bilateral and *ad hoc* solutions, as has previously been the case. The report delivers a set of policy recommendations for the development of a regional EU strategy towards the Wider Black Sea Region.

Democracy and the Rule of Law

1. In its approach to governance and democracy in the weaker states of the region, the EU should adopt a long term approach focusing on the building of state institutions and the rule of law rather than on elections and civil society alone. This approach should build on the EU's experience in Romania, the more recent Rule of Law mission to Georgia, and focus on the strengthening of functioning and accountable core state institutions which will in turn provide the framework for democracy to grow.

2. The reform of security structures and of the judiciary is of particular concern and to that relatively neglected. The EU should focus attention to building the Rule of Law in states of the Wider Black Sea Region through actively working with government agencies instead of, as has previously been the case, pursuing policies that inadvertently alienate state institutions from reform processes. In this context, the EU is well-advised to take note of the informal power structures in the states of the region and their influence on government policies.
3. The reform process in Turkey has been particularly pronounced and impressive in the past half-decade. Current tensions in the EU-Turkish relationship should not be allowed to cast a shadow on this process, and the EU and its member states must continue to positively encourage the reform process in Turkey through concomitant incentives in the Turkish accession negotiations process.

Long-Term Regional Stability

4. The EU should seek a more active role in negotiations and peacekeeping formats over the unresolved conflicts of the Caucasus, as it has recently started to do in Transnistria. The EU has the capacity of serving as an impartial party, which will bring much needed legitimacy and credibility to these processes. This is valid for Abkhazia, where international engagement has been weak, and especially for South Ossetia, entirely lacking an international negotiation format. In the Armenian-Azerbaijani conflict, the Minsk group format could be greatly improved through transforming France's co-chairmanship into one for the EU.
5. The EU should develop a broader, regional strategy for conflict resolution, within which the principal rights of small states to sovereignty and territorial integrity should be addressed. This approach should include making Russia's role in the conflicts, as well as the negotiation and peacekeeping formats, part of the EU-Russia dialogue. It should also aim to open secessionist regions to

the world, promoting a European orientation that will make them look in the same direction as their parent states, and thereby provide mutual interests on the two sides of the conflicts.

6. In parallel to this, the EU should actively support the development of inclusive policies toward national minorities in the regional states, following on the concept of integration based on civic nationhood. For added credibility in this process, the EU must continue to distance itself from, and actively counteract any form of terrorism, such as the resurgent PKK in Turkey and Islamic extremist groups across the region supporting or employing terrorist tactics. Yet it must balance this policy by actively denouncing excessive and indiscriminate use of force by governments, such as by the Russian government in Chechnya and the North Caucasus.
7. The EU should support NATO's role in the Wider Black Sea Region, which is crucial in advancing security. In particular, the EU should facilitate the integration of the South Caucasian states, Ukraine and Moldova in the broader transatlantic partnership and in NATO, where a membership perspective for these states should gradually be provided.
8. In view of near-identical interests, the EU should develop a close partnership with the U.S., and both powers should coordinate their policies toward the region, taking advantage of complementary strengths and roles.
9. In crafting policy toward the region, it is imperative to distinguish between the Black Sea *per se* and the Wider Black Sea region. Indeed, previous failures to distinguish between these has led to Turkish and Russian fears that the military status quo in the Black Sea, protected by the 1936 Montreux Convention, would be jeopardized as a result of western strategies toward the Wider Black Sea region. Especially from an EU perspective, there is no rationale to put into question the Montreux convention, and Turkish cooperation with EU strategies in the region will be much more forthcoming should there be no question on this point. This will in

turn enable policies in the region to be an avenue for Turkish cooperation with the EU, greatly increasing chances of success.

Energy Security

10. The EU should tackle its energy dependence on Russia through strong support for the development of pipeline projects of both oil and natural gas from the Caspian region directly to Europe. The Turkish gas network should thus be linked to the European one making it a true energy bridge, while the West Caspian shoreline should be linked to the East Caspian through Trans-Caspian pipelines. This is likely to begin with pipelines linking Azerbaijan and Kazakhstan, but it also important over the longer term to seek ways to re-engage Turkmenistan in the development of the Trans-Caspian natural gas pipeline project, which can substantially balance the energy security of Central and Eastern European countries.
11. The EU should seek to revive TRACECA with a serious political commitment and serious financial resources. As EU states are increasing their development cooperation with the South Caucasus and Central Asia, it is crucial that substantial amounts of this funding be vested in the building of transport and communications infrastructure.

Organized Crime

12. While a broad approach toward combating organized crime should be closely interlinked with efforts towards democratization and regional stability, the EU should specifically take part in regional cooperative efforts of strengthening border security not only along the EU's borders, but also among the states of the Wider Black Sea Region. In this regard, the Border Assistance Mission to Ukraine and Moldova is an important initiative, and a similar engagement should be pursued in the South Caucasian states.

13. The South East European Cooperation Initiative's center in Bucharest may provide a useful model for law-enforcement coordination covering the northern parts of the Black Sea and the EU should promote its proposed emulation to Georgia, Ukraine and Moldova.
14. As part of developing a coherent strategy toward combating organized crime and terrorism, the EU should assume a role in the cooperative frameworks developed within BSEC on these issues.

Regional Cooperation

15. The EU should promote further development of existing cooperation frameworks and, where applicable, offer a role for these within the elaboration of a coherent EU strategy toward the region. This is especially valid for the support of democratic development processes, in which organizations like ODED-GUAM and CDC, as well as existing linkages and exchanges between Black Sea states and new EU members should be utilized. Furthermore, while the EU has been skeptical towards the capacity of BSEC, the organization has made significant progress in the areas of emergency assistance, visa policies and soft security, in which the benefits of a regional approach to these fields are obvious from an EU perspective. The EU should thus consider a closer cooperation with BSEC within these.
16. In its policies toward the Wider Black Sea Region, the EU should utilize experiences and engagement of new EU members Romania and Bulgaria. The EU should support those cooperative initiatives developed by these states and view these as contributors to the development of a coherent EU strategy.

Introduction: Why Focus on the Black Sea Region?

In May 2004, the European Union embarked on its fifth enlargement, which was also its largest. Ten predominantly Central European member states were admitted into the EU at that time – but the fifth enlargement stood to be completed only in January 2007, with the accession of two remaining candidates, Bulgaria and Romania. In parallel, 2004 was also the year of the North Atlantic Treaty Organization’s largest enlargement round, as seven countries including Bulgaria and Romania were admitted to the North Atlantic Alliance.¹

These parallel moves had a historic character, as they implied the removal of the divisions of the Cold War from the heartland of the European continent. They were also key components in a broader process that fundamentally altered the security architecture of Europe and in that sense its political geography.

This process has had several other components. A first has been NATO’s growing role in Afghanistan’s reconstruction and security, which has carried with it an increased strategic concern for the South Caucasus and Central Asia – the territories lying between NATO territory and its major out-of-area region of operations. A second has been growing concern in Europe regarding its energy security, especially its energy dependence on an increasingly authoritarian, self-confident and assertive Russia. This has brought renewed attention to alternative energy resources, primary among which is the Caspian basin. A third has been Turkey’s continuing quest for EU membership, which led to the milestone of negotiations being opened in

¹ NATO’s 2004 enlargement welcomed Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia. The EU’s 2004 enlargement welcomed Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. The EU Council in September 2006 decided to approve of Bulgarian and Romanian membership in January 2007, in spite of special conditions being applied.

2004. While these are scheduled to last many years and have generated much skepticism in Europe, the decision was widely understood as a strategic and inclusive move in the definition of the EU's future. A fourth element was the 'color' revolutions in Georgia and Ukraine, which altered the prevailing calculus concerning the feasibility of these countries' inclusion into Euro-Atlantic structures.

Taken together, these developments have all implied a southeastern shift in Europe's political and geo-strategic center of gravity. For better or for worse, they have made the collective and individual security of the EU member states increasingly dependent on an array of issues that hover around what has come to be known as the Wider Black Sea region. This is the case irrespective of whether a narrow or a broadened definition of the concept of security is adopted. In 'hard' security terms, normally affiliated with threats of a military nature, the region surrounding the Black Sea is home to Europe's closest and active conflicts. Moreover, the region is key to NATO's access to Afghanistan. In terms of economic and energy security, the region is both a source and a transit point for present and future energy resources that could boost Europe's diversity and security of supply. Aside from these, the EU increasingly defines non-traditional security threats including weak and failing states, the trafficking of humans and drugs, other forms of organized crime, and terrorism as its main concerns in security terms. In these terms, the EU's enlargement to the shores of the Black Sea makes this body of water – and the region surrounding it – a primary area of concern for Europe. Indeed, in few places of the world does wealth and prosperity exist in such proximity of poverty and instability as in Europe's southern and southeastern borderlands. The region surrounding the Black Sea is home to this exact mix of problems; but also a transit zone between these security threats and Europe – implying both challenges and opportunities.

Last but certainly not least, this region is crucial in terms of the building in Europe's neighborhood of stable statehood and the development of the rule of law and democracy. This is of crucial importance to Europe partly because of the EU project's deeper ambition of spreading stability, prosperity and democratic values on the European continent; but also because the absence of

such a positive development in its neighborhood would have significant and negative implications for the EU itself.

It is in this context that the recently enlarged EU faces the need to formulate and conceptualize its relationship with its neighborhood. This is the case irrespective of which side one takes in the currently relatively acrimonious debate over the wisdom of future additional enlargements of the EU, or for that matter NATO. The shift in Europe's geo-strategic center of gravity, and the persistence of serious security issues in the southeastern borderlands of Europe, create a need for more proactive approach to facing the security concerns arising from this region.

It is in this context that the concept of the Wider Black Sea region arises. The EU is, so far, primarily dealing with the countries of this area bilaterally. Yet the widely diverging membership potential of the region's countries complicates matters. Some are members; some have membership potential in the medium-term; some in the more distant future; and others, not at all. Meanwhile, the security issues mentioned above do not recognize these differences, often being transnational in nature. It is therefore imperative for the EU to develop a regional concept to the issues it will deal with, which will encompass the relevant countries irrespective of their membership potential. In other words, the European Neighborhood Policy – though an innovative and creative step – is not sufficient in terms either of dealing with security issues or in terms of moving toward a regional approach. The concept of a Wider Black Sea region is therefore a prism through which the interrelated security issues of this southeastern borderland of Europe can be understood and addressed.

The concept of a Wider Black Sea region is both old and new. In the early 1990s, Turkey took the initiative to institutionalize cooperation around the Black Sea into the Organization for Black Sea Economic Cooperation. Already at this point, Turkey took the constructive approach of extending the definition of the region beyond that simply of the littoral states, to adjoining areas of the Balkans and Caucasus. Hence Greece, Albania, Serbia, Armenia, Azerbaijan, and Moldova are included in BSEC's membership. If BSEC cooperation has not fully answered the expectations that existed, it nevertheless forms an important instrument for cooperation in the region.

Yet BSEC's creation did not lead to either Europe or America seeing the Black Sea region as an entity.

Indeed, it is only in the past few years that the idea of the Wider Black Sea region has gained acceptance. This is to a substantial degree a result of the work of the German Marshall Fund of the United States, which has played an important role in gathering officials and scholars from the countries of the region as well as from Europe and America to a series of seminars on the Wider Black Sea region.² While this has contributed to the acceptance of the concept, it is also clear that political realities cited above have caught up with both the BSEC initiative and the German Marshall Fund's initiative.

Conceptualizing the area in terms of a Wider Black Sea region enables the inclusion of a wider array of security concerns – ranging from organized crime to energy supply to the frozen conflicts of Moldova and the Caucasus – to be addressed in a cohesive and coherent manner instead of through unrelated, bilateral *ad hoc* solutions. Most importantly, it is not simply an invention, but reflects an emerging reality consistent with the changes in Europe's security environment.

This report makes the case that Europe is facing the emergence of the Wider Black Sea region as a new hub of European security. The report will begin by detailing European interests in this region. Following that, it will embark on a concise yet comprehensive study of the political and security environment in the Wider Black Sea region, studying first the evolution of political systems. It will then move on to discuss the security situation in the region from three perspectives: military security and unresolved conflicts; energy security; and non-traditional or “soft” security threats. It will then study existing frameworks of cooperation, and the EU's relationship with these. The report in its executive summary presents conclusions and recommendations for the EU's formulation of a strategy for engagement with the Wider Black Sea region.

² See Ronald Asmus, ed., *Next Steps in Forging a Euroatlantic Strategy for the Wider Black Sea*, Bratislava: German Marshall Fund, 2006. [<http://www.gmfus.org/template/download.cfm?document=doc/BSBook.pdf>]

European and EU Interests in the Black Sea Region

By its very existence and by its foreign and security policy, the European Union's main aim is to create a unified, peaceful and prosperous Europe. Enlargement has often been called the EU's main foreign policy tool: the carrot of enlargement has proven to be the most effective method of bringing about deep-ranging reform in Southern as well as Central and Eastern Europe.³ Of course, this strategy has its limits: enlargement can not proceed forever. The mood in key member states is presently strongly against any types of enlargement. Without a constitution, the EU is in any case not able to enlarge beyond the 27 member states of 2007. Should a constitution be adopted, and the EU begin to digest its new members and adapt to the reality of a much larger Union, further enlargements can doubtless become realistic in the future. In the meantime, however, the enlargement prospect is unlikely to be realistic for countries of the Black Sea region. The only exception is Turkey, but even in this case influential voices in some member states are questioning the end result of negotiations that are already ongoing, and efforts to derail the process are already visible. It is therefore clear that any aspirations to EU membership by countries like Ukraine, Moldova or the South Caucasus will for the foreseeable future be met in Brussels with silence at best or cold rejections at worst.

This does not mean that the EU's main interests have changed. Yet it may mean that the tools at the EU's disposal to accomplish these objectives may have to change. Indeed, the question of making the EU's borderlands more stable, peaceful and prosperous is more relevant than ever, as the divide between conditions in the EU and in its immediate neighborhood grows. It is profoundly in the EU's interest to ensure that the areas to its south and east are developing in the right direction – becoming more secure, resolving their

³ See eg. Boyka Stefanova, "The European Union as a Security Actor: Security Provision through Enlargement", *World Affairs*, Fall 2006.

internal and external conflicts, and building the institutions of market economy and democracy.

Indeed, as the Wider Black Sea region is concerned, the EU's interests can be briefly described under four headings. These relate to long term stability and conflict management; promotion of democratic institutions and the rule of law; securing a stable energy supply for Europe; and combating organized crime and terrorism, including concerns over migration and border controls.

Long Term Regional Stability

The Wider Black Sea Region forms a part of the EU's borderland toward both Russia and the Middle East. This region was among the worst hit by the dissolution of the Soviet Union, and is still faced with deep-seated security challenges relating to this. The EU cannot avoid that its own enlargement has brought it in ever closer proximity with the remaining unresolved and active conflicts that exist in Europe: those of Transnistria in Moldova, Abkhazia and South Ossetia in Georgia, as well as the Armenian-Azerbaijani conflict. To this should be added the low-intensity conflict going on in the North Caucasus – not only in Chechnya, but increasingly a region-wide phenomenon to which no easy solution is in sight.⁴ To this is added the imbalance of power between the region's smaller states on the one hand, and the larger powers such as Russia, Turkey, and to some extent Iran on the other.

The EU membership of Romania and Bulgaria brings the frozen conflicts to the EU's very doorstep. Transnistria is less than a hundred kilometers away from the EU's new borders, and Abkhazia and the North Caucasus are just across the Black Sea. Continued instability in these conflict zones cannot but affect Europe. Should these conflicts erupt to large-scale violence – an eventuality whose likelihood is growing, not receding, Europe will be affected significantly. On the one hand, the flow of potential refugees would be likely to reach Europe, aside from the already very real drugs, arms and migrants. On the other, the EU's proximity to the region would require the

⁴ See the Silk Road Paper released by the Joint Center in June 2006: Svante E. Cornell and S. Frederick Starr, *The Caucasus: A Challenge for Europe*. [<http://www.silkroadstudies.org/new/docs/Silkroadpapers/o6o6Caucasus.pdf>]

Union to play a leading role in conflict resolution and peacekeeping. Indeed, this is made all the more pressing by Russia's partial role in the conflicts, making it unviable as a peacekeeper and honest broker. Building stability in this environment is hence an increasingly important priority for the EU. This, in turn, can only be achieved through the resolution of the conflicts of the region.

At the same time, long-term regional stability will be dependent on the role of the main powers in the region – Russia, Turkey, the United States, and as far as the Caucasus is concerned, also Iran. Turkey's EU bid provides a golden opportunity for cooperation in stabilizing the region, a role Turkey is already playing but whose full potential is not utilized. As far as Russia is concerned, the EU is still at pains developing a common policy toward an increasingly difficult Russia. Yet the future of the EU's entire eastern borderlands is dependent on Europe finding a constructive relationship with Russia that nevertheless ensures that Europe's own interests and regional stability are not sacrificed. Iran, finally, remains a question mark as its current leadership is closing the possibility of cooperation that had existed while cementing Iran's position as an international outcast. Without influencing these powers and their relations with the region's smaller states, the EU will not have a secure neighborhood.

The security order established following the collapse of the USSR – or rather the lack of such an order – in the region – has manifestly failed to resolve the outstanding security concerns of the region, as will be discussed in the next chapter. Quite to the contrary, frustration with this established status quo is rapidly leading to renewed risks of violence and instability across the region. Parts of the Wider Black Sea region are presently not moving toward greater stability and peace; they are moving in the other direction. This constitutes a growing threat to European interests, which Europe has yet to acknowledge, let alone address, in a credible manner.

Promotion of Democratic Institutions and the Rule of Law

One of the EU's major interests – both in a normative and pragmatic sense – is the building of the rule of law and democratic institutions in its neighborhood. Indeed, the EU's perhaps greatest feat is to have contributed

to the transformation of authoritarian systems into democracies in record time in both Southern and Eastern Europe. These values are the EU's very foundation, which also underlie its foreign and security policies. Likewise, only when Europe is surrounded by stable and democratic states will it be fully secure.

Indeed, the main challenges as concerns the rule of law and democracy have moved to the South and East. It is in this corner of Europe that the continent's only remaining tugs-of-war between democratic and authoritarian forces are found. This should come as no surprise, for several reasons. To begin with, the region is not exactly surrounded by democracies: to its south lie Iran and the Middle East, where theocracies and secular dictatorships compete; to its East lies Central Asia, with authoritarian forms of government; and to its North lies Russia, increasingly backtracking into authoritarian rule. Yet in the Wider Black Sea region itself, the situation concerning the building of the rule of law and democracy is mixed: it can be viewed either as a glass half full or half empty. On balance, the record suggests a much greater hope for the future than was the case a few years ago. Progress in Bulgaria, Romania, and Turkey is evidenced in their closer association with the EU and its very high standards. Likewise, the democratic upheavals in Georgia and Ukraine fundamentally changed the region's realities, even though complacency is by no means warranted given the challenges faced by these states. Even in Moldova, Armenia and Azerbaijan, the prospects for building pluralism and the rule of law are encouraging, though they have embarked on a much more gradual pace of reform. Much more remains to be done in these war-torn countries, but their existing levels of pluralism and the positive forces for change they harbor entails that there is no justification for writing them off or putting them in the same camp as Central Asian states or even Russia.

Securing A Stable European Energy Supply

Thanks mainly to the Ukrainian gas crisis of early 2006, Europe's energy security has finally been raised on the political agenda in Brussels. In fact, the crisis was only the most blatant in a series of developments that indicate the dangers of Europe's growing energy dependence on Russia. These include

Russia's gas monopoly Gazprom's efforts to achieve increasing control over both energy distribution systems in Europe and energy production facilities in Central Asia – while gradually and increasingly shutting western companies out of energy development projects in Russia proper. The Fall 2006 controversy over the giant Shtokman field is an example of this.

Europe's energy security is hence threatened by an increasingly assertive Russian policy that has a proven track record of using energy as a tool to achieve foreign policy goals. Diversifying its energy supply, particularly as concerns natural gas, is hence of paramount importance for Europe. Aside from North African gas supplies – where Gazprom is increasingly becoming an actor as well – the Caspian region is the only potential source of natural gas not controlled by Russia that is available to Europe. Indeed, Azerbaijani natural gas production is set to be exported through Turkey, with substantial volumes standing to enter production by 2012. Azerbaijan may have substantial oil and gas deposits, yet these pale compared to the reserves of Central Asia, primarily Turkmenistan and Kazakhstan. These reserves – in Turkmenistan's case among the five largest natural gas reserves in the world – are key to Europe's future energy supply. In fact, there is little doubt they will be exported to Europe – one could argue that they already are. Indeed, presently, Gazprom exercises its monopoly on importing Central Asian gas by paying Central Asian producers USD\$50-100 per thousand cubic meters; gas that it directly or indirectly re-exports to Europe for over \$250, netting the difference in pure profits and acquiring political leverage over consumers and producers alike in the process.

Europe would benefit in a threefold way from establishing a direct pipeline connection to Central Asian producers. First, it would be able to buy gas at a lower price than the prices currently set by Russia. In any case, gas can be brought through new pipelines from Turkmenistan across the Caspian Sea to a lower cost than new Russian fields in Siberia or in the Arctic. Secondly, diversification of supply is a cardinal principle in energy security, and by diversifying its sources and transit routes, Europe would reduce its dependence on Russian energy. This would both help Europe handle possible Russian energy blackmail and reduce the risk to Europe from major upheavals of terrorist attacks on Russian energy installations. Third and

finally, Europe would break the neo-colonial dependency situation to Gazprom that Central Asian producers are locked into. By interacting directly with Central Asian producers, Europe would improve their economic prospects and hence also gain increasing leverage to support pluralism and democratic development there, something now absent.

Preventing the Spread of Organized Crime and Terrorism

The prosperity of Europe contrasts sharply with the poverty and instability of the areas to its Southeast – not only the Wider Black Sea region, but Central Asia and the Middle East as well. In the meantime, the processes of globalization have contributed to a worldwide growth in organized crime. Europe is the largest destination in the world as far as both the trafficking of drugs and humans are concerned. Meanwhile, the Wider Black Sea region is either a source areas – for example for human trafficking – or the key transit route from producer areas, such as Afghanistan as heroin is concerned. Likewise, closely connected to smuggling flows are terrorist movements, who have been known both to benefit from organized crime and to use the money laundering networks used by criminal groups.

Indeed, the Wider Black Sea is a major concern for the EU as far as this type of non-traditional security threats are concerned. Countering these threats in the Black Sea itself, as well as in the countries of the Wider Black Sea region, will be an increasingly important priority for Europe.

This objective can in turn not be dissociated from the other principal European interests mentioned above. Indeed, it is precisely the instability of the region, its unresolved conflicts, poverty and non-transparent state institutions that make the region such a central area for the non-traditional security threats.

Conclusions

If European interests can be ascertained, what is the environment in which they are to be achieved? Are Europe's various interests compatible with one another? What strategies should be employed to serve these interests? The next chapters will seek to address these questions.

Democratic Security: The Expanding European Area of Stability and Democracy

Since the aftermath of the second world war, European integration and cooperation has been the leading force making the continent whole, stable and democratic. The European Union is the chief representative of this historic process, along with NATO and the Council of Europe. European integration has brought what has come to be called democratic security to an ever-growing part of the world with the borderlands now beginning to include the Wider Black Sea area. This chapter discusses the concept of democratic security, the prerequisites for the entire region developing deeper democratic institutions, and concludes by discussing the present condition in the region's states.

Why Democratic Security?

The concept of democratic security was introduced as a result of the fall of the Berlin Wall, the dissolution of the Soviet Union, and the Eastward enlargement of the EU, Council of Europe and NATO. It is a political concept adopted by the Vienna Declaration in October 1993, building on the theory that democracies are unlikely to go to war with one another and that democratic development therefore strengthens peace and stability. However, in order for democratic security to be realized, democracies need to be stable and stability cannot be understood only from the military and economic perspective. The very core of democratic security is a value-based definition of long-term security, resting on democracy and the rule of law. This was the rationale behind much of the democracy assistance to central and Eastern Europe during the 1990s, and equally serves as a rationale behind strong and coherent support to the states in the Wider Black Sea region. Sustainable peace, stability and security in the Black Sea Region in this sense requires that the concept of democratic security be considered alongside traditional security issues.

There are very important differences that need to be taken into account when assessing the prospects for attaining this long-term goal of democratic security in the Black Sea Region. First, the process of international socialization, i.e. the diffusion of democratic and rule of law institutions and values in Central and Eastern Europe was successful for two main reasons. First, the prospect of membership in NATO and the EU created the “carrot” that made possible the use of the “stick”. Secondly, most of the new member states did have a tradition of democracy and a European identity to cling on to. The Council of Europe provided the forum for learning and disseminating democratic and rule of law values. All of the states of the Wider Black Sea region are members of the Council of Europe. Yet as noted previously, the same carrot is not equally present as concerns their prospects of membership in the EU and NATO. Romania and Bulgaria are gaining membership in the EU, Turkey is a candidate country with accession negotiations under way, and all three are members of NATO. Yet the EU deals with Moldova, Ukraine and the South Caucasus states through the European Neighborhood Policy. ENP offers a privileged relationship, built upon a mutual commitment to democracy and human rights, the rule of law, good governance, market economy principles and sustainable development. The ENP in this sense goes beyond existing relationships to offer a deeper political relationship and economic integration. Yet ENP is not about enlargement, and does not offer an accession perspective, implying that its potential as a carrot is clearly weakened.

Countries in the Wider Black Sea region that are not already closely affiliated with the EU at present are unlikely to see their prospects improve in the near future. Since all the states are already members of the Council of Europe, the only remaining institutional carrot is NATO. Clearly, this undermines the impact on domestic reforms of the EU and the Council of Europe. This does not need to be a bad thing, as it forces the EU and the Council of Europe to move away from rhetoric such as “returning to Europe” and hence leads toward a more principled argument. Yet it does require European institutions to develop a long-term and value-based policy in order to be effective.

Democracy and rule of law are two concepts with both theoretical and political connotations. Used and misused in the transitions following the dissolution of the Soviet Union, today they mean everything and nothing. They have even come to carry potentially negative connotations among parts of the population and policy-makers in the region. It is therefore of outmost importance to be clear on what the main purpose of democratic security is. The concept's main purpose is to create a situation in which the state *per se* is strong enough to uphold necessary democracy and rule of law institutions such as regular open and free elections and an independent judiciary at the same time as it acts as the guarantor for both state and human security. State security means that the state is able to establish and protect its sovereignty against both external and internal threats. Human security, on the other hand, refers to a situation where individuals living within a state are secure in terms of freedom, social and economic welfare and the protection of life and property.

Human security as both a policy goal and as an academic idea has contributed to the integration of the development and security communities.⁵ States such as Canada, Norway and Japan have made human security part of their foreign policy agenda. The common core for the human security discourse is its starting point in the needs of individuals – it focuses on “the needs of socially embedded individuals” as two scholars so elegantly put it.⁶ The main goal is to establish a secure enough environment for individuals to realize their economic, political and social capabilities. The policy argument in favor of the human security approach is that poverty reduction, in combination with establishing societal peace and stability, makes individuals less likely to mobilize against each other. Others have gone so far as to claim that the concept of weakened and failed states is only useful in the context of human security. This is based on the argument that the question *for whom* the

⁵ Gary King and Christopher J.L. Murray, “Rethinking Human Security”, *Political Science Quarterly*, vol. 116, no. 4, 2001-02 (585-610), p. 589.

⁶ Des Gasper and Than-Dam Truong, “Deepening Development Ethics: From Economism to Human Development to Human Security”, *The European Journal of Development Research*, Volume 17 no. 3, p. 377.

state is failing is more relevant than simply *whether* the state is failing.⁷ Indeed, the difficulty often lies in analyzing why and how a state is failing, and to identify what power relations are at stake and how they contribute to the *status quo* called state failure. Only thereafter is it feasible to assess what measures are needed to achieve human security. The main question is hence to what extent a state is willing or able to function in such a matter that it can provide welfare to the majority of its inhabitants.⁸

The Interrelationship of Democracy, Rule of Law and Human Security

Rule of law has both an institutional and a functional aspect to it and is as such a vital part of any democratic system as it makes possible the enforcement of the rights and freedoms that are necessary for all democratic systems. The institutional aspect of rule of law refers to the existence of independent and functioning law enforcement bodies on the one hand and an independent and efficient judiciary on the other. In addition, a liberal set of legislative acts including a constitution stipulating a minimum degree of separation of powers and a rights catalogue is the institutional fundament of a rule of law state. Rights protection, access to justice for all, and a state that is bound by and acts according to the law constitute the main functions of a rule of law state.

Generally, the increasing focus on human security indicates a shift from state interests both in terms of security and economic development towards an increasing focus on individuals, hence a people-centered approach to development and security. This approach recognizes that the state-centered approach to security is inadequate when threats to both state and human security are increasingly transnational in character.

Human security usually refers to the “freedom from fear and want”, and it has four essential characteristics: It is universal, its components are independent, it focuses on prevention since its method is prevention, and it is

⁷ Morten Boås and Kathleen M. Jennings, “Insecurity and Development: The Rhetoric of the Failed State”, *The European Journal of Development Research*, vol. 17 no. 3, September 2005 (385-395).

⁸ Boås and Jennings, p. 390.

people-centered.⁹ According to the 1994 UNDP *Human Development Report* there are seven categories of threats to human security. These are: economic, food, health, environment, personal, community and political.¹⁰

Clearly, it is difficult, if not impossible to uphold a clear dividing line between the three components of democratic security as they have been defined above. All three components are more or less a function of each other. Rule of law is a vital precondition for human security, while democracy as such provides legitimacy to the state and hence stability in the long run. The very minimum requirements of human security such as protection of life, access to food and medical care clearly need to be attended at an initial point. Following this basis, establishing functioning law enforcement agencies and other public service agencies is necessary to provide human security. Already at this point issues related to democracy and rule of law such as representation, popular influence and control over state affairs and state finances need to be attended. How to go about and what priorities to make must be decided on a case-by-case basis, taking into account the regional and national context. One complicating factor in the Black Sea Region is the high degree to which non-state actors are involved. For example, in the secessionist republics of Abkhazia, Karabakh, South Ossetia and Transnistria, unrecognized political leaders are de facto responsible for upholding human security to their inhabitants.

Sovereignty, Governance, and Democracy

It is important here to recall that the scholarly literature on democratization has come to substantially revise the previously dominant ‘transition paradigm’, which strongly influenced western policies toward countries ‘in transition’ in the 1990s. The basic assumption was that “any country moving away from dictatorial rule can be considered a country in transition toward democracy”.¹¹ This proved right in Central and Eastern Europe. These were

⁹ Gary King and Christopher J.L. Murray, “Rethinking Human Security”, *Political Science Quarterly*, vol. 116 no. 4, 2001-02, pp. 585-589.

¹⁰ UNDP, *Human Development Report 1994*, New York: Oxford University Press, 1994.

¹¹ Thomas Carothers, “The End of the Transition Paradigm”, *Journal of Democracy*, vol. 13 no. 1, 2002, p. 8.

the areas most closely linked to western Europe, where European support was strongest, and where the carrot of NATO and EU membership was consistently present. But it has not proven right elsewhere, as other forms of semi-authoritarianism in many localities came to replace the socialist state systems. Aside from its determinism, as Thomas Carothers notes, the transition paradigm also erred in over-emphasizing elections as the motor of democracy promotion, and in failing to “give significant attention to the challenge of a society trying to democratize while it is grappling with the reality of building a state from scratch or coping with an existent but largely nonfunctional state.”¹²

Western approaches in the 1990s that neglected state-building and favored the building of electoral democracy and civil society have demonstrably failed to produce the desired results, in areas of the Wider Black Sea Region as elsewhere. This in turn has led to an increasing consensus, or a “new conventional wisdom”, that the building of functioning, sovereign states – what Fukuyama calls ‘stateness’ – is a prerequisite for the development of representative and participatory institutions.¹³ Fareed Zakaria takes the argument one step further, arguing that the premature imposition of electoral democracy on a country can do more harm than good, especially when it ignores the development of what he terms “constitutional liberty”, implying the rule of law and basic state institutions. In such conditions, electoral democracy can lead to the development of *illiberal* rather than liberal democracy – to popular authoritarianism or even fascistoid regimes

¹² Carothers, pp. 8-9.

¹³ “The development-policy community thus finds itself in an ironic position. The post-Cold War era began under the intellectual dominance of economists, who pushed strongly for liberalization and a minimal state. Ten years later, many economists have concluded that some of the most important variables affecting development are not economic but institutional and political in nature. There was an entire missing dimension of stateness—that of state-building—and hence of development studies that had been ignored amid all the talk about state scope. Many economists found themselves blowing the dust off half-century-old books on public administration, or else reinventing the wheel with regard to anticorruption strategies.” Francis Fukuyama, “The Imperative of State-Building”, *Journal of Democracy*, vol. 15 no. 2, 2004, 17-31. See also a fully developed argument in Francis Fukuyama, *State-Building: Governance and World Order in the Twenty-First Century*, Ithaca: Cornell University Press, 2004.

emerging. Hence elected rulers, if not subjected to strong constitutional limitations on their power, are vulnerable to populist pressures, and often end up ignoring legal limits and even depriving their citizens of rights, ruling by decree and doing little to develop civil liberties.¹⁴ Russia and Venezuela, and their development since Zakaria's book was written, are excellent examples. Zakaria instead argues that the best examples of emerging liberal democracies are those where a strong constitutional liberal infrastructure developed, sometimes under liberal authoritarian regimes.¹⁵ Chile, Singapore, and South Korea are examples, and Turkey could be added as an earlier case, following Atatürk's reforms in the 1920s.

It is therefore important to emphasize the interrelationship between the three concepts of sovereignty, governance and democracy. This is nowhere more relevant than in the Caucasus and Moldova, one of the most striking characteristics of which has been the failure to build sovereignty, starting at its very basis: state control over territory. This is true both for Moldova, with Transnistria; the South Caucasus, with the breakaway regions of Karabakh, South Ossetia and Abkhazia; and for the Russian North Caucasus, most prominently but not exclusively Chechnya.

Sovereignty, the control by the state of its recognized territory and its ability to exercise authority over it, is the precondition for a functioning political system that can provide law and order as well as a regulatory framework, and enable the political participation of its citizens and guarantee their rights. *Governance* is the second element of this equation. Although western observers frequently view the states of the region as authoritarian or semi-authoritarian, they are in fact under-governed. The powers of the presidents may be large on paper, but in fact the ability of the leadership of any state to

¹⁴ In his original article "The Rise of Illiberal Democracy", published in *Foreign Affairs*, November 1997, Zakaria argued the case as follows: "Democratically elected regimes, often ones that have been re-elected or reaffirmed through referenda, are routinely ignoring constitutional limits on their power and depriving their citizens of basic rights and freedoms. From Peru to the Palestinian Authority, from Sierra Leone to Slovakia, from Pakistan to the Philippines, we see the rise of a disturbing phenomenon in international life -- illiberal democracy".

¹⁵ Fareed Zakaria, *The Future of Freedom: Illiberal Democracy at Home and Abroad*, New York: W.W. Norton, 2003.

govern their country effectively is severely limited by a lack of resources and trained officials, as well as the persistence of strong regionally- and kinship-based networks that wield real power outside the capitals, thwarting central governmental authority from expanding. Bad governance or the actual lack of governance precludes the building of ties of loyalty between state and society, increase the risk of social conflict and prevent the resolution of existing conflicts, and makes true democracy impossible. Finally, the building of *democracy* – free elections, but also equally importantly the rule of law, participatory government, and the respect for human rights – is a course that Europe seeks to promote and that the local states have all committed to follow in various international agreements, most obviously through their membership in the Council of Europe. Yet the same reasons that prevent the building of sovereignty and good governance – armed conflict, and the strength of entrenched and non-transparent informal networks – also thwart the aspirations of the people of the region to live in safety, protected by law, and able to participate in political processes and select their own leaders.

It is clear that the failure to build strong sovereignty in the Wider Black Sea region is directly related with the failure of governments to provide good governance and with the weakness of their democratic credentials. It is hence in Europe's long-term interest to work in tandem for the building of sovereignty, governance and democratic government in the region. Failing to achieve this will ensure the continuation of instability, conflict, and poverty. It will also in turn contribute to the proliferation of radical ideologies, whether based on nationalism or religion or a combination of both, as well as organized crime in the region. As the EU follows NATO in expanding eastward to the Black Sea, this would directly impact Europe, as it to some extent already does. This makes the strengthening or restoration of sovereignty; the promotion of a constitutional liberal infrastructure through state-building and the rule of law; and the consolidation and development of democratic institutions a central long-term European interest.

Elections, Civil Society, and State-Building

The countries of the Wider Black Sea region are unique among 'emerging democracies' in their relationship to Euro-Atlantic institutions. Even

resource-rich countries such as Azerbaijan and Kazakhstan, who could be thought to eschew reforms due to their wealth, realize that their economic lifeline and their continued independence is linked to the westward transportation of energy to European markets. The region's close proximity to Europe and the states' increasing interconnectedness with European economy and politics make the prospect of the gradual building of democratic institutions more plausible than for most states. Yet in spite of this, and of substantial western resources invested in democratization efforts in the region, the process has been remarkably slower than in Central Europe in the 1990s. This has objective reasons, of course: the region lacks a tradition of democratic political culture, and a weakness of statehood, and its economic conditions were worse than those of Central Europe or the Baltic states. Yet this failure is also due to misguided strategies by western states and organizations.

In western strategies to support democratization in the Wider Black Sea region, the main focus has been on achieving free and fair elections, while a secondary focus has been on the building of civil society. These are important objectives by any measure. However, the focus on elections and civil society has often been excessive, and overshadowed the deeper and equally important question of building functioning state institutions.

Indeed, an electoral focus allows the focusing of efforts on a single event, thereby being both media-friendly and permitting government officials to focus on developments in a given country at a given time. Yet the more arduous task of building the institutions that lie as the basis for a functioning democratic society have not been given the attention they deserve. As a result, the focus on elections has failed to bring about the desired results. Across Eurasia, governments have learnt how to handle elections, ensuring their incumbency without having to intervene on election day as was formerly the case. Instead, government can use the advantages of incumbency in terms of the use of media, money and exploiting divisions among the opposition to stay in power. More importantly, even in states that have seen elections leading to changes of power, this has not necessarily led to the improvement of the judicial framework or the rule of law, let alone a reduction of corruption.

On a broader level, western assistance to the Caucasus and Central Asia has largely failed to achieve its objectives. Western donors fundamentally misunderstood the region's politics and the implications to draw thereof. In devising aid strategies, the west did three things: first, it confused means and aims; second, it deliberately avoided the unresolved conflicts, the main problem of the region; and third, it eschewed dealing with state-building, instead preferring to build 'civil society'.

Confusing Aims and Means

The western approach has been plagued by a confusion of aims and means. Western democratization assistance has appeared to see democracy not only as a goal to achieve, but also as the method by which this goal achieves itself. Democracy, hence, is both the goal and the way to achieve that goal. But as Zakaria has discerned, this does not always correspond to the reality of the building of sustainable democracy.¹⁶ Countries that in the 1990s embarked on free elections without functioning state institutions rapidly degenerated into economic downturn, widespread corruption and unrest, leading to compromising the very concept of democracy. This scenario, of course, is not far from what happened in the Soviet successor states in the early 1990s – leading at best to the building of what Zakaria famously called illiberal democracies. But as Zakaria and others argue, stables democracies in the long term evolve not out of snap elections but out of the long-term building of statehood and the emergence of economic prosperity and a middle class, which gradually works to limit the state's encroachment on its rights. Hence the rule of law is gradually built while the state can technically be the opposite of an illiberal democracy – a liberal autocracy, but gradually and irrevocably losing its control of society and leading to political democratization. This is the East Asian model of democratization, and has yielded much more promising and stable results.

Avoiding Unresolved Conflicts

One guiding principle of western efforts in the Wider Black Sea region has been to avoid the region's main problem: the unresolved territorial conflicts.

¹⁶ Zakaria, *The Future of Freedom*.

Although the conflicts clearly pose the main threat to development and stability in Moldova and the South Caucasus, development cooperation has operated under the assumption that the conflicts cannot be solved with the resources at hand. This assumption led to a two-pronged approach: firstly, to institute “processes” that have come to serve mainly as an excuse for inaction on the part of the international community. The implication was to circumvent the conflicts. Development cooperation has hence worked on everything but the conflicts, seeking to build civil society, governance, transparency, agriculture, gender equality, education, etc. Yet the problem is that these efforts have failed to change the fundamental fact: the unresolved conflicts remain at the heart of the failure of reform and visible progress in all of these sectors. Ten years of experience has shown that the failure to work on the conflicts has been a recipe for the failure to build strong, democratic societies in the region.

Eschewing State-Building for Elections and Civil Society

At an early stage, donors appear to have concluded that the governing structures in the states of Eurasia were corrupted and unreformed, which was a correct characterization. Hundreds of millions in any currency were spent on democratization and development. Yet these funds were not spent primarily on building and reforming the state institutions. Instead, they were targeted toward building parallel structures, that is civil society. This aimed at laying the foundation for voluntary associations that could survive autonomously after having been created. Yet in practice, these efforts seldom created truly voluntary associations, instead leading to the emergence of groups run by a westernized cultural elite, created on the basis of western funds. A good portion of these groups make a living out of positioning themselves in opposition, and agitating against governments rather than working with them for true reform. At the side of this, western governments and organizations focused their attention on elections and not on state-building. Armies of hundreds if not thousands of election observers were catapulted into countries they knew next to nothing about for two or three days in order to participate in observation missions whose haphazard results would determine much of western policies. Meanwhile, the equally if not

more important but tedious work of continual institution-building was given comparatively scant attention.

In particular, the security sector – specifically the military, police, interior ministry, customs, as well as the judiciary – are the most unreformed, inefficient and corrupt institutions in the region. The dysfunctional character of these core institutions impedes the resolution of conflicts as the salience of private interests in security forces creates narrow self-interest, including criminal ones, in sustaining the status quo. The lack of strict control over military forces, and weak hierarchy and discipline, increases the risk of military incidents, cease-fire violations, resumptions of hostilities. In addition, the weakness of the security sector impedes the building of democratic and accountable states across the region. Indeed, their primitive practices have alienated many loyal citizens, exacerbating existing socio-economic frustration.

Seeing this, western aid programs and foundations long kept their distance, focusing their assistance instead on such sympathetic entities as unregistered political parties and NGOs, and treating local officialdom and the police as unredeemable pariahs. Alienated from western assistance, the behavior of the security sector forces did not improve, rather it deteriorated. Across the former Soviet Union, the police and the Ministries of Internal Affairs that control them remain the most unreformed part of the governments, representing a powerful and backward-looking faction, locked in struggle with reformist elements concentrated in other parts of the governments. The strength of these forces imply that the Presidents cannot ignore or override them. Ministers in the security sector typically run widely corrupt and dysfunctional institutions that enjoy little or no support among the population, while greasing the wheels of their fiefdoms by skimming budgets and extorting money from civilians through their lower ranks.

Western disengagement from these sectors helped perpetuate the very practices that development cooperation has been intent on counteracting and rooting out. Against this background, it is clear that stable societies cannot be built in disregard for the security sector and legal system, that is to say, in dissonance with state institutions. Where seventy percent of the police force is corrupt, strengthening civil society will be futile. True development will

take place only if support for civil society is balanced with efforts to build the state institutions that lie at the basis for, and are prerequisites for a functioning and influential civil society in the first place. Here the role of building the Rule of Law must be underlined, as a society built on justice and equity must be the base of any democratic development.

Western policies that answer to these challenges will support the process of building the rule of law, which in turn will lay the foundation for the gradual democratization of the states of the region. By simultaneously working with – instead of against – government agencies, the process of reforming the security sector could be helped on its way, reducing the perhaps largest impediment to democratic development, good governance, and the respect of human rights. But if western donors keep sticking to wittingly or unwittingly supporting only antagonistic groups while freezing out the state authorities, this will only further alienate these crucial institutions from taking a constructive part in the process and entrench them as the immovable objects that are opposed to reform and development that they have proven to be in most regional states.

Weak States and Developing Democracies in the Wider Black Sea Region

The building in the entire Wider Black Sea region of sovereign states based on the rule of law with strengthening democratic institutions is a central European goal. Obviously, this interest is greatest as regards the EU members and candidate countries in the region, but EU interest in the development of the rest of the region along these lines is already stated and will only grow with time. Likewise, as far as the North Caucasus is concerned, it is in Europe's interest that Russian rule in this region take a participatory form.

Sovereignty, good governance and democratization are important to Europe both in principal terms, and as an instrument to economic development, free markets, and long-term political and social stability. The case for this argument is uncontroversial: it is accepted that authoritarian forms of government, plagued by corruption and mismanagement, yield neither long-term political stability nor economic development. Yet it is also equally obvious that expecting states such as Ukraine, Moldova or those of the South

Caucasus to develop into full-fledged democracies overnight would be illusory. What are, then, the prospects of building democratic security in the Wider Black Sea region? All states in the Wider Black Sea Region suffer from inefficient and weak rule of law institutions. Bulgaria and Romania stand out due to the strong support and the carrot provided by the transition to EU membership, while the secessionist areas stand out on the other extreme due to the very fact that they lack functioning rule of law institutions.

Romania and Bulgaria

Romania and Bulgaria, soon to become EU member states, still have problems with their justice systems and corruption. Aside from the judicial system per se, corruption, the fight against organized crime, money laundering, and police cooperation are highlighted by the EU Final Monitoring Report as issues that still demand attention in Bulgaria. Romania is considered to have made somewhat more progress in these fields, however the report underlines the need for continued efforts in reforming the judiciary and fighting corruption.¹⁷

Romania and Bulgaria, in spite of remaining institutional weaknesses, must nevertheless be recognized as the more successful Black Sea states, in terms of state building and democratic reform. The approach to these states on part of the EU, comprising of a decisive engagement through economic support coupled with strict conditionality is among Romanian academia referred to as a concept that could successfully be applied to other Black Sea States, facing similar problems as Romania and Bulgaria did during the 1990s.¹⁸

Turkey

While being a strategic NATO member since 1952, Turkey's road to the European union has been long and fraught with difficulties, likened by some to a democratic rollercoaster ride. Turkey has been a pluralistic democracy

¹⁷ Monitoring report on the state of the preparedness for EU membership of Bulgaria and Romania, Brussels 29 June 2006, COM(2006) 549 final. Available at [http://ec.europa.eu/enlargement/pdf/key_documents/2006/sept/report_bg_ro_2006_en.pdf].

¹⁸ Interviews, Bucharest, July 2006

since 1950, but the process of building sustainable democracy has been interrupted at several occasions by unrest and military interventions. The problems of European integration has mainly focused on domestic matters that have historically been common to the wider Black Sea region. Chronic political instability, military interventions in the political process, a human rights deficit and minority-related issues mainly pertaining to the conflict surrounding the Kurdish groups in the southeast of Turkey. These problems have been closely connected to the domestic political and military establishment's views on Turkey's geopolitical role during the cold war when Turkey stood at the frontline in the standoff between NATO and the Soviet Union. They have also been linked to the fact that Turkey stands as the best representative of an evolving democratic state in the Muslim world. It is important to note that these problems, including periodic military interventions, never prevented democratic development from resuming once order had been re-established. Unlike their Latin American or Southeast Asian contemporaries, the Turkish military never aspired to retain power, only to prevent what they perceived to be aberrations of the democratic political process. This enabled a gradual progress in democracy and human rights to take place, though this progress was often slow.

For several years now, important changes in the Turkish political, societal and economical systems have been implemented. In fields such as human rights and rule of law, reforms have now put Turkey on track for full membership in the EU, although the timeframe is still uncertain. These positive reforms are the direct effect of the present government's full commitment since 2002 to EU membership and a newly found understanding that the membership process requires confronting and dealing with many difficult domestic issues. The role of the military is still an issue, as are implementation of reforms. As a prominent Turkish diplomat observed, "having reforms on paper does not however mean that they are fully grounded in every day society. Implementation takes time, patience, training, education and a new philosophy and angle by which to approach the future."¹⁹ The role of the EU in this implementation is crucial to Turkey's

¹⁹ Ambassador Necip Egüz, speaking at a conference organized by the CACI-SRSP Joint Center and the Swedish ministry for foreign affairs in Stockholm, May 2006. See

reform process, and it is vital that the momentum of change in Turkey is kept up so that the domestic EU-skeptical forces do not gain ground.

Ukraine

The so called Orange Revolution during the fall and winter of 2004-2005 gave rise to hopes for a rapid process of democratization in Ukraine. The government of President Viktor Yushchenko initially set up an ambitious agenda aimed at reforming and strengthening state institutions and combating corruption. Progress on these issues proved hard to achieve in practice, however, and most problems inherited from the Kuchma regime remain. According to the Sigma Governance Assessment Report of March 2006, the Ukrainian legal system is largely flawed, hampering judicial predictability. The civil service lacks professionalism and is largely politicized, while state institutions are unaccountable and the policy system is highly centralized. These features together provide for a lack of coherence in governmental action and provide a fertile ground for corruption and mismanagement.²⁰

Post-revolutionary Ukrainian politics have been marked by increasing divisions within the Ukrainian leadership. The resignation of Yulia Timoshenko as prime minister in 2005 and the weak results in the 2006 parliamentary elections marked a crisis for Yushchenko's leadership, as he was forced to appoint his former rival for the Presidency, Viktor Yanukovich, as prime minister. The current Ukrainian leadership is thus not in a position to push through far-reaching democratic reforms, as it lacks the broad democratic consensus required for such reforms to be successful.

Moldova

By far the poorest country in Europe, Moldova struggles with state-building, democratization and economic reform. Moldova bears most signs of weak statehood in terms of limited institutional capacity, rampant corruption, a

Per Haggström, *Turkey in Europe: Changes and Challenges*, Uppsala & Washington: CACI-SRSP Joint Center, Conference Report, p. 17.

²⁰ Support for Improvement in Governance and Management (SIGMA), *Ukraine Governance Assessment*, OECD/EU, March 2006, Available at [<http://www.oecd.org/dataoecd/46/63/37127312.pdf>]

weak judicial system and government control over mass media. Nevertheless, Moldova stands out by having had several elections leading to a change in power, and by a lesser conflation of economic and political power than most post-Soviet countries. Moldova has taken an increasingly western turn in its foreign policy and considers integration with Europe a main priority. The main instrument for the implementation of the ENP in cooperation between EU and Moldova in these fields is the EU-Moldova Action Plan, where strengthening of administrative and judicial capacity, ensuring respect for freedom of expression and freedom of the media and enhancing long term sustainability of economic policy are mentioned as specific priorities.²¹ However, progress in the implementation of the Action Plan has been slow and reform in the areas listed above remains quite limited.²² A serious impediment to strengthening the Moldovan state is the unresolved conflict in Transnistria, circumscribing Moldovan sovereignty and granting Russia leverage against Moldova's orientation towards the EU. Residents of Transnistria enjoy little of the democratic progress seen in Moldova. The territory's *de facto* government allows no free elections and no political opposition to speak of, and the ethnic Moldovan population is in practice relegated to second-class citizens, prohibited from studying Moldovan in the Latin alphabet.²³

Georgia

Georgia's 2003 Rose Revolution prompted the most significant and far-reaching set of reforms carried out in any post-Soviet state outside the Baltic states. The new government, led by President Mikheil Saakashvili, embarked on a full-ranging reform of the state apparatus, coupled with an impressive anti-corruption program. This also entailed a substantial purge of personnel in state institutions, and the arrival to power of a new generation of leaders, many of which were western-educated. Indeed, within less than two years, Georgia turned from a failing state into an increasingly functioning

²¹ *EU/Moldova Action Plan*, February 2005

²² Expert Group and Adept, "European Union-Republic of Moldova Action Plan: Assessment of Progress in 2nd Quarter of 2006", *Euromonitor*, April 2006

²³ See eg. Freedom House, "Transnistria (Moldova)", *Freedom in the World 2006*, New York: Freedom House, 2006.

democracy. Whereas some authoritarian tendencies and corruption have lingered in the country, the changes in Georgia have been remarkable. The government rapidly managed to triple the state budget and to conduct a far-reaching cleanup of the police and interior ministry. Moreover, the central government restored control over the wayward Ajaria region formerly controlled by a local strongman. Successes in the fight against rampant organized crime are being followed by continued reforms of state institutions, not least in the judicial sector. Nevertheless, Georgia's prospects of establishing a sustainable democracy are hindered by the unresolved conflicts over South Ossetia and Abkhazia. These regions have been unaffected by the Rose revolution and the ensuing progress in governance. In particular, the ethnic Georgian population originally inhabiting these areas either remains as displaced persons living elsewhere in Georgia, or live either as second-class citizens in the two secessionist entities or in a legal limbo in areas that are for most practical purposes uncontrolled. The situation is most pressing for the ethnic Georgian of the Gali district of Abkhazia. As such, they are not enjoying the improving governance that the remainder of Georgia's citizens are. As for the citizens of the unrecognized republics, their ability to participate in politics and to have their rights enforced varies. Abkhazia has come further in terms of a participatory political system, with a sense of interaction between Abkhaz *de facto* authorities and their society being apparent. Nevertheless, this system remains fundamentally flawed as long as it does not permit the voice of the ethnic Georgian community from being a part of the political process.²⁴ As for South Ossetia, the elite appears much more closely aligned with Moscow, and much less of an independent actor in touch with the population it claims to represent.

Armenia

Armenia has continued to exhibit a semi-authoritarian form of government. A relatively free media and political pluralism coexist with the persistence of flawed elections, none of which has been recognized by the international community. Armenia was in the forefront of reform in the early 1990s, yet

²⁴ See eg. Freedom House, "Abkhazia (Georgia)", *Freedom in the World 2006*, New York: Freedom House, 2006.

this gave way to a development similar to that of its neighbors. Armenia's media situation has deteriorated somewhat in recent years, while the parliament has come to be increasingly dominated by business interests. In the past several years, the government of Robert Kocharyan has increasingly lost in domestic popularity, in spite of continuous economic growth. However, Armenia has been the country in the South Caucasus most intent on developing its action plan within the European Neighborhood Policy, and is seen as a leader in reforming the economic sector. Political reform has nevertheless lagged behind, and the 2007 presidential elections are widely expected to see a succession within the ruling elite from Kocharyan to his long-term associate Serge Sarkissian. Should this indeed happen, it would imply the continued dominance of a Karabakh elite over Armenian politics – Sarkissian served as Mountainous Karabakh's defense minister in the early 1990s, when Kocharyan was the President of the secessionist enclave. The Kocharyan era has continued to build state institutions and was important for providing a sound economic basis to the country. Nevertheless, much reform will be required in the political sector to overcome the present democratic deficit. Yet the opposition remains divided as well, as shown most clearly by its abortive attempt to copycat the Georgian 'Rose' revolution in 2004, which garnered very limited public support.

Azerbaijan

Azerbaijan could also be classified as a country torn between democratization and authoritarianism. The government, exercising control over broadcast media, is nevertheless faced by a vociferous yet divided opposition, and free print media. As in Armenia, no Azerbaijani election has been characterized as free or fair, and the government maintains a secure hold on the parliament. Nevertheless, successive elections have seen a move toward a parliament consisting less of ruling party loyalists, and increasingly consists of a more mixed array of forces, with increasing prominence of businesspeople. This is partly due to the majoritarian electoral system, which makes financial power an important asset in winning elections in the provinces. Azerbaijan saw the succession to long-time strongman Heydar Aliyev in 2003, which led to his son, Ilham Aliyev, taking up the presidency after a troubled election in 2003, whose result was violently contested by the

divided opposition. There is nevertheless little doubt that Ilham Aliyev commands substantial popularity, derived from the government's economic windfall resulting from oil exports, as well as his success in establishing an aura of merging continuity, implying stability, with change, implying economic reform. The main impediment to Aliyev's reforms – and to the development of strong state institutions and a democratic political culture – is the continued power of entrenched regional and economic elites in the government. These forces, inherited from the chaotic 1990s, withstand moves for reform, and limit the President's ability to conduct autonomous policies. Seeing these forces as too strong to be removed overnight, the President has adopted a strategy of measured and gradual reform in the political field while embracing more rapid reforms in the economy. The reforms that have been conducted have generally been positively appraised, nevertheless the pace of political reform remains excruciatingly slow. Much remains to be done in the electoral system, in the freedom of the press, in the building of strong state institutions, and not least in the judicial and interior ministry sectors and the struggle against corruption.

In terms of democratic security, the main impediment in Azerbaijan lies ahead of the over 800,000 displaced persons from the Karabakh conflict. Given that their territories remain under occupation, they are unable to return home, retaining hence a status as displaced people. Azerbaijani authorities are increasingly accepting their integration into mainstream Azerbaijani society, in spite of earlier reluctance to do so as it implies *de facto* recognition of the results of ethnic cleansing. The future of this large population group is very unclear, while the territory of Mountainous Karabakh itself is closely integrated with Armenian politics, as evidenced by the transfer of Karabakh politicians to leading positions in Armenia proper.

North Caucasus

Clearly, the most serious failure to uphold human security in the Wider Black Sea Region can be found in the uncontrolled territories such as the secessionist republics and the Russian North Caucasus. These areas are plagued by ethnic cleansing, lack of protection of life and property, discrimination, and poor education and medical care. The North Caucasus, in particular, has been plagued by the erosion of state institutions. The war in

Chechnya has been the region's major conflagration, which led to the breakdown of basic societal stability in the war-torn republic. Russian troops, and of late the ethnic Chechen militia groups loyal to Moscow, engage in systematic abuses against the civilian population that have obliterated any prospects of human security. Russia's inability to stabilize the region led to a policy of centralization of power across the North Caucasus, which has in turn exacerbated the situation, leading to an erosion of stability in republics neighboring Chechnya. This is coupled with an enormous shadow economy and entrenched informal as well as criminal structures. Among other, almost all ethnic Russians have either left the North Caucasus or are planning to do so.²⁵ A memorandum written by President Putin's special representative to the North Caucasus, Dmitry Kozak, indicated an acute awareness of the crisis in the region. The report noted that "Further ignoring the problems and attempts to drive them deep down by force could lead to an uncontrolled chain of events whose logical result will be open social, interethnic, and religious conflicts in Dagestan".²⁶ The North Caucasus is rapidly developing into a failed state within the Russian Federation.

Conclusions

As these pages have sought to show, the Wider Black Sea Region is a complex region, where the prospects for political development exhibit great variation. Some areas are firmly entrenched in Europe and consolidating democracies, whereas other areas face much larger challenges on that road. Meanwhile, western policies have failed to adapt to the changing realities of the region. It is therefore imperative for these policies to be re-assessed. Moreover, it is crucial that western interests in the democratic development of this crucial neighborhood be pursued and advanced in conjunction with, and not in opposition to, Europe's other interests. Failing to do so is likely to bear counter-productive consequences for the future political development of the region.

²⁵ John B. Dunlop, "Dmitry Kozak's Plan for the North Caucasus", address to the Central Asia-Caucasus Institute Forum, Washington, December 6, 2006.

²⁶ As published in *Moskovsky Komsomolets*, 8 July 2005. See Andrei Smirnov, "Leaked Memo Shows Kremlin Fears Collapse of Dagestan", *Eurasia Daily Monitor*, 14 July 2005.

Unresolved Conflicts and Military Security in the Wider Black Sea Region

This chapter discusses the security situation in the Wider Black Sea region in terms of traditional security threats, as well as the institutional mechanisms to address security threats in the region. As such, the chapter focuses mainly on the unresolved conflicts, which unquestionably pose the main security threat to the region, and are moreover directly interlinked with soft security issues such as organized crime. The chapter also discusses the evolution of NATO's role in the Wider Black Sea region, given its role as the pre-eminent security institution in Europe.

The Challenge of Unresolved Conflicts in the Black Sea Region

The Wider Black Sea Region has been severely plagued by the persistence of unresolved conflicts, which are all a heritage from the breakdown of the Soviet Union. Abkhazia and South Ossetia in Georgia, Armenian-occupied Nagorno-Karabakh in Azerbaijan, and Transnistria in Moldova all *de facto* seceded from the former Soviet republics to which they belonged in the early 1990s. The conflicts remain unsettled along unsteady cease-fire lines. Violence has recurred on several occasions in the Abkhazian and South Ossetian conflicts, and while this has so far not been the case in Nagorno-Karabakh and Transnistria, a relapse into war remains a distinct possibility. The South Caucasus is also subjected to a clear risk of spill-over from ongoing conflicts in the North Caucasus. Considering the intertwined nature of conflict lines in the Caucasus, it is quite likely that resumed hostilities on a large scale in one of these conflicts could have repercussions throughout the region.

The unresolved conflicts thus pose distinct challenges in the traditional military security area, but are also closely entangled with soft security issues connected to state weakness and organized crime, and to the role of external

powers. Peacekeeping and negotiating formats have proven highly inefficient and largely reflect the geopolitical situation of the early 1990s, in reality granting Russia control over these processes, even though Russia is also *de facto* a party to the conflicts. Indeed, these conflicts may have started as inter-ethnic or inter-communal conflicts, but the involvement of great powers rapidly led them to acquire an inter-state aspect – the roles of Armenia in the Karabakh conflict and of Russia in Abkhazia, South Ossetia and Transnistria.

Attempts to internationalize conflict resolution processes have so far failed to secure coherent engagement from either the EU or the U.S., most recently illustrated by Russia's ability in October 2006 to push through a UN Security Council resolution critical of Georgia but praising the role of the Russian peacekeeping forces.²⁷ In this context, increased commitment on part of the EU could make a clear difference in adding credibility to the processes.

As this section will show, Russia's dominant role in current peacekeeping and negotiation formats and the close connection between conflicts and organized crime are the primary obstacles to the resolution of these conflicts. Vested Russian geopolitical interests in the South Caucasus and Moldova are clearly reflected in processes for conflict resolution, making them tools for maintaining the status quo, rather than finding solutions. Revenues from activities related to organized crime provide an additional incentive for keeping the conflicts unresolved. Meanwhile, EU interest in the unresolved conflicts around the Black Sea is gaining legitimacy, and Europe has a potentially positive role to play in the conflict resolution processes. Current formats of negotiation and peacekeeping must, however, be addressed and the Russian role in these must be made subject to discussion.

Russian Dominance over Negotiation- and Peacekeeping Processes

It is difficult to overestimate the significance of Russian influence over the unresolved conflicts, as well as the role of Russian interests in their preservation. Since the dissolution of the USSR, Russia has sought to maintain an influence over its near abroad, using the unresolved conflicts as

²⁷ Vladimir Socor, "Georgia Short-Changed in U.S.-Russia Tradeoff on North Korea at UN", *Eurasia Daily Monitor*, 17 October 2006.

tools to exert leverage on states like Georgia and Moldova, in order to weaken them and restrain their ambitions of integrating with European and Transatlantic institutions.

Russia provides diplomatic, political, military and financial assistance to breakaway authorities, including provisions of citizenship to residents of Abkhazia and South Ossetia, the apparent direct seconding of Russian security personnel to their governments,²⁸ and training of Transnistrian militia.²⁹ Breakaway regions are thus increasingly tied to Russia economically and politically and their authorities largely depend on Russian support for their continued rule. This process takes place with the enthusiasm of local separatist officials in South Ossetia or Transnistria. In Abkhazia, however, growing Russian dominance takes place in spite of the wishes of the dominant faction of the separatist leadership.³⁰ In other words, Russia either discourages separatist officials from seeking a peaceful resolution through negotiations with the mother state by its support for a hardliner policy; or outright hinders the prospect of a resolution by preventing conciliation from taking place.

Russia maintains a significant military presence in the form of peacekeepers, which nevertheless fail to display the neutrality expected by such forces under the United Nations charter. It should be mentioned that prior to these forces' deployment as peacekeepers, Russia played a central role in militarily supporting the war effort of the secessionist regions in their struggle against the Georgian central government.³¹ At the time of periodic increases in tension or relapses into violence, Russian peacekeepers have on several occasions sided with the local separatist authorities and have, in the cases of Abkhazia and Transnistria, assisted these regions in establishing *de facto* state borders. Russian involvement in the frozen conflicts has thus hitherto

²⁸ Sir Brian Fall, "Conflict in the South Caucasus", *Asian Affairs*, vol. 38 no 2, pp 198-209

²⁹ Nicu Popescu, "The EU in Moldova: Settling Conflicts in the Neighbourhood", European Union Institute for Security Studies Occasional Paper no. 60, 2005, p. 24.

³⁰ Interviews, Sukhumi, August 2006.

³¹ See Svante E. Cornell, *Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus*, Richmond: Curzon Press, 2001, for detailed overview of Russia's role in the conflicts.

seemed more focused on maintaining the status quo between break-away regions and their former governments than on constructively adding to their solutions.

In the conflict resolution process between Armenia and Azerbaijan, the OSCE Minsk group is tasked with the main responsibility for conflict resolution. This amounts to the most internationalized format of any of the conflicts. Russia holds a permanent co-chair and other OSCE countries are supposed to rotate on the other co-chair. Yet in practice, France has stayed in this position since 1997 and has resisted transforming it into an EU co-chairmanship. Also in 1997, the United States took up an additional permanent co-chair position. While the OSCE Minsk group facilitated high level meetings between the parties in Key West in 2001 and Rambouillet in 2006, these meetings have failed to produce results. Cooperation between the co-chairs has often been extremely complicated and the conflicting parties express little trust in the current negotiating process.³²

In Abkhazia and South Ossetia, the UN and OSCE, respectively, are theoretically mandated with conflict resolution. These organizations have quite different organizational cultures, implying serious obstacles to coordination between the two conflict resolution processes. The South Ossetian cease-fire is monitored by a Joint Control Commission (JCC), containing five parties: Georgia, South Ossetia, Russia, the Russian Republic of North Ossetia and the OSCE Mission. Russia holds a veto in the OSCE and is thus able to neutralize it as an actor. The JCC format thus in practice leaves Georgia against South Ossetia and two actors strongly biased in the latter's favor. The peacekeeping force is led by Russia, and includes Russian, Georgian and Ossetian components. All negotiations have been hosted by Russia, and there is no established role for the OSCE or other international bodies in these talks.

As a permanent member of the UN Security Council, Russia has opposed UN peacekeeping on the territory of the former Soviet Union, limiting UN presence in Abkhazia to an unarmed observer mission, UNOMIG,

³² Blanca Hancilova, "Can the Karabakh Peace Process be Saved?", *Central Asia-Caucasus Analyst*, 20 September 2006.

comprising 121 observers. A CIS peacekeeping force is deployed, however exclusively consisting of Russian soldiers. Moreover, the CIS per se has no mandate to involve in peacekeeping operations. UN engagement in conflict resolution has mainly consisted in the assignment of a special envoy for the conflict. Since 1997, initiatives of the special envoy have included initiating a Geneva process for discussion. Also, a “Group of Friends of the Secretary General” has been formed, comprising major western states and thus constituting moderate progress in reducing Russian dominance of the process. However, these powers hold only a consultative role, and Russia acts as facilitator in the so-called “friends” group. Aside from this, international interest in the conflict in Abkhazia has remained low, and Russian dominance over the conflict resolution processes remains largely unchallenged.

In Transnistria, a peacekeeping mission consisting of Russian, Transnistrian and Moldovan troops is deployed, tasked with monitoring of the demilitarized security zone between Moldova and Transnistria. As in South Ossetia, the tripartite force is supervised by a Joint Control Commission (JCC), consisting of Russia, Moldova and Transnistria, with the OSCE and Ukraine as observers. A political process for negotiations, known as the “five-sided format”, on Transnistria’s status has been established, consisting of the parties Moldova and Transnistria, with Russia, OSCE and Ukraine as mediators.³³ Lately, both the EU and the U.S. have gained observer status in the negotiation format.³⁴

Russian dominance of conflict resolution and negotiation processes is thus a prominent feature in all the unresolved conflicts around the Black Sea, and especially so in Abkhazia, South Ossetia and Transnistria. The Armenian-Azerbaijani conflict has reached a higher degree of internationalization, partly due to it being a conflict between two independent states, hence directly involving the international community in a different manner.

³³ Popescu, “The EU in Moldova”, pp. 15-16.

³⁴ Andreas Johansson, ”Transnistrien mellan öst och väst”, [Transnistria between East and West] *Kungl. krigsvetenskapsakademiens handlingar och tidskrift*, No. 2-2006, p 98.

Russia has retained a dominant role in peacekeeping and negotiations and also maintains a high degree of control over the involvement of international organizations, primarily through its veto rights in both the OSCE and the UN Security Council. Conflict resolution processes thus continue to reflect geopolitical realities of the early 1990s, with Russia the undisputed arbiter of the processes, in spite of the major changes that have taken place in the region. To begin with, NATO and the EU have expanded to the very proximity of these conflict zones, a situation unthinkable in 1992. Moreover, from being “post-Soviet” states, the states of the region have moved in a direction of becoming European states in their own right. They have undergone significant changes in both their domestic affairs and foreign relations, and are today, even if to different degrees, orienting themselves toward the west and toward closer association with Euro-Atlantic structures.

Interaction between South and North Caucasus

The conflict in Chechnya has not seen international involvement to any significant degree, although an OSCE observer mission was deployed from 1995 to 2002, when it was closed due to the failure of the OSCE and Russia to come to an agreement on the mission’s continued mandate. Russia has refused any international involvement toward a peaceful resolution to the conflict, arguing that Chechnya is a Russian internal affair and that international involvement would constitute a breach of Russia’s territorial integrity. Instead, Russia has moved to resolve the conflict in Chechnya through military means, arguing since 2002 that the war is over and that a process of normalization is taking place.

Yet in spite of Russian claims to the opposite, the situation in the North Caucasus is not in a process of stabilization. Russia has sought to “Chechenize” the conflict through turning *de facto* power over to Chechen militias under its control, and through appointing Ahmad Kadyrov, a former Mufti, as leader of the Chechen republic. Kadyrov was the leader of an influential clan that switched loyalties from the separatist camp to Moscow following the first Chechen war of 1994-96. Following Kadyrov’s assassination in 2004, his son Ramzan assumed *de facto* leadership in his place and has reinforced the Kadyrov clan’s power over Chechnya with brutal means. If the war in Chechnya has petered out into a low-intensity conflict,

this conflict has instead spread to virtually all other North Caucasian republics; while the precarious balance in Chechnya is dependent on the personal relationship between President Putin and Ramzan Kadyrov. Terrorist acts, assassinations and clashes between bands of Islamic radicals and Russian government forces have become regularly recurring features of daily life in Dagestan, North Ossetia, Ingushetia, Kabardino-Balkaria and Karachay-Cherkessia, marking increasing instability throughout the North Caucasus.

While the North Caucasus is seldom envisioned in a Black Sea context,³⁵ the volatile and increasingly unstable situation in this region is obviously not disconnected from the unresolved conflicts in the South Caucasus. Instability and poverty in the North Caucasus poses a serious security threat to bordering Georgia and Azerbaijan. Rampant organized crime in the North is naturally linked to the South. Islamic radicalism has seen a dramatic increase in the North Caucasus, especially since the outbreak of the second Chechen war during which rhetoric on the Chechen side drastically shifted from a nationalist to a religious one. With support from radical movements based in the Middle East, Islamist forces have established a presence in Chechnya and Dagestan, constituting bases for spreading their ideology throughout the North Caucasus. A marked upsurge of militant Islamism with links to the North Caucasus has been observed also in northern Azerbaijan and the gorges of northern Georgia.

Correspondingly, the independence of South Caucasian countries constitutes an obvious inspiration and attraction to forces in the North seeking autonomy or independence from Russia, and an increasingly prosperous Azerbaijan may come to attract large scale migration from the North Caucasus in the near future. However, the perhaps most intimidating threat to the South Caucasus emanating from the north is the tendency on the part of Russia to ascribe its decreasing control over the North Caucasus to a purported role of its southern neighbors. Russia frequently claims financial and material support for North Caucasian insurgents is flowing in from the

³⁵ An exception is Tunç Aybak, ed., *Politics of the Black Sea*, London: Tauris, 1999, which included a chapter on "Conflict and Cooperation in the North Caucasus".

South Caucasus, and has repeatedly accused Georgia of providing safe havens to Chechen guerillas. The situation in the North Caucasus thus plays an important role in the deterioration of Russian relations with the South Caucasian countries, and has been the justification for several violations of Georgian territorial integrity, including the 2002 Russian bombing of the Pankisi gorge.

Conflicts and Soft Security

All secessionist regions represent challenges and security risks in the hard security field, as they constitute growing threats of resumed military violence in the region and contribute to state weakness, hampering economic and democratic development in the South Caucasus and Moldova. However, a wide range of soft security issues are also connected to the unresolved conflicts, as these constitute a form of uncontrolled free-trade zones. The breakaway regions are cut off from the international legal system and constitute entities with authorities accountable to no one, and have thus become highly attractive areas for organized criminal networks. Given that no international or national oversight is present in these areas, they have seen a rise in the smuggling of drugs and weapons, as well as trafficking of human beings and money laundering. This has made the leaderships of the secessionist enclaves susceptible to corruption and criminalization. This is a process affecting all state authorities in the former Soviet Union, at the local as well as national level. Yet the uncontrolled character of these territories has implied that no checks on such processes have been in place.

Differences between the breakaway regions in this respect need to be noted. The leaderships in Abkhazia and Karabakh appear to have retained a greater degree of legitimacy from their narrow ethnic support base, and the degree of criminalization of these territories has not been comparable to that of South Ossetia and Transnistria. The latter territories have nevertheless developed into virtual hubs for organized crime in Eurasia, and their leaderships appear to be deeply implicated in such schemes.

An enlightening example in this respect is the Ergneti market in South Ossetia which, until blockaded during the confrontation with the Georgian government during 2004, constituted a trading point for all kinds of legal and

illegal goods, providing crucial income to the South Ossetian *de facto* government. It is, however, also clear that Georgian law enforcement structures gained revenue from the operation of the Ergneti market.³⁶ Abkhazian authorities and militia, as well as Russian peacekeepers and Georgian paramilitaries, are all involved in smuggling and trafficking to such a degree that activities connected to organized crime have in fact turned out to be the one area where these actors actively cooperate.³⁷ Transnistria appear to have developed into a hub for the trafficking of arms, drugs and human beings, as well as a center for smuggling of conventional goods and counterfeiting. Its location on the crossroads of Moldova, Ukraine and the EU has permitted its *de facto* leadership from exercising such a role. These activities have prospered under the secessionist government, but have also provided significant revenue for corrupt officials in Moldova.³⁸

Crime and conflict thus interact closely, and illegal activities have proven a lucrative business for both secessionist governments and corrupt elements in Georgian and Moldovan governmental bodies, aside from organized crime networks. In both these countries, revenues from criminal activities have therefore created strong interests that the conflicts remain unresolved. Along with Russian support for the breakaway regions, the interplay between organized crime and conflict constitutes a main factor in sustaining the status quo and a serious obstacle to a peaceful resolution of these conflicts.

Transnistria

The Transnistrian conflict differs from the South Caucasian ones in that ethnicity and aggressive ethno-nationalism were not as forthcoming incentives for independence. Secession was instead motivated through a separate Transnistrian identity emphasizing the region's political loyalty to Moscow, rather than Chisinau.³⁹ While language controversies and a fear of

³⁶ Alexandre Kukhianidze, Aleko Kupatadze, Roman Gotsiridze, *Smuggling Through Abkhazia and Tskhinvali Region/South Ossetia*, Tbilisi: American University Transnational Crime and Corruption Center, Georgia Office, 2004, pp. 18-19

³⁷ *Ibid*, p 21-24.

³⁸ Popescu, "The EU in Moldova", p. 17.

³⁹ Pål Kolstø and Andrei Malgin, "The Transnistrian Republic: A Case of Politicized Regionalism", *Nationalities Papers*, vol. 26 no. 1, 1998, pp. 103-128.

Moldovan reunification with Romania were important arguments for secession during the break-up of the USSR, changing geopolitical realities have altered Transnistrian motivations for remaining independent into economic arguments, primarily focusing on the weakness of Moldova.⁴⁰

Since 2003, Moldova has abandoned hopes of Russian support in resolving the Transnistrian conflict and has termed the current peacekeeping mechanisms ineffective. Instead, Moldova has decisively oriented itself toward European and Transatlantic institutions, marked by Moldova's agreement on the European Neighborhood policy and the Moldovan Individual Partnership Action Plan with NATO. The EU has signaled a more significant commitment to Moldova through the ENP EU-Moldova action plan,⁴¹ and has sought a more active involvement in the process of conflict resolution. This has primarily been manifested through the appointment in March 2005 of a special representative with a mandate to assume leadership in EU policy toward the conflict and an agreed observer status within the five-sided negotiation format.

The EU has been involved in discussions on the peacekeeping format for some time. The creation of a new peacekeeping force led jointly by the EU and Russia, potentially involving Ukraine's and Poland's joint peacekeeping battalion, are under consideration.⁴² While the EU remains divided on the benefits of such a mission,⁴³ EU engagement in these discussions signals an acknowledgement of the flaws in the current format and of the need for internationalizing the peacekeeping format.⁴⁴

An EU initiative that has yielded more concrete results is the EU Border Assistance Mission (BAM), launched in November 2005 on the Moldovan-Ukrainian border to assist the border and customs services of these countries

⁴⁰ Popescu, "The EU in Moldova", p. 17.

⁴¹ *EU/Moldova Action Plan*, Brussels, February 2005.

⁴² Vladimir Socor, "Proposal on the Table to Transform Russian 'Peacekeeping' in Moldova", *Eurasia Daily Monitor*, 30 May 2006.

⁴³ International Crisis Group, *Moldova's Uncertain Future*, Chisinau/Brussels: Europe Report no 175, 17 August 2006, p. 5.

⁴⁴ Vladimir Socor, "Proposal on the Table to Transform Russian 'Peacekeeping' in Moldova", *Eurasia Daily Monitor*, 30 May 2006.

in ensuring effective border control and surveillance. An explicit objective of the BAM was to reduce potential security threats emanating from Transnistria.⁴⁵ On December 30, 2005, a joint customs regime was agreed between Moldova and Ukraine. This came into force in March 2006 and demands Transnistrian companies to provide export documents obtained through company registration in Chisinau, in order to export goods to Ukraine.⁴⁶

Given Ukraine's previously quite ambiguous approach toward Transnistria, particularly through its reluctance toward transparent customs on this border, the Ukrainian agreement to the BAM and its implementation of the joint customs regime represented an important shift in Ukrainian policy toward support for Moldovan sovereignty and EU approaches to Transnistria. The Orange Revolution in Ukraine thus potentially marked an important contextual change, as the Yushchenko government has attempted to formulate a new and more coherent approach to Transnistria.⁴⁷ However, current divisions within the Ukrainian leadership make Ukraine's future role in relation to Transnistria far from clear.⁴⁸ Also, important business interests and customs revenues, as well as benefits from smuggling on the part of corrupt Ukrainian officials, indicate that strong vested interests exist in Ukraine in favor of the *status quo* in Transnistria.⁴⁹

Simultaneously, Russia has displayed an increasingly hardened stance in the conflict, particularly in the aftermath of its diplomatic defeat over the Kozak Memorandum of 2003, an attempt at direct mediation carried out secretly and including no other negotiation partners than Chisinau and Tiraspol, in which Russian military presence in Moldova would have been guaranteed to 2020.⁵⁰

⁴⁵ *Memorandum of Understanding Between the European Commission, the Government of Moldova and the Government of Ukraine on the European Commission Border Assistance Mission to the Republic of Moldova and to Ukraine*, Palanca, October 7, 2005, p. 7.

⁴⁶ International Crisis Group, *Moldova's Uncertain Future*, Chisinau/Brussels: Europe Report no 175, August 17 2006 pp. 8-9.

⁴⁷ Popescu, "The EU in Moldova", p. 26.

⁴⁸ International Crisis Group, *Moldova's Uncertain Future*, pp. 8-9.

⁴⁹ Popescu, "The EU in Moldova", p. 27.

⁵⁰ John Löwenhardt, "The OSCE, Moldova and Russian Diplomacy in 2003", *Journal of Communist Studies and Transition Politics*, vol. 20, No. 4, December 2004, pp. 103-112.

Subsequently, Russian approaches toward Moldova and Transnistria have taken an increasingly uncompromising turn, including diplomatic support for Transnistria, official criticism of the EU and the U.S. for obstructing the negotiating process, and vocal condemnation of the customs regime as a blockade of Transnistria, claiming that this in turn constitutes an infringement on legitimate Russian interests.⁵¹ The deterioration of Russian-Moldovan relations is further marked by increasingly infected discussions on Russian military presence and a Russian import ban on Moldovan wines, introduced in March 2006 in parallel to the ban on Georgian wine.

Mountainous Karabakh

In anticipation of the Rambouillet high-level negotiations in early 2006, there was some optimism regarding conflict resolution in Mountainous Karabakh, since the parties appeared closer to a negotiated agreement than had ever been the case. However, neither in Rambouillet, nor in a subsequent Bucharest meeting in June 2006 were the parties able to make progress on the remaining contentious issues in the conflict. These include the modalities of a referendum to determine Karabakh's status at some point in the future, as well as the sequence of Armenian withdrawal from the occupied territories outside Karabakh itself, particularly the Kelbajar region to Karabakh's west.

The failure of the Rambouillet talks were due in great part to an increasingly negative attitude on the part of the Armenian leadership. Indeed, shortly before Rambouillet, Armenian president Robert Kocharyan expressed his lack of optimism and his frustration at the attempts by mediators to force the parties to a compromise.⁵²

One main impediment to a resolution is that both the Armenian and the Azerbaijani leadership assess time to be in their favor – in other words, that the *status quo* is favorable to their negotiating position. As a consequence, there is no sense of urgency in reaching a negotiated settlement. The Armenian leadership perceives a protracted status quo as providing for increased international acceptance of Karabakh's status as separate from

⁵¹ Vladimir Socor, "Russia-West Standoff in Transnistria: Overall Post-Soviet Order at Stake", *Eurasia Daily Monitor*, 24 March 2006.

⁵² Personal communication from President Robert Kocharyan to author, February 2006.

Azerbaijan. Armenian leaders argue that the international climate is shifting in favor of self-determination, citing the cases of East Timor and Kosovo, among other. Meanwhile, Azerbaijan trusts its rapid economic development to advance a shift in the power balance, already increasingly tilting in Azerbaijan's favor, which will improve its negotiating position. At the same time, the Azerbaijani leadership is skeptical of Armenia's commitment to a compromise solution, and is increasingly suspicious that Armenia is simply stalling for time and participating in negotiations for international consumption.⁵³ This growing perception strengthens those forces in Azerbaijan, already strong, who advocate for a military solution to the conflict. Azerbaijan's increasing wealth is also making it possible for the government to rapidly increase the country's military budget. In 2007, Azerbaijan's military budget will grow to a US\$ 1 billion, exceeding Armenia's entire state budget. This rapidly changing balance of power and international position among the two parties to the conflict strongly increases the risk of a resumption of hostilities. It is further exacerbated by their diverging perceptions of military realities. Armenia is confident that it can withstand an Azerbaijani attempt to liberate its occupied territories; while Azerbaijan is increasingly confident it could succeed in such an operation. The Karabakh conflict is therefore far from frozen. Contrary to conventional wisdom, the danger of continued violence increases rather than decreases with each year that passes without a resolution.

A relapse into war in Nagorno-Karabakh would have devastating consequences for the entire region and beyond. It would be waged with far more advanced weaponry than was the case in the early 1990s, and would risk the involvement of several regional and great powers in the conflict. It is unthinkable that Europe could remain aloof from such a development,

⁵³ Communication, Azerbaijani high official, August 2006. In March 2006, President Ilham Aliyev stated the following: "For twelve years, Azerbaijan has lived under a cease-fire regime, but no peace has been achieved. Peace talks go on. But for how long? Azerbaijan's patience is running out. This situation cannot go on for ever. We are interested in the peace talks, but if we see that Armenia's involvement is a mocking of negotiations, and that Yerevan is not honestly involved but seeks to appease the international community, then we will leave the negotiations". See Pervane Sultanova, "İlham Əliyev: "Azərbaycanın qüdrətli dövlətə çevrilməsinə çalışmalıyıq" 525ci Qazet, 17 March 2006. Author's translation from Azerbaijani.

making it all the more important for Europe to act for the resolution of the conflict.

Abkhazia and South Ossetia

Georgian-Russian relations have been troubled since the collapse of the USSR, when Russia supported the South Ossetian and Abkhazian secessionist movements and helped them wrest off Georgian rule. The relationship deteriorated further since the Rose Revolution of 2003, which brought to power a new young, mainly western-educated elite led by Mikheil Saakashvili. 2006 marked a drastic downturn of relations. Georgian demands for the withdrawal of Russian peacekeepers from Abkhazia and South Ossetia have escalated, and a Russian import ban on Georgian wines and mineral water was introduced in spring 2006. In July, Georgian forces reasserted control over the upper Kodori Gorge in Abkhazia, previously run by a local warlord. These events added to the already tense Russian-Georgian relationship and further strained rhetoric between Georgia and Abkhazian authorities, the latter uneasy with the decision to locate the Georgian-supported Abkhaz government in exile to the gorge.⁵⁴ Georgia's arrest in September of four Russian officers accused of espionage sent relations into a tailspin, with Moscow closing its border to all trade and communication with Georgia, deporting Georgians from Russia, and registering schoolchildren with Georgian names all over Russia.

Perhaps the major factor behind the worsening of relations has nevertheless been Georgia's intensified attempts to internationalize the negotiation and peacekeeping formats in the two unresolved conflicts. In 2005, the Georgian parliament passed legislation instructing the government to launch procedures for the withdrawal of Russian peacekeepers from Abkhazia and South Ossetia, with a background in their bias toward the secessionist authorities. Demands for withdrawal have been forthcoming on the Georgian government's agenda during spring and summer 2006, seeking to secure western support for a neutral peacekeeping force representing countries without a direct involvement in the conflicts. These requests have

⁵⁴ Civil Georgia, "Sokhumi Worried that Tbilisi may Launch Hostilities", *Civil Georgia*, 8 August 2006. (www.civil.ge)

so far remained unanswered, while Russia is continually reinforcing its ties to South Ossetia and Abkhazia through provisions of Russian citizenship for Abkhazians and South Ossetians. This was followed by claims of a right to defend Russian citizens abroad, staffing of Abkhaz and South Ossetian authorities with Russian security personnel, and discussions of Russian annexation of these regions.⁵⁵ This constitutes serious breaches of international law to which the international community has yet to respond in an audible manner. Neither has there been any serious international effort of engaging the conflicting parties in constructive dialogue, or in addressing the inherent problems of the current peacekeeping and negotiation format.

Russian dominance of the negotiation and peacekeeping structures is mainly used as a leverage against Georgia's attempts to pursue a pro-western policy, with NATO membership as its most direct objective. This frustrates Georgian efforts to achieve a solution restoring the country's sovereignty and territorial integrity. In the short term, it therefore serves the interests of the secessionist leaderships of preventing a return to Georgian rule. But in the longer term, Russian policies also endanger the secessionist areas by avoiding a lasting resolution to the conflict. A peaceful resolution would remove the need for Russian forces in the region and would entail that the unresolved conflicts could no longer be used for leverage against Georgia. By ensuring no peaceful resolution is arrived at, Moscow prevents the restoration of people-to-people relations between the warring parties; moreover, it is reducing the role of the two secessionist republics in the conflicts. Indeed, Russia's actions are making the conflicts look increasingly as Russian-Georgian conflicts, where the Abkhaz and South Ossetian leaderships are perceived increasingly to be pawns in a wider game that they cannot control. In turn, this is detrimental to the image of the Abkhaz and South Ossetian leaderships, in terms of how the international community perceives them. This was made most clear in 2004, during the Abkhaz presidential elections. Moscow's favored candidate, Raoul Khajimba, came in a narrow second in spite of Russian machinations to ensure his election. However, Russia

⁵⁵ For a more detailed discussion, see Svante E. Cornell, *Post-Revolutionary Georgia: Caught Between Moscow and Washington*, Carlisle, PA: U.S. Army War College Strategic Studies Institute, February 2007. (www.strategicstudiesinstitute.army.mil)

applied tremendous pressure to ensure that the election's winner, Sergei Bagapsh, did not assume office before incorporating Khajimba as vice-president, with responsibility for the so-called 'power ministries', including defense and security affairs. This was then followed by the above-mentioned appointment of Russian officers to leading positions. In effect, when Abkhazia was about to be led by a candidate seeking greater opening of Abkhazia to the world, Moscow ensured that it retained control over the territory's security and defense bodies, directly reducing Bagapsh's freedom of movement in relation to both Georgia and the rest of the world. In other words, Moscow holds Abkhazia's future hostage to its own wider strategic interests in Georgia and the South Caucasus. The same can be said for South Ossetia, where the leadership is nevertheless much more willing to embrace Russian policies. Abkhaz officials, on the other hand, appear much more weary of the Russian embrace, apparently seeing the risk accruing from Russia's dominance of their territory but unable to do much about it. Abkhaz *de facto* foreign minister Sergei Shamba expressed the point of the geopolitical ramifications of the conflict by noting that "if we are called a Russian protectorate, Georgia could be called an American protectorate."⁵⁶

The Unresolved Conflicts: Implications for the EU

Facing the accession of Romania and Bulgaria to the EU, European interest in the Transnistrian conflict has grown commensurately. The EU has become more engaged in diplomacy on Transnistria, especially through its appointment in 2005 of a special representative for Moldova. The EU has also sought to build new frameworks for cooperation, negotiations on the peacekeeping format and the BAM initiative being the most prominent example in this respect, of which the latter to a certain extent shifts attention from the five-sided format to direct dialogue between the EU and other concerned actors.⁵⁷ In the EU-Moldova Action Plan, a separate section is devoted to EU engagement in resolving the Transnistrian conflict, signaling coherent EU commitment to the issue.⁵⁸

⁵⁶ Authors' interview with Sergei Shamba, Sukhumi, September 2006.

⁵⁷ Popescu, "The EU in Moldova", p. 32.

⁵⁸ Government of Moldova, EU, *EU/Moldova Action Plan*, Brussels, February 2005.

However, if increased EU engagement can be observed regarding Transnistria, the same cannot be said for the South Caucasian conflicts. Georgia, Armenia and Azerbaijan were finally included in the ENP in 2004 and the EU has appointed a special representative for the South Caucasus, based in Brussels and with a circumscribed mandate, marking the EU's recognition of the relevance of the South Caucasus for EU interests. However, to date EU interest in the unresolved conflicts has neither indicated a coherent strategy of engagement nor institutional readiness to assume a more active role.

Overall, the EU retains a non-confrontational approach to addressing the Russian influence over the unresolved conflicts and Russia's dominant role in existing conflict resolution formats. While certain changes in this respect can be observed regarding Transnistria, the conflicts of the South Caucasus are still implicitly treated as spheres of Russian influence. While Russian influence over and relationships with breakaway regions are recognized in official EU documents, the implications of these relationships are not discussed. The EU may well be in the process of securing a role for itself in the Transnistrian conflict, but has yet to officially address the problematic role of Russia in the political dynamics of the unresolved conflicts – or the interrelationship between these conflicts, and of Russia's role in them. Recognition of, and dialogue on Russia's role as an actor should thus be made part of EU-Russian dialogue, as well as in talks on the negotiation and peacekeeping formats.⁵⁹

The EU's enlargement to include Romania and Bulgaria will bring the frozen conflicts of the South Caucasus in closer vicinity of the EU, and the Transnistrian conflict literally to the EU's doorstep. These conflicts constitute a central security problem in the Wider Black Sea region in terms of direct threats to regional stability. They are, however, also closely connected to problems of transnational crime, state weakness and democratic development in Black Sea states. The resolution of these conflicts is therefore

⁵⁹ Ingo Peters and Jan Bittner, "EU-U.S. Risk Policy in the European Neighborhood: The Cases of Moldova and Georgia", in Kari Möttölä (ed), *Transatlantic Relations and Global Governance*: Washington DC: Center for Transatlantic Relations, Johns Hopkins University-SAIS, 2006, pp. 13-22.

key to the eventual achievement of security, stability and democracy in the region. However, geopolitical interests in the region, clearly reflected in negotiation formats, have so far not allowed for constructive efforts aimed at conflict resolution. While this situation may be changing in the case of Transnistria, the EU has so far displayed little interest in altering the flawed negotiation and peacekeeping formats of the unresolved conflicts, in spite of efforts, especially on the part of Georgia and Moldova, to internationalize these processes and involve actors that are not direct parties to the conflicts.

Security Institutions and Balances in the Black Sea Region

Since the end of the Cold War, the balance of forces in the Black Sea region has changed considerably over the past fifteen years. The disintegration of the Soviet Union created a new set of actors in the region and Russia emerged as the heir of the Soviet Union's ambitions of global geopolitical reach. As Russia realized that keeping up this global ambition was impossible, Moscow turned its attention to the 'near abroad', focusing in the context of the Wider Black Sea region on maintaining its dominance over the South Caucasus, Moldova, and Ukraine, where the majority of its military installations in the region were situated. This policy of maintaining the status quo has been described as a "passive dimension of resistance".⁶⁰ As described in the previous section, the Russian passive resistance policy has had – and still has – a major impact on the region. Yet given events since 2005 – in particular since Uzbekistan's changing sides from a pro-American to a pro-Russian stance, the question at this point is whether the Russian policy has switched from passive to active resistance, with ominous consequences for regional security. Whereas developments in the conflict zones of Georgia and Moldova during 2006 would suggest this, it is nevertheless too early to determine whether this is the case.

The Russian focus on a passive resistance policy was also fuelled by the reorientation of the agenda of other political actors, and the emergence of

⁶⁰ Ognyan Minchev, "Major Interests and Strategies for the Black Sea Region: Framework Analytical Review", Sofia: Institute for Regional and International Studies, Strategic Papers Series, September 2006, p.10. [<http://www.iris-bg.org/BlackSeaFrameworkAnalyticalReview.pdf>]

energy and soft security as central issues in international politics in the Black Sea region. As the Central and East European states began to orient themselves towards NATO and the EU, both having new goals and agendas, the old balance between the Warsaw Pact and NATO as defined in the treaty on Conventional Forces in Europe, CFE, shifted in the favor of the latter.

As these aspiring democracies oriented themselves towards the West, it also gave the U.S. and the European Union a possibility to expand into Eastern Europe. The role of Turkey, a NATO member since the 1950s, also experienced a marked shift in importance as the former communist states attracted increasing western attention.

Even though the geopolitical changes in the aftermath of the breakup of the Communist order significantly affected the balance of power in the Black Sea region, the events of September 11, 2001, had the most profound affect on the situation in the region. The terrorist attacks on the U.S., and the subsequent war on terror has dragged the Wider Black Sea region into the spotlight from a military and strategic perspective, and attracted the attention of the United States. This has taken place very much to the detriment of Russia's interests, as perceived in Moscow.

Engaging in the Black Sea as such – as opposed to engaging in the countries of the Wider Black Sea region – is nevertheless problematic for the U.S. as the 1936 treaty of Montreux limits the military presence of non-littoral states in the Black Sea. The Montreux convention has made the Black Sea a closed military theater ever since, and at present Turkey and Russia have both taken the position of maintaining this status quo, though for different reasons. Turkey has argued strongly to retain the convention in order to preserve its role as the region's major NATO member and to preserve its independence; and Russia has done so in order to prevent the militarization of the Black Sea, as it is fully aware of its inability to match a potential U.S. presence there. The role of strategic energy resources and their transportation also plays an integral part of this strive for the *status quo*. A more in-depth analysis of the dynamics of energy is found in a later chapter.

Interests of Regional Actors

Among the Black Sea's littoral powers, Russia and Turkey dominate the military scene with their numeric advantage in naval and land forces. During the cold war, NATO member Turkey, with NATO's second largest military force, stood as a balancing force between the Soviet Union and the Western frontline in the Middle East. Relations between Turkey and the U.S. were good, though at times strained due to domestic public opinion in Turkey over U.S. policy towards, among other issues, the conflict in Cyprus.

After the end of the Cold War, Turkey found itself in a new position where its strategic importance appeared to diminish as the Soviet Union fell apart. Turkey, a long time applicant to the EU, saw itself overtaken by the former communist states in Central and Eastern Europe in the race for EU membership. This boosted skepticism toward the U.S. and EU in Turkish public opinion. Nevertheless, Turkey's continued strategic importance to the United States was illustrated by its role in the Gulf War, where President Turgut Özal took the courageous decision of actively supporting the Washington-led war over Kuwait in spite of strong resistance from the Turkish armed forces. This episode signaled Turkey's continued importance to the U.S., but also showed that this was not equally mirrored in Europe.

After the events of September 11, America's need of a powerful ally in the neighborhood of the Middle East was further strengthened, and Turkey was the obvious choice. However, these relations soured when Turkey failed to provide parliamentary approval for the U.S.-led coalition's basing rights in view of opening a northern front in the war on Iraq. Turkey feared that giving the U.S. *carte blanche* for a northern front would increase regional tensions – something many members of the then newly appointed government of the Justice and Development Party did not desire. As a result, while the government sponsored a bill to allow the U.S. basing rights, it failed to gain the necessary number of votes in parliament.

These souring relations have been exacerbated by Ankara's stance on the Iraq war. Instability in Iraq, worries about a Kurdish entity *de facto* developing in northern Iraq, and renewed PKK terrorist activity in Turkey with links to northern Iraq have all contributed to increasingly negative views of the U.S. role in the region. This has, in turn, affected Turkish perspectives of

America's ambitions in the Black Sea region. Indeed, the mood in Ankara can be summarized as fearing a negative fallout of American adventures in the Black Sea just as happened in the Middle East.⁶¹

As such, true to its traditional role as a *status quo* power, Turkey is seeking to prevent the militarization of the Black Sea, and fears that a larger U.S. presence there would lead exactly to such unwanted consequences. Russia, of course, supports this Turkish stance, as it does not want to see a further shift of the military balance in its neighborhood in the West's favor, already concerned of growing Turkish maritime supremacy in the Black Sea. In fact, Moscow has sought to benefit maximally from Turkish disenchantment with the U.S. and EU, and is likely to continue to do so.⁶²

Keeping the U.S. out of the Black Sea is made possible by the Montreux agreement from 1936 which limits the number of non-Black Sea states navy vessels and also limits their presence in the Black Sea to no longer than 21 days at a time.⁶³ At present neither Russia nor Turkey has the ambitions to renegotiate the Montreux agreement as it maintains the status quo in what has been called "a Turkish-Russian lake"⁶⁴. To this is linked the development of Turkish-Russian relations in the field of energy resources, further elaborated on below.

Other littorals states such as Bulgaria, Romania, Ukraine and Georgia do not seem to have a desire to renegotiate the Montreux agreement, as they have neither the ambition nor the potential to develop naval capabilities to match those of Turkey or Russia. Bulgaria and Romania, having joined NATO in 2004, might nevertheless present a possibility for the U.S. to gain access to the Black Sea naval theater through military support to their navies. Ukraine and Georgia are both moving closer to NATO, currently in a process of Intensified Dialogue with the alliance, but have little hope of membership in the short term as far as NATO is concerned, or even in the medium term as the EU is concerned. This does not deter them from pursuing a proactive

⁶¹ Author's interview, Turkish Ministry of Foreign Affairs, September 2006.

⁶² Fiona Hill and Ömer Taspinar, "Turkey and Russia: Axis of the Excluded?", *Survival*, vol. 48 no. 1, Spring 2006, pp. 81-92.

⁶³ *Convention Regarding The Regime Of The Straits Signed At Montreux*, July 20, 1936.

⁶⁴ *Ibid*, p. 16.

foreign policy, nevertheless there is at present no evidence to indicate that they favor anything else than the status quo as far as maritime security in the Black Sea is concerned.⁶⁵ In other words, Turkish worries regarding the Montreux convention seem unwarranted.

At present, the focus of the Black Sea littoral states when it comes to maritime security is on cooperation regarding soft security issues within the framework of BSEC. As in all issues of cooperation within BSEC, Russia and Turkey dominate the work and consequently, there is no ambition to further develop the areas of cooperation to include hard security issues.⁶⁶ Aside from maritime affairs, Russia's main ambition is to prevent western forces, including NATO, from involvement in peacekeeping in the region's frozen conflicts, something Russia has maintained a monopoly on within the former Soviet Union's territory. With the presence of NATO on the Black Sea's shores, there are nevertheless new opportunities for diversifying peacekeeping structures in the region, something Georgia, Moldova and Azerbaijan strongly favor. Turkey has also increased its focus on peacekeeping, with support for the U.S. led effort to stabilize Afghanistan, and most recently with regard to partaking in the UN mission in southern Lebanon.

Interests of External Actors

External actors are understood as non-littoral states that have an interest in the Black Sea region. The most prominent actors in this group are the EU – itself gradually transitioning to becoming a littoral actor – and the U.S. The U.S. interest in the region has increased since the start of the war on terror, when the U.S. found itself in need of a larger military presence in Eastern Europe, the Caucasus and Central Asia. As noted above, the U.S. presence in Eastern Europe had already increased prior to September 11, through NATO involvement. With the 2004 acceptance of Bulgarian and Romanian membership to NATO, the U.S. now has the possibility of influencing the region through military support for these Black Sea littoral states. But as

⁶⁵ Author's interview with high-ranking Ukrainian diplomat, Istanbul, August 2006.

⁶⁶ Author's interview with Mr. Mensur Akgün, Executive Director, Turkish Foundation For Economic and Social Studies, Istanbul, August 2006.

noted above, these new NATO members do not wish to upset the balance in the Black Sea and at present do not have the potential to do so. However, increased U.S. military support for these countries could have the consequence of offsetting the Turkish-Russian dominance over military issues in the Region. It could also increase the effectiveness of cooperation within BSEC, as Romania could potentially back up its desired initiatives in maritime security with a respectable military force. If the U.S. focused its efforts on supporting these states in their military and soft security ambitions, the U.S. would not need to further a direct presence in the region and could therefore minimize the risk of an increased militarization as feared by Russia. Likewise, the perceived need for a direct U.S. role would also be considerably reduced if the Turkish-American relationship were repaired and improved, in which case Turkey could fulfill the role of a security guarantor and reliable western ally in the region. Indeed, the state of Turkish-American relations is directly related with America's interest in a direct role in Black Sea security.

The EU's ambitions lie primarily in the field of soft security rather than military security. Combating the ever-increasing flow of human and drug trafficking is a priority task for the EU in the Black Sea region.⁶⁷ In order for this to be effective, however, there is a need for the existing tools to be updated and developed. Moreover, there are doubts as to whether the current dominance of Russia and Turkey in Black sea maritime security is adequate for the effective countering of this new type of threats.

NATO in the Wider Black Sea Region

For the North Atlantic Treaty Organization, the Wider Black Sea Region has come out of the shadow of Eastern Europe since the events of September 11 2001. For the first time in NATO's history, the organization invoked article 5 and rallied behind the U.S. in its fight against terrorism in Operation Enduring Freedom in Afghanistan. In order to ensure logistical support for the operations in Afghanistan, overflight rights were needed for the corridor that stretches from Eastern Europe over Ukraine and through the Caucasus and Central Asia to Afghanistan. This meant that the Wider Black Sea

⁶⁷ Author's interview with British diplomat, Istanbul, August 2006.

region became vital to the strategic purposes of the NATO campaign in Afghanistan.

For the Wider Black Sea region's countries, this has meant that their possibilities of perpetuating their respective strategic interests vis-à-vis the West have increased, but this has also carried the risk of increasing the tensions and militarization of the region as Turkey and non NATO-member Russia advocate a status quo in military terms, opposing a further U.S. presence in the region. Russia conditioned the overflight rights of NATO aircraft to the point where it became impossible to use Russian airspace effectively. Turkey, a long time NATO member, on the other hand first approved the overflight rights for operations in Afghanistan but later denied the U.S.-led coalition the possibility of opening a northern front for operations in Iraq.

Bulgaria and Romania provided NATO with possibilities for basing and overflight rights in the operations in Afghanistan and Iraq and participated with troops in both operations. This, along with their participation in Partnership For Peace (PFP) and strict adherence to their NATO Membership Action Plans, led in 2004 to their acceptance as full members of NATO.⁶⁸

In a similar vein, countries aspiring to closer relations with NATO such as Georgia, Azerbaijan and Ukraine also provided overflight rights for NATO operations in Afghanistan, and have also supported the operations in Iraq with troops. Even Moldova, Europe's poorest country, provided troop support for the Iraqi campaign.

Ensuring the short term overflight rights and troop support for the operations after September 11 also led to a long-term NATO focus on combating terrorism in the Black Sea region. NATO's 2002 *Military Concept for Defence against Terrorism*⁶⁹ dictates that the organization should act to reduce vulnerabilities to an attack and to control the effects if one occurs, to

⁶⁸ Marian Zulean, "Reforming the Security Sectors in South Eastern Europe: Lessons Learned and their Relevance for a Wider Black Sea Area Policy", *The Quarterly Journal*, vol. 3 no. 4, 2004, p.96

⁶⁹ *Military Concept for Defence against Terrorism* (2002) [<http://www.nato.int/ims/docu/terrorism.htm>].

counter terrorism by offensive military action, and to promote military cooperation with specific focus on the Black Sea region.

One tool to implement this agenda and to foster closer links with the countries of the region was NATO's decision to adopt a set of stages between membership in Partnership for Peace, extended to most countries of Eurasia, and full membership in the Alliance. The closest step to membership, inaugurated in 1999, is the Membership Action Plan. While non-committal, the granting of MAP is understood to signify a future membership in the Alliance. In 2002, Individual Partnership Action Plans (IPAPs) were inaugurated, in order to support and strengthen the anti-terrorist capabilities of states in the region. IPAPs are now the first step in the ladder from membership in PfP to full membership; with "Intensified Dialogue" created as a step beyond IPAP, a precursor to MAP status, inaugurated for Ukraine in 2005 and extended to Georgia in September 2006.

IPAPs are open to states that "have the political will and ability to deepen their relationship with NATO."⁷⁰ Countries with IPAPs with NATO are predominantly located in the Wider Black Sea region. Symptomatically, Georgia and Azerbaijan were the two first countries to be granted an IPAP in 2004 and 2005, respectively. Armenia, Kazakhstan and Moldova have followed suit, while Uzbekistan initiated but did not complete the process of getting an IPAP. Ukraine and Georgia, the two countries that have most forcefully sought a faster track to membership, are now in Intensified Dialogue, with the aspiration to being upgraded to MAP status particularly pronounced in Georgia.

This shows that NATO's institutional arrangements with third countries have a clear focus on the Wider Black Sea region. Albania and Macedonia are in the MAP category, on the western edge of the region; while all other countries with IPAP or ID status are found in the Wider Black Sea region. Indeed, this indicates that the process of NATO enlargement is taking place specifically in this region.

⁷⁰ "Individual partnership Actions Plan",
[<http://www.nato.int/issues/ipap/index.html>]

NATO influence is hence spreading in the Wider Black Sea region, a natural development given the increased importance of the region to NATO's out-of-area operations, primarily in Afghanistan, and the interest of the region's countries to strengthen their relationship with the Euro-Atlantic community.

Operations Active Endeavor and Black Sea Harmony

In order to increase the level of military integration and cooperation in the Black Sea region, Turkey officially launched the Black Sea Force (BLACKSEAFOR) initiative in April 2001. The initiative had been in the planning stage since 1998 and the guidelines for cooperation had been worked out for decisions to be made on condition of mutual member state consent, aiming at aligning its operations with the principles of the UN charter.

BLACKSEAFOR consists of naval representatives from Bulgaria, Georgia, Romania, the Russian Federation, Turkey and Ukraine, and the operation focuses on search-and-rescue operations, anti-mine operations and aid to civilian ships in need of aid. BLACKSEAFOR is a forerunner in terms of efforts at military cooperation in the Black Sea Region, and has according to observers the potential to diversify the peacekeeping efforts in the region.⁷¹

BLACKSEAFOR thus focused on non-controversial issues within which cooperation and common exercises have been described as playing an important role in terms of confidence-building between Black Sea States. Russia and Turkey have also initiated discussions on expanding the scope of BLACKSEAFOR into cooperation in other fields, such as anti-terrorism activities. This has, however, so far not been realized due to a failure to reach consensus among the member states on the terms for such cooperation.⁷²

Anti-terrorism has instead been the focus of other Black Sea regional initiatives. As part of NATO's efforts to combat terrorism in the wake of September 11, 2001, the organization launched Operation Active Endeavour. The operation aims to detect and deter terrorist activity by "improving

⁷¹ Hryhoriy Perepelytsya, "Military and Naval Balance in the Black Sea", in Oleksandr Pavliuk and Ivanna Klympush-Tsintsadze, eds., *The Black Sea Region: Cooperation and Security Building*, New York: M.E. Sharpe, 2005, p. 206.

⁷² Interview, Government Official, Romanian Ministry of Defense, Bucharest, July 20 2006.

perceptions of security.”⁷³ The ambition is to achieve this by focusing efforts on keeping trade routes, for example energy transportation, of the Mediterranean open and safe. NATO members Greece, Italy, Spain and Turkey are the major participants in the eastern part of the operations. Russia and Ukraine have also expressed their ambitions to join but so far, the “modalities of their participation” have not been finalized.⁷⁴

Keeping the trade routes open and safe and thereby improving perceptions of security are achieved by monitoring the Mediterranean waters, inspecting suspect vessels and escorting ships that desire so. Since operations started, over 75,000 vessels have been monitored, 100 ships boarded and 480 ships have been escorted.⁷⁵ NATO’s ambition to expand this operation into the Black Sea was met with a Turkish initiative inspired by Active Endeavour. Turkey, opposing outside military presence in the Black Sea, invited the other littoral states in March 2004 to join the Black Sea Harmony initiative. The initiative has the same ambitions and operative parts as Active Endeavour and allows Turkey to retain control over the Turkish straits by actively taking the issue of the Montreux agreement off the table. Russia supports this as well, as it keeps the major NATO actors out of the Black Sea.⁷⁶ According to observers this initiative, though so far a sole Turkish endeavor, has the potential to build further cooperation in the Black Sea region.⁷⁷ While many smaller Black Sea states would probably have preferred an increased NATO presence in the Black Sea through an extension of Operation Active Endeavour, the opportunity of reinforcing regional maritime cooperation through Black Sea Harmony has been perceived as the second best alternative. Ukraine and Romania are thus reportedly close to

⁷³ Operation Active Endeavour: NATO Topics,
[www.nato.int/issues/active_endeavour/index.html 10/23/2006]

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*

⁷⁶ Author’s interview with Mr. Mensur Akgün, Istanbul, August 2006

⁷⁷ “Black Sea Regional Security Cooperation”, George C. Marshall European Center for Security Studies Conference Report, December 2004, p. 3.

[<http://www.marshallcenter.org/site-graphic/lang-en/page-pubs-conf-1/static/xdocs/conf/2005-conferences/0506/0506-full.pdf>, 10/23/2006]

joining the initiative, while Bulgaria is still in the process of evaluating its benefits.⁷⁸

Conclusions

In the post-Cold War era, issues of military security in the Black Sea region have mainly been focused on maintaining the status quo of the Black Sea as such. A major contention has been whether the Turkish and Russian military dominance should continue to be the basis for maritime security in the Black Sea. As far as the Wider Black Sea region is concerned, Russian hegemony in peacekeeping has been the most contentious issue.

A crucial element in this context, and the source of much controversy and misunderstanding, has been the confusion of the Black Sea *per se* and the Wider Black Sea region. Especially as far as Turkey is concerned, Turkish opposition to a greater western, especially American, interest in the Black Sea came as a surprise to western analysts and officials that had thought Turkey would be one of the lynchpins of such a strategy. Yet this did not imply Turkish opposition to a greater Western role in the Wider Black Sea region, including such issues as the unresolved conflicts of Moldova and the South Caucasus. What it did mean was Turkish opposition to a change of the status quo in the Black Sea *per se*, especially as concerns military security. This may to some extent be attributed to the U.S. European Command's urge to take on a larger role in the Black Sea, caused in part to a failure to understand the importance of the Montreux agreement to Ankara. As such, future western strategies toward the Black sea are well-advised to take caution of this distinction.

The Montreux agreement sustains the maritime *status quo* as it limits access to the Black Sea for outside powers, such as the United States. However, it is apparent that there is a consensus among Black Sea littoral states for the continuation of this status quo. Turkey and Russia are in favor of maintaining Montreux, because it permits them to continue to dominate the Black Sea's military balance, and because of fear that a disruption of the

⁷⁸ Interview, Government Official, Romanian Ministry of Defense, Bucharest, 20 July 2006.

status quo could mean a militarization of the region. Other littoral states are also in favor of this, for two reasons: First, this demilitarizes the Black Sea in favor of a BSEC focus on soft security issues, which is what will ultimately bring the region onto the EU's agenda. Second, the main interests of the smaller littoral states are unrelated to maritime security in the Black Sea. Issues such as resolving 'frozen' conflicts, membership in Euro-Atlantic institutions, and strengthening their sovereignty and independence, have little impact on the Montreux convention. In other words, the interests of smaller littoral states are related to greater western engagement in a wide range of issues affecting the Wider Black Sea region – but not necessarily to issues pertaining to the Black Sea *per se* and its maritime military balance.

Of course, there is a potential tension between the growing focus on soft security and the current military balance in the Black Sea. There is a credible argument that countering soft security threats could be done more effectively had the naval balance among Black Sea littoral states been more even. Romanian attempts at increasing cooperative efforts of BSEC could be more effective.

The presence of NATO on the shores of the Black Sea has the potential or the risk, depending on how it develops, to change this balance in favor of smaller littoral states. With military assistance, the Bulgarian and Romanian armed forces, as well as Ukraine, could be brought up to a level where they could actually undertake peacekeeping missions in the region, something that would, if realized, shift Russia's monopolization of these military duties.

A stronger U.S. presence in the region, through allied countries, would also put pressure on Turkey to reinvest in its relations with the U.S. as it would otherwise see itself once again in the periphery of the west, whereas it fully has the potential to be the West's major ally. The opposite would mean a deepening relationship with Russia, making Turkey once again trapped between the east and west, without the possibility of promoting its own policies. Moreover, it is also clear that Western views of the region's future would not only readily accommodate but also encourage Turkish aspirations to a leading regional role; something that Russia's designs for the region do not include.

Europe's Energy Security: Role of the Black Sea Region

Europe's growing dependence on imported fossil fuels have emerged as an increasingly towering political issue. The ever-tightening global oil markets have led the price of oil to rise above levels unimaginable only several years ago, with gas prices following suit. Meanwhile, Europe's growing consumption of natural gas is being met principally by Russian exports. Growing concerns have nevertheless developed in Europe regarding Russia's reliability as an energy supplier, following increasingly reckless Russian behavior towards its neighbors and toward European investors. Following the adage that energy security lies mainly in diversity, a new quest for alternative energy resources that could alleviate some of Europe's dependence on Russian energy has developed. The Wider Black Sea region plays a crucial role in this context, because it is the only area in Europe's vicinity that has the potential to serve as a key producer and transit area for new sources of European gas supplies. There is a clear match between the European strategic interest and the those of the states of the Wider Black Sea region. Europe is in need of diversified access to energy, and other supply routes to Europe, and to have strategic access to the Central Eurasian inland; while the states of the region desire closer ties in the economic and security fields to Euro-Atlantic institutions.

Russian and Eurasian Gas and European Markets

Among the top policy priorities for EU energy development is avoidance of strategic dependence. Yet a number of EU member countries are already in a position of strategic dependence on Russian natural gas, which is to that deepening. Particularly among new members in Central and Eastern Europe, there is a close to 100 percent dependence on Russia's monopolistic gas supplier, Gazprom. Even France and Germany are increasingly dependent on Russian gas. Meanwhile, Europe's natural gas demand is projected to increase substantially in the future. Even under conservative scenarios, the demand

for importing natural gas to the EU will double from 200 billion cubic meters (bcm) per annum in 2002 to 400 bcm by 2030, with total demand rising from 400 bcm to up to 600 bcm in same period.⁷⁹ The greater portion of this increase is likely to come from gas producing countries of Eurasia. Indeed, significant untapped production capacity likely to emerge in Europe's neighborhood is mainly located in Russia and the Caspian sea basin – adjoining the Wider Black Sea region.

It is also clear that Russia is in no position to single-handedly provide a substantial portion of this increase – even with immense investments that do not seem to be forthcoming. As former Russian Deputy Minister of Energy Vladimir Milov has observed, Russia “faces an investment crisis, especially in gas”, and had “done nothing” to invest in infrastructure that would enable it to increase production substantially, particularly on the important Yamal peninsula.⁸⁰ Indeed, Gazprom has consistently failed to invest in new field infrastructure, relying on large Soviet-era fields for the bulk of its production. With the exception of the large Zapolarnoye field in Western Siberia, production in Gazprom's fields is either stable or declining.⁸¹ Hence Russia's own natural gas production has reached a level whereby it cannot grow considerably – let alone generate substantial new export capacities – without substantial investments in the billions of dollars. Indeed, Russia will soon need to invest heavily in new fields to maintain its current output level.

On the other hand, the energy producing states of the Caspian basin – Azerbaijan, Kazakhstan and Turkmenistan – have large untapped potential production of both oil and natural gas. Turkmenistan alone produced 90 bcm per year in the late Soviet era – a substantial amount compared to Gazprom's exports to Europe, which at present are of the order of 140 billion. To this should be added smaller capacities in Azerbaijan, which may reach 30 bcm by

⁷⁹ Gordon Feller, “Gas Pipelines Vital For European Security”, *Pipeline and Gas Journal*, October 2004.

⁸⁰ “How Sustainable is Russia's Future as an Energy Superpower?”, Summary of presentation by Vladimir Milov at Carnegie Endowment for International Peace, 16 March 2006. [<http://list.carnegieendowment.org/t/80287/192304/42757/o/>]

⁸¹ “Natural Gas Supply for the EU in the Short to Medium Term”, Clingendael International Energy Program, March 2004; “Turkmenistan: Putting Gazprom – and Russia – in a Bind”, *Stratfor.com*, 15 April 2005.

2012, and Kazakhstan and Uzbekistan. The energy producers of the Caspian region hence have an export production potential equal to or greater than Gazprom's exports. Meanwhile, their domestic markets are considerably smaller, whereas Russia's export capacity stands to be affected by domestic consumption.

It is hence a near-certainty that gas from Azerbaijan, Turkmenistan and Kazakhstan will be reaching Europe in increasing quantities in the following decades. This process has already begun with the completion of the Baku-Tbilisi-Ceyhan oil pipeline in 2006, which is presently delivering light Azerbaijani crude oil to European refineries, with a capacity set to expand to 1,8 million barrels per day (ca. 85 million tons per year). As for gas, there is every reason to believe Caspian gas will reach Europe in the next decades.

If this appears certain, the question is through which export routes these resources will be transported to Europe. That new pipeline capacity is needed is obvious, and this gas can reach Europe in various ways. It can be transported independently and directly from producer states through a varied set of routes to European markets, increasing Europe's energy security by diversifying its supply routes. This, of course, requires the building of new transportation networks, which will be discussed below. Yet unless such alternative delivery options are constructed to bring natural gas from fields in Azerbaijan, Turkmenistan and Kazakhstan to Europe, Russia is likely to fill the vacuum by controlling the transportation of this region's gas – using its monopoly position in Central Asia to buy gas cheaply and using its monopoly of supply in Europe to sell gas at several times the price to Europe. Indeed, Gazprom's pledges to increase exports to Europe to 180 bcm by 2010 are not likely to come from domestic production;⁸² instead, it would re-export Caspian gas at a profit. In the process, Moscow would make a large profit while increasing its political leverage over both Europe and the states of Central Eurasia. This is consistent with Russian energy policy, but as seen below, this represents a prospect that lies neither in Europe's interest nor in that of the producer states.

⁸² "Gazprom expects to increase gas exports to Europe to 180 bcm by 2010.", *Gateway to Russia*, 17 December 2004. [http://www.gateway2russia.com/st/art_260393.php]

Russian Energy Policy

Russia has had a clear and discernible policy regarding energy resources as relates to both Europe and the Wider Black Sea region. This policy has consisted of a number of facets, all of which have sought to capitalize on energy as the main vehicle for strengthening Russia's influence over its neighboring regions. The strategy has had several main aspects: state control over the production of gas for export; keeping a monopoly on acquiring Central Asian gas at cheap prices; achieving increasing dominance over the European consumer markets; and utilizing dominance over both the import from and export to CIS countries of gas for political purposes.

To begin with, Moscow has ensured that the Russian state exercises control over the energy sector in the country. It has become patently clear from the Yukos affair and subsequent developments that private or foreign actors will only play a role as minority shareholders in major Russian energy assets – and this has been particularly clear in upstream projects. The treatment of western companies in recent times, locked out of the Shtokman field and bullied by the government on environmental charges in the Sakhalin-2 context provides examples of this. The position enjoyed by Gazprom, in particular, and its symbiosis with the highest echelons of the state have made the relationship between the Russian state and its largest corporation increasingly murky. Gazprom is neither a corporation with distinct interests; nor a direct tool of the government, in the sense of being subordinated to it. Indeed, most of the decision-makers determining Gazprom's moves are also decision-makers in the Russian state, and also have personal stakes in business entities connected to Gazprom. This lack of transparency bodes ill for the future, as it is a factor of instability in case a new redistribution of assets takes place in Russia similar to the campaign against the oligarchs that President Putin conducted after coming to power.

Gazprom has been surrounded by murky deals. In numerous cases, the company has accorded beneficial deals to newly created companies whose ownerships structures have been unclear. For example, companies like Eural Trans Gas and RusUkrEnergo have been subcontracted to manage gas deliveries to Ukraine, through pipelines entirely owned by Gazprom. In 2003, Eural Trans Gas – a company with no hard assets – netted a profit of \$767

million on this scheme, money that Gazprom had little reason to let go by subcontracting a subsidiary. Indeed, as William Browder, CEO of Hermitage Capital Management, Russia's largest equity-investment fund and a minority shareholder of Gazprom, stated, "giving three-quarters of a billion dollars to another company just doesn't make sense".⁸³ This has led to growing worry among Gazprom's minority shareholders that individuals with stakes in the company – and government officials in both Ukraine and Russia – are personally benefiting from offshoots of this kind. Obviously, this lack of transparency created long-term doubts on the company's viability. These concerns are only heightened by the complex and opaque ownership structures of the intermediary companies. As a report by the Washington-based think tank Global Witness details, Eural Trans Gas was registered in Hungary by inconsequential nominal shareholders, with trails running through a dozen companies from Austria to the Seychelles, leading eventually to Cyprus-based companies whose beneficial owners, in turn, remain unclear.⁸⁴ The need for such complex schemes has never been explained, and has led to accusations of high-level corruption, fueling speculation that Gazprom serves the interests not only of the Russian state, but of the individuals controlling the Russian state as well as Gazprom.

On the foreign policy front, Moscow's policies – understood here as a symbiosis between Gazprom and the Russian government – have been consistent. The main purpose has been to secure Moscow's monopoly on the transit of all oil and gas from the former Soviet republics to consumer markets in Europe. This in practice implies securing Russian control over the energy exports of the states of the Caspian region.

Moscow's overarching objective has been to secure continued monopoly over Caspian gas supplies. Indeed, prices for the sale of Russian gas in European markets have been rising as the global oil price has increased. Meanwhile, Moscow has been able to secure continued low prices for acquiring gas from Central Asian states, who have no other outlet for their gas. By the early

⁸³ "Hermitage Harshly Criticizes the Way Gazprom is Managed", *Businessweek online*, June 16, 2004.

⁸⁴ Global Witness, *It's A Gas – Funny Business in the Turkmen-Ukraine Gas Trade*, April 2006. [<http://www.globalwitness.org/reports/show.php/en.00088.html>]

2000s, the price differential had reached ridiculous proportions. Moscow paid Turkmenistan \$57 per thousand cubic meters (mcm), of which half was in cash and half in barter – implying goods estimated worth half their cash value in reality. Hence Moscow effectively paid Turkmenistan around \$45 per mcm. Importing this gas enabled Moscow to use cheap Central Asian gas to supply the Russian domestic market, freeing up gas production that was instead sold to European consumers at over \$250 per mcm. This amounted to a four- to five-fold profit, even accounting for transit costs. In this way, Moscow was able to hold off investments in the billions of dollars in its own fields – growing exports needs could simply be substituted by Central Asian gas supplies. Instead of *spending* billions on investments in infrastructure, Moscow could *make* billions on the price difference.

With regard to non-energy producing former Soviet states, ranging from the Baltic states to Ukraine and Georgia, Moscow has used its continuing monopoly on energy deliveries for political purposes. Moscow has prevented Kazakhstan from using Russian pipeline networks to deliver oil to the Baltic states for export. This may constitute an anti-competition policy, but Moscow's use of the energy card has taken on much more serious proportions, especially against Georgia. At numerous occasions, Moscow has cut gas and electricity supplies to Georgia for blatantly political reasons. This has been related mainly to the Georgian ambition to have Russian military bases removed from its territory. In 2001, for example, Russia cut gas supplies on January 1, in spite of the gas deliveries being paid in advance by the American AES company, at that time running Tbilisi's electricity generation and distribution system. The perhaps main and most famous incident was in January 2006, when Moscow targeted Georgia and Ukraine simultaneously, cutting gas supplies to Ukraine after having sought to force Ukraine to pay European prices for gas overnight. As Georgia was concerned, mysterious explosions destroyed gas pipelines and electricity wires carrying energy to Georgia, explosions that have never been resolved but which have been blamed on Russia's security services. Likewise, a minor oil spill provided

cause for Moscow to shut down deliveries to Lithuania in July 2006, while the same pipeline continued to deliver energy supplies to Belarus.⁸⁵

The political nature of Gazprom's activities became increasingly blatant in 2006, as Gazprom warned Georgia its price of gas would be raised to \$230 per mcm, more than doubling the price, following growing tensions between Georgia and Russia. Armenia was to keep a price of \$110 per mcm, indicating the political nature of the price hike since Gazprom transports gas through Georgia to feed Armenia's consumption. Moreover, following Azerbaijani President Ilham Aliyev's refusal to contribute to Moscow's energy coercion against Georgia, Gazprom threatened to raise Azerbaijan's price to the same level of \$230, while foreseeing drastic decreases in the quantities of both electricity and gas provided to Azerbaijan by Gazprom and RAO UES (United Energy Systems). The Azerbaijani case is specifically revealing, as it indicates Moscow's willingness to punish third countries for continuing to provide energy resources to countries targeted by Russian energy diplomacy.⁸⁶ The Russian argument that price hikes are of an economic nature hence does not hold water.

Another element has been Russia's aim to make inroads into downstream infrastructure and distribution systems in Europe. Indeed, Gazprom's ambitions to gain control over assets in western Europe led to a controversy with the United Kingdom in 2006. When British regulators raised doubts of Gazprom's plans to acquire Centrica, the owner of British Gas, Gazprom CEO Alexei Miller noted that "Attempts to limit Gazprom's activities in the European market and to politicize questions of gas supplies, which are in fact entirely within the economic sphere, will not produce good results".⁸⁷ This was followed by threats that Russia's gas exports would be reoriented towards Asian markets. Russian attempts to gain control over downstream assets stand in steep contrast to Russia's increasingly staunch refusal to let

⁸⁵ Vladimir Socor, "Seven Russian Challenges to the West's Energy Security", *Eurasia Daily Monitor*, 6 September 2006.

⁸⁶ "Russia May Slash Electricity Exports to Azerbaijan", *Turkish Daily News*, 23 November 2006; "Facing Crunch, UES Could Cut Its Exports to Azerbaijan", Reuters, 23 November 2006; Vladimir Socor, "Azerbaijan Keeps Solidarity with Georgia Despite Russian Energy Supply Cuts", *Eurasia Daily Monitor*, 8 December 2006.

⁸⁷ "Gazprom Warns EU to Let it Grow", *BBC News*, 20 April 2006.

economic consideration determine ownership structures upstream, in Russia itself.

Third, Moscow has sought to sustain its control over the former Soviet Union's oil and gas suppliers and to make up for the damage where it has failed to do so. Moscow lost its total monopoly on West Caspian oil with the building of the Baku-Tbilisi-Ceyhan pipeline. However, its priorities are to ensure continued monopoly over Caspian gas from both the eastern and western shores, as well as a monopoly over East Caspian oil. As far as Azerbaijan is concerned, Russia's monopoly over gas exports is threatened by the building of the Baku-Erzurum gas pipeline, which flows in parallel to the BTC pipeline, and which will deliver gas from the Shah-Deniz field to Turkish markets.

However, Moscow has tried to offset the loss of control over Azerbaijan's oil supplies by seeking to commit the Turkish market to growing volumes of Russian gas supplies. This prospect was greatly aided by the building of the Blue Stream pipeline, crossing the Black Sea, delivering an eventual 10 bcm or more to Turkey by 2010. The Turkish market is already heavily overcommitted in terms of gas, having committed to supplies from Azerbaijan, Turkmenistan, Iran and Russia, as well as LNG from Algeria and Nigeria, that the Turkish market cannot absorb. Turkey's natural gas consumption, standing at over 20 bcm per year, has grown tremendously in the past decade and is set to grow even further. But at present, Turkey has found itself in a situation where Russia supplies ca. 65 percent of Turkey's gas, and to that at a price even higher than that paid by western European countries. For example, in 2005, Turkey paid Russia \$243 per mcm – whereas Germany paid \$217, and Austria \$221 – making it known as the highest price for natural gas in the world.⁸⁸

The building of the Blue Stream pipeline – a \$3.2 billion project – cemented Moscow's influence on the Turkish gas market. This entails that Turkey is in no position to buy volumes of Azerbaijani gas from Shah-Deniz beyond the phase one gas supplies from 2007 to 2011. The larger volumes to be

⁸⁸ "Turkey Pays \$243 to Russia, \$236 to Iran for Gas", *Turks.us Daily News*, 1 February 2006. [<http://www.turks.us/article.php?story=20060201103922408>]

produced from 2012 onward can simply not be consumed by the Turkish market, forcing producers to find alternative markets.

It is in this context that one should see Moscow's ambitions to have Russian gas flow through the Blue Stream pipeline and from there onward to Central European markets. In principle, Moscow's strategy is to shut out alternative transit routes from the Caspian region by committing Russian gas to Europe from a variety of transit routes that will fill up capacity that could be utilized by Caspian producers. It is exactly in this context that the North European Gas Pipeline should be seen. This pipeline, to stretch from Russia's short coast on the Baltic sea across the seabed to Germany, will cost approximately \$10,5 billion. This exorbitant cost makes the pipeline much more expensive than a line crossing Ukraine or Belarus, for the very purpose of achieving an export pipeline that does not cross former Soviet countries on its ways to European markets. In other words, Gazprom will be able to cut gas supplies to Ukraine without European customers having to be affected. By the same token, an expanded version of the Blue Stream pipeline would allow Gazprom to commit volumes of gas, probably taken from Central Asia, to European markets – mainly Germany – through Turkey, thereby hindering Caspian gas suppliers from selling gas to European markets independently.

Yet Moscow's energy strategy does not stop at this. Beyond seeking to sustain a monopoly on European gas supplies from the East, it is also seeking a greater influence over other alternative supplies to Europe, primarily from Northern Africa. Indeed, Moscow has aggressively pushed for influence over Algerian and Lybian exports to Europe. As Vladimir Socor observes, "In Algeria's case [the third largest gas supplier to Europe], Russia has successfully offered multibillion-dollar arms deliveries as well as debt write-offs in return for starting joint extraction projects in Algeria and joint marketing of the fuel in Europe."⁸⁹ This and similar Gazprom activity in Libya has led to growing worries that Moscow is seeking to build a gas cartel

⁸⁹ Vladimir Socor, "Seven Russian Challenges to the West's Energy Security", *Eurasia Daily Monitor*, 6 September 2006.

to control prices to Europe. Indeed, a NATO report leaked in November 2006 indicated that these concerns are taken seriously by western leaders.⁹⁰

In sum, it appears obvious that Moscow is increasingly capitalizing on energy – and particularly the less fungible commodity that is natural gas – as a tool to boost its influence and might vis-à-vis Europe. Moscow is monopolizing CIS gas supplies to Europe, using its dominance in the CIS for political purposes, acquiring influence over North African producers, seeking control over downstream energy assets in Europe, and simultaneously restricting foreign companies' access to the Russian energy sector. The picture is clear: Moscow is aiming to dominate Eurasian energy, and has repeatedly shown its readiness to use this domination for political purposes. Political use of energy has been blatant in regard to former Soviet states, including EU members as Latvia and Lithuania. But it has also been present in a more subtle way with regard to Western European states. Indeed, former German Chancellor Gerhard Schröder's decision to take up a senior management position at Gazprom even before resigning as German Chancellor raised many eyebrows and led to suspicion that Germany's support for the North European Gas Pipeline was determined in part by Schröder's private interests. Likewise, in Turkey, allegations of corruption deals being behind the Blue Stream pipeline led to the indictment of former Minister of Energy Cumhuriyet Ersümer and of former Prime Minister Mesut Yılmaz, accused of having taken large-scale bribes in a deal widely recognized as contrary to Turkey's national interests. Overburdened courts have not yet reached a verdict in Ersümer's case, but Turkey ended up with a two-thirds dependence on Russian gas bought at the highest prices in Europe, and with a costly over-commitment to buy gas it could not consume.⁹¹

Aside from this, it is already obvious that Russia is seeking – and achieving – an instrument limiting the level of criticism from Europe regarding its domestic turn away from democracy and its ongoing human rights violations

⁹⁰ See Daniel Bombay, Neil Buckley, and Carola Hoyos, "Nato Fears Russian Plans for 'Gas Opec'" *Financial Times*, 14 November 2006.

⁹¹ See eg. "Erdogan's Selective Fight against Corruption", *Turkish Daily News*, 30 November 2004, and the entire parliamentary debate, "Ersümer ve Çakan hakkındaki raporun görüşülmesi" at [http://www.belgenet.com/dava/yucedivan_14-4.html]

in Chechnya, as well as its treatment of its neighbors and growing neo-imperial ambitions. European dependence on Russian energy in the final analysis limits Europe's leverage against Russia: its abilities to influence Russia's domestic development and long-term stability are being hit by this dependence, as is Europe's ability to influence Russian foreign policy toward pro-western states in the CIS such as Georgia, Azerbaijan, Moldova or Ukraine.

This situation makes it all the more crucial for Europe to pursue options in terms of energy supplies that would reduce its dependence on a single, major and to that assertive energy supplier. Luckily for Europe, options are present, in the Caspian region.

Europe's Alternative: The East-West Corridor⁹²

As noted previously, Europe's future growth in gas supplies is likely to be met not mainly by growing Russian gas production but by gas supplies from the energy-rich states of the Caspian region: primarily Azerbaijan, Kazakhstan and Turkmenistan. These are nevertheless bifurcated both in regional terms and in terms of output. The first main division is geographic: Azerbaijan on the West Caspian is considerably closer to Europe, while the major producers are the states of Central Asia on the Eastern shore of the Caspian. Azerbaijan is mainly an oil producing country, with exports reaching one million barrels per day in 2010, though its gas production may reach substantial levels of 30 bcm in the next decade. On the East Caspian, Kazakhstan is mainly an oil producer, foreseen to produce up to 3 million barrels of oil per day (ca. 140 million tons per year) by 2015, with much less significant gas production. Turkmenistan, on the other hand, is the exact opposite: gas production constitutes the bulk of Turkmenistan's future promise, with the world's fourth or fifth largest gas reserves, depending on estimates, and a production capacity that could easily reach over 100 bcm,

⁹² This section builds and develops on the chapter "Geostrategic Implications of the Baku-Tbilisi-Ceyhan Pipeline", by Svante E. Cornell, Mamuka Tsereteli and Vladimir Socor, published in *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, Washington and Uppsala: CACI & SRSP, 2005. [<http://www.silkroadstudies.org/BTC.htm>]

almost all of which is available for export. Finally, Uzbekistan has considerable deposits of both oil and gas; but a larger domestic market and therefore a more limited export capacity.

Only several years ago, the export of Caspian oil and gas to the EU would have seemed utopian. Yet important developments since have made this prospect utterly realistic. This is in great part due to the completion of the Baku-Tbilisi-Ceyhan pipeline. This pipeline effectively connects the West Caspian shore with European markets, providing top-of-the line infrastructure for oil and a parallel gas pipeline. This also makes the prospect of East Caspian resources reaching Europe more realistic than ever, as the infrastructure is now in use just across the Caspian.

The Caspian alternative to increasing dependence on Russia was implicitly acknowledged by the EU through the realization of the INOGATE project, implying the construction of pipelines that will connect Europe to the gas producers of the Caspian region. This process is already in course – through the integration of European gas transportation networks on the one hand, and the building of a new energy transport infrastructure connecting Azerbaijan to Turkey, on the other hand. As such, there are two major priorities for the realization of a full East-West corridor: linking the Turkish gas network to the European one; and linking the West Caspian to the East Caspian by Trans-Caspian pipelines. This will create a virtual South Caucasian corridor to Europe, and can be complemented – if found economically viable – by a connection linking the South Caucasus to Ukraine across the Black Sea.⁹³

It is obvious that the potential entry of Caspian natural gas to Europe through the South Caucasus and Turkey would help Europe diversify its energy supplies, and to reduce dependence on the state-owned Russian monopoly Gazprom. Indeed, there appears to be little reason for Europe to have the same resources reach Europe via Russia, allowing Gazprom as a monopolist to control prices, while making Europe vulnerable to voluntary as well as involuntary supply interruptions. Developing pipelines directly to the

⁹³ Vladimir Socor, “Trans-Black Sea Pipeline Can Bring Caspian Gas To Europe”, *Eurasia Daily Monitor*, 7 December 2006.

Caspian region will perfectly complement major reforms planned in the European gas sector, aiming at the creation of a competitive market of multiple operators with the interest to have different options of delivery routes.

Such a competitive market is in the long-term interest of Europe – but is objectively speaking also in Russia’s interest. Diversification of supply routes and gas sector reform in Europe will eventually drive the Russian monopolistic supplier, as well as the Russian gas sector in general, towards much-needed reforms and transparency that will give it sustainability and stability. Indeed, a driver behind the development of the South Caucasus Energy Corridor has been the inflexibility of the Russian state monopolies, Gazprom and Transneft. By dominating access to markets and by creating barriers to access for others, they have forced producers to look for alternative means to the market. By choosing to exploit its control of energy export as a geopolitical weapon, Russia has forced its southern neighbors to respond with initiatives that will preserve their sovereignty in the face of such threats. The result has been the development of alternative routes, which in turn makes Russia nervous and suspicious. Furthermore, without market liberalization, it will be impossible to attract investments to the Russian gas sector, and without investments, Gazprom will not succeed in meeting its ambitious production goals.

The Importance of the BTC pipeline

BTC is important to global oil markets as it provides an additional million barrels of non-OPEC oil a day to world consumers. Most important, it is far from the global oil markets’ biggest chokepoint, the straits of Hormuz, through which fully 17 million barrels of oil are exported daily. BTC also avoids use of the narrow Turkish straits, which are already at their limits with 3 million bpd already passing through the narrow channel, which is barely a half mile wide. In this regard, BTC has significant advantages as it avoids major transportation chokepoints. This makes BTC the best option for delivering Caspian oil to markets in a safe, timely and economical, and environmentally sound manner.

But the consequences of BTC go beyond the purely economic. For everyone involved, within as well as in every direction from the South Caucasus, the building of the BTC pipeline reconfigures the mental map with which political observers and decision-makers look at the world. Azerbaijan and Georgia will see their futures in more direct relation to Europe through the economic and political link that BTC constitutes. For Turkey, with its significant trade relations to Russia (including the Blue Stream gas pipeline across the Black Sea), BTC is a cause to revisit its eastern vocation even at a time when the Turkish government may otherwise be less inclined to do so. This time, a greater outreach to the Turkic and other lands across its eastern border is not an alternative to Turkey's western aspirations but an enrichment of its connections with Europe. In the eyes of Iranians, the completion of BTC gives greater grounds for perceiving its neighbor, Azerbaijan, not as a weak newcomer to be manipulated but as a truly independent actor, even as one that can effectively mount and conclude significant projects. For even the most skeptical Russians, BTC gives powerful evidence that the states of the South Caucasus are not only independent and sovereign, but have powerful friends abroad that can persist in backing a single initiative over more than a decade, where Russia has a natural right to influence, but not to dominate or dictate policy. For the United States and Europe, BTC provides further impetus for western involvement in the energy and security sectors of the wider Caspian basin – and indeed, proves that the lofty but near forgotten ambitions of building an east-west corridor linking Europe to Central Asia and beyond via the Caucasus are not only possible but are being realized.

*Kazakh Oil: Which Way?*⁹⁴

The first major post-Soviet pipeline to come online was the Caspian Pipeline Consortium pipeline linking Kazakhstan's Tengiz oil field on the Caspian shore to Russia's Black Sea coast. Though being mainly on Russian territory, CPC is the first oil transportation system operating independently from the

⁹⁴ This section and the next build and develop on an article authored by S. Frederick Starr and Svante E. Cornell, "The Politics of Pipelines: Bringing Caspian Energy to Markets", *Saisphere*, 2005. [<http://www.sais-jhu.edu/pubaffairs/publications/saisphere/winter05/starr-cornell.html>]

Russian state monopoly, Transneft. But the quantities of oil coming out of the Kashagan project – forecast at 450,000 barrels per day in 2010 and eventually up to 1.2 million bpd – will require at least one major new export pipeline. For this oil, Kazakhstan could look at variations of three options: a parallel CPC line, feeding Kashagan oil into the BTC pipeline, and exporting to China. Each of these options presents both economic and political challenges. Although CPC can be expanded significantly, the entire flow from Kashagan is unlikely to be fed into CPC for the obvious reason that the Turkish government is highly unlikely to allow an additional million bpd of oil to pass through the heart of Istanbul. The prospect of constructing special lines to bypass Istanbul to the north or south adds to the cost of delivery and further dilutes Russian control. In any case, Kazakhstan has recently shown a desire to reduce its reliance on Russia for the export of its energy resources. It is significant to note that Kazakhstan officially joined the BTC pipeline at its inauguration in Baku in May 2005, and that operators of the Kashagan field own a substantial portion of the pipeline. Initially, Kazakh oil will cross the Caspian by tanker, but Kassymdzhomart Tokayev, Kazakhstan's foreign minister, has repeatedly declared that it will construct an underwater pipeline linking its port of Atyrau and Baku. For it to be commercially viable, the construction of this 500-mile extension of BTC would require BTC's capacity to be upgraded to 1.7 million bpd.

Meanwhile, Kazakhstan has deepened its relations with China in the energy sector. For some years after the collapse of the USSR, Russia kept alive the hope that it could persuade Kazakhstan to feed oil for the Orient through Russia's emerging Siberian pipeline system. Since this would have simply rebuilt on its eastern exposure what it was seeking to escape to the west, Kazakhstan declined, turning instead to China. Over a decade the two countries repeatedly discussed the possibility of building a pipeline connecting western Kazakhstan's oil fields with China's Xinjiang province, but each time the two parties concluded that the project was not economically viable. However, as regards both the pipeline and Chinese acquisitions of energy assets abroad, China's mainly state-owned companies have proved willing to pay above-market rates far beyond what a rival might offer; China's 2005 acquisition of the Canadian-based Petrokazakhstan company, Kazakhstan's third largest oil producer, for a sum that set tongues

wagging, is only the most recent example of this practice in Kazakhstan. In 2004, construction began on the Kazakhstani section of a three-billion dollar pipeline, capable of carrying up to 400,000 bpd, linking western Kazakhstan to western China. Initially, oil for this pipeline will be provided mainly from the Kumkol deposits operated by Petrokazakhstan. Indeed, China's acquisition of Petrokazakhstan gives valuable indications of China's interest in controlling both production and transportation of energy resources, enabling it to ensure a safe flow of oil to China. But to reach full capacity and hence become commercially viable, the Kazakh-China pipeline will need more oil than is now allocated to it. To address this problem it is expected that at least a part of the oil flowing from the vast Kashagan fields will be fed into this pipeline.

Thus, it is evident that a decade and a half after achieving independence, Kazakhstan is effectively implementing an export strategy of its most valuable product based on multiple routes. As was the case with BTC, decision regarding the balance among them will eventually be guided as much by political as by economic concerns. In all likelihood, Kazakhstan will continually readjust the balance between the amount of oil being sent into each of the three eventual channels: Russia, China, and the South Caucasus energy corridor. This emerging strategy, if accomplished, will serve towards Kazakhstan's ambition to become a major actor in global energy markets in the coming decades. More important, it accords with Kazakhstan's geopolitical strategy, which is to seek a balance between the three major powers with which it has close relations, using each to keep in check the others, even as it benefits from links with all three. By successfully diversifying the channels for exporting its most valuable product, Kazakhstan has thus fortified its sovereignty and independence of action.

Turkmenistan's Gas

Even though the government of Turkmenistan may wishfully confuse estimated reserves with proven reserves and hence overstate its potential wealth, no one disputes that that country possesses formidable deposits of oil and especially gas that are bound to make their mark on its national life, the region, and world energy markets. Like Azerbaijan and Kazakhstan, the challenge has been to break Russia's imperial monopoly over its exports and

to create efficient export channels that will reduce what might be called the “distance tariff.” In the late 1990s, talks were well underway for the creation of a trans-Caspian pipeline bringing Turkmen gas westward, via the South Caucasus, to Europe. Despite the length of the planned pipeline, it would have delivered gas to European markets at relatively moderate cost. But when gas rather than the expected oil was discovered in Azerbaijan’s Shah-Deniz field, Azerbaijan ceased being merely a transit country for gas to Europe but a significant producer. As this happened, Azerbaijan temporarily lost interest in the trans-Caspian gas pipeline to Turkmenistan. The fact that the two countries fell into a bitter dispute over competing claims to mid-Caspian desposits only prolonged the stand-off and added to the ill-will. Russia, taking advantage of this situation, managed to extract a long-term agreement from Turkmenistan to export gas through Russia. With these developments, a significant component of the so-called East-West energy corridor disappeared.

The vision of a trans-Caspian energy corridor linked with Turkmenistan remains unfulfilled. Whether or not it is revived will depend on future political developments in Turkmenistan, which are unknowable. For the time being, Turkmenistan remains legally bound to export gas through Russian pipeline systems at a price that is still below world market levels. Interestingly, there are indications that the Turkmen leadership is becoming increasingly frustrated with this situation. As a result, Ashgabat has begun to look around for potential buyers elsewhere, notably in Ukraine and in Pakistan and India. The former has led to deals that begin to offset the huge burden of forced sales to Russia. The latter has led to the resurrection of a decade-olds project to build gas or oil pipelines across neighboring Afghanistan to Pakistan and thence on to India. This Trans-Afghan Pipeline (TAP) was initially projected by the American firm Unocal, which managed to elicit a significant degree of cooperation even among otherwise warring Afghan warlords. With the rise of the Taliban, however, the project broke down, only to be revived at the initiative of Turkmen president Niyazov.

Grasping the continent-wide economic and strategic significance of the project, The Asian Development Bank took a keen interest in it, among other things seeing in it an income stream for the new Afghan government that

could help offset the influence of drugs. A feasibility study completed in 2005 offered an encouraging picture for the future, and both Chinese firms and the Russia gas monopoly Gazprom have informally expressed interest in it, as have Indian firms, which have also begun eyeing oil and gas investments in Kazakhstan and Uzbekistan.

The TAP project continues to suffer from several problems, most importantly the fact that its ultimate success is dependent on Pakistan and India resolving their differences to the extent that they could allow hydrocarbons to cross the Pakistan -Indian border. To the extent that India is reluctant to rely on Pakistan's word for its own energy security, the prospects of building TAP are stalled. This problem, along with what will doubtless be an expensive construction process in Afghanistan itself, will likely put off the TAP for several more years.

But this does not mean that TAP is dead, any more than the project to build a trans-Caspian gas pipeline is dead. If world gas prices remain high and Turkmenistan becomes serious about exporting its huge gas reserves, both options will become fully feasible. Another stimulus to reviving the latter project could be a decision by Europe to reduce its reliance on Russian energy, although there are no indications that such a decision is in the offing. At the same time, India's increasing energy needs (not to mention Pakistan's) are likely to force it to review its objections to a gas line via Pakistan, especially if bilateral relations between the two improve.

Traceca Revived: A Priority for the EU

Against this background, it is significant to note the substantial initiative that the European Union launched to create a Transport Corridor to connect Europe via the Caucasus to Asia, known as the TRACECA project. An ambitious project designed to build a variety of East-West road, rail and sea links across the region, TRACECA was launched in the early 1990s. Unfortunately, the project was never followed up with significant resources and political attention. As a result, in spite of its truly enormous potential to change the transportation systems of Eurasia and to connect the EU with Central Asia, China and India in a novel and efficient manner, TRACECA has in practice accomplished very little. The failure of the EU to follow

through on its initiative and in practice to allow it to self-die has had profound implications for the credibility of the EU as an actor in Central Eurasia.

The building of the Baku-Tbilisi-Ceyhan pipeline (BTC) has nevertheless brought a revolutionary development to the prospects of reinvigorating the transportation links linking Europe to Central Eurasia through the Wider Black Sea region. Indeed, as stated above, it is no exaggeration to say that it has changed the mental map of the region for state as well as business entities.

BTC will palpably increase the mutual interdependence between Europe and the South Caucasus by adding a million barrels of oil a day to the European market – compared to European consumption of ca. 15 million barrels per day. This may not seem much in view of Europe's total oil consumption, but it is a very significant addition of oil on the margins. To that, it is oil that is neither Russian nor OPEC in origin, thereby serving to diversify European energy sources. As such, BTC and Azerbaijani oil will have an impact on European energy supplies and perhaps on prices that is far beyond what is apparent from its quantities. Once Azerbaijani oil is flowing into the European energy system, any break or interruption of supply would have an instant impact on European consumers, in spite of the fungibility of oil markets. A sharp interruption of supply would be immediately felt. This in turn gives Europe an important stake in the security, stability and development of the South Caucasus as a whole. September 11 showed the need for hypothetical access to the region; this is a weaker link than the very real risk of breaks in supply of energy. Logically, then, Europe will gradually realize the need for investing politically and economically in the security of the regional states.

The EU and its members states can do at least five things for the South Caucasus, and by extension for itself. The first would be to revive TRACECA with a serious political commitment and serious financial resources. BTC proved what can be accomplished by combining governmental political support and private as well as development funding. Indeed, as EU states are increasing their development cooperation with the South Caucasus and Central Asia, it is crucial that substantial amounts of

this funding be vested in the building of transport and communications infrastructure. Secondly, Europe can expedite the integration of the South Caucasian states in the broader Transatlantic partnership and in NATO, which the U.S. has been supporting and continental European states have largely been resisting. Third, Europe can actively facilitate the internationalization of conflict resolution processes in Moldova and the South Caucasus, currently monopolized by Russia, which has shown little interest in actually working for the resolution of those conflicts. Fourth, in addition to reviving TRACECA, continuing strong support for the development of pipeline projects of both oil and natural gas is needed. Of particular importance is to re-engage Turkmenistan in the development of the TransCaspian natural gas pipeline project, which can substantially balance the energy security of Central and Eastern European countries. Finally, Europe plays a key role in continuing support for the democratic political process and economic recovery, based on rule of law, private property and free entrepreneurship.

The case of BTC proves that politically motivated projects can become commercially viable. Technological and engineering advancements may lead to commercial viability for the greater traffic between Central Asia and Europe via the Black Sea and the Caucasus. It is in the interest of Georgia and Azerbaijan, as well as the U.S. and Europe, to promote infrastructure development in the Black Sea, which would connect Central Asian and South Caucasian transportation systems directly to the Western shore of the Black Sea via ports in Georgia, using ferry connections, and potentially even pipelines to Ukraine. This East-West axis will be important to keep viable alternatives for greater Russian-Turkish cooperation in the future in the Black Sea area.

Linking Turkey to Europe: Nabucco and other Interconnectors

Growing production in the Caspian region must nevertheless reach Europe. The building of pipelines linking the Caspian's both shores with Turkey is a crucial and necessary component in this, but not a sufficient one: indeed, large capacities to transport energy – and specifically natural gas – from Turkey westwards are largely missing. Projects are under way to alleviate this problem, however. The first is the “Nabucco” pipeline project, which

proposes to link Turkey's borders with Iran and Georgia to the Austrian terminal of Baumgarten, crossing Bulgarian, Romanian and Hungarian territory. The pipeline, approved in June 2006, will have an eventual capacity of 25-30 bcm.⁹⁵ A feasibility study for this €4,6 billion, 3,300 km pipeline has been completed, and construction for the first phase is set to take place in 2008-2010. At this point, it will be capable of transporting 4.5-13 bcm, with larger capacity expected to follow in 2020. The Second is the Turkey-Greece-Italy interconnector, with a capacity of 12 bcm in 2012 delivered to the Italian Otranto terminal. In 2007, a small capacity of less than 1 bcm will be available, though large volumes would have to wait. In addition, a trans-Balkan pipeline is also being discussed in parallel to these projects.



The Nabucco Pipeline Project

While these projects may serve to provide access to Europe for Caspian and Middle Eastern producers, it is clear that they will not provide capacity for large-scale Caspian resources before 2020. Meanwhile, the Shah-Deniz gas project in Azerbaijan may bring 25-30 bcm to markets from 2012 onwards. Given consumption in Azerbaijan and Georgia, its production may be suitable for the Nabucco pipeline; yet it is also clear that any additional

⁹⁵ OMV Gas GmbH, "Nabucco Gas Pipeline Project- Gas Bridge between Caspian Region/Middle East and Europe", Corporate Presentation, October 2005. [www.seerecon.org]

resources piped from the East Caspian in the future would require not only trans-Caspian pipelines, and an upgrade of the Baku-Erzurum pipeline, but also additional capacity connecting Turkey and the EU.

Meanwhile, Gazprom has done its best to derail the Nabucco pipeline. Most directly, it did so by announcing a deal with Hungary, just as Nabucco was approved in June 2006, envisaging to expand the capacity of the Blue Stream pipeline and to extend it to Hungary – apparently in parallel to the Nabucco pipeline.⁹⁶ Simply put, Gazprom seeks to pre-empt the building of interconnectors between Turkey and Europe for Caspian energy, by creating a parallel line to transport the exact same reserves – directly or indirectly – but via Russia and under Gazprom ownership. This would strengthen Gazprom’s monopoly on post-Soviet gas supplies to Europe rather than weaken it, as Nabucco would.

Conclusions

This indicates that there is little room for complacency. The completion of Baku-Tbilisi-Ceyhan and the South Caspian Pipeline, and the approval of the Nabucco project, are good signs – but it is clear that Caspian resources will not be transported to Europe in great quantities unless a greater political commitment to projects such as Nabucco materializes. Indeed, there is a tendency on the part of European officials to assume market will determine the eventual transportation of energy. Yet the problem is that energy is a deeply politicized market, and non-market forces, primarily Gazprom, are exerting strong influence over the process, to that with clear political ambitions. Unless the EU steps up to this reality, it will be likely to see its dependence on Russia consolidate.

In this sense, the energy resources of the Caspian region are Europe’s to lose. The producer countries are strongly interested in opportunities to market these resources directly to Europe. Should they find European interest, the BTC pipeline demonstrates the feasibility of working with regional countries and multinational companies successfully and over the long term on energy

⁹⁶ Judy Dempsey, “Gazprom’s Grip on Western Europe Tightens with Pipelines to Hungary”, *International Herald Tribune*, 22 June 2006.

projects. Should European interest not be forthcoming, it will be to the loss of both Europe and the regional states. It will be Europe's loss since Europe would have lost an excellent opportunity to diversify its energy imports; and a loss to the regional countries since it would imply the continuation of neo-colonial Russian economic dominance over Central Asia and the Caucasus. Advocates of democratic reforms, often skeptical about doing business in the energy sector with these countries, should make no mistake: such a situation, leading to the isolation of these countries, will only worsen the prospects for democracy and human rights there. As the case of Uzbekistan showed, the 2005 u-turn in Uzbek foreign policy bringing it closer to Russia led to the sharp deterioration of an already problematic situation regarding human rights, as the Uzbek government no longer felt compelled to respect certain standards that it had earlier observed due to its alliance with the United States. If it pursues its energy interests in parallel to and in coordination with its interests in the political realm, Europe can instead engage the countries of the region and contribute to positive long-term political evolution while simultaneously developing its own energy security.

Soft Security Threats: The Salience of Organized Crime

Organized crime constitutes an important soft security threat in the Wider Black Sea Region. Institutional weakness, corruption and flawed border security have made several states in the region attractive to organized criminal networks, in several cases infiltrating and undermining state institutions. Organized crime has become an aggravating factor in the region's unresolved conflicts, preventing their resolution by creating vested interests in the *status quo*, as well as a source of state weakness. The Black Sea Region is also an increasingly important transit zone as concerns narcotics originating in Afghanistan, being a major route in their transport to European consumer markets, as well as for the trafficking of arms and human beings.⁹⁷ Needless to say, the exposure of the Black Sea states to organized crime contributes to their instability and is an obvious impediment to sustainable development. However, the EU states are also quite obviously victims to the activities of transnational crime networks operating in the region. In order to address the problems connected to transnational crime, an active and constructive cooperative approach to these problems must be included in EU strategies toward the region.

Weak States, Organized Crime and Unresolved Conflicts

The intertwinement of state actors, organized criminal networks and unresolved conflicts is a feature common to many of the former Soviet states of the Black Sea Region.⁹⁸ This is especially valid for the states of the South

⁹⁷ See a fuller development of this argument in Svante E. Cornell and Niklas L.P. Swanström, "The Eurasian Drug Trade: A Challenge to Regional Security", *Problems of Post-Communism*, vol. 53 no. 4, July-August 2006, pp. 10-28.

⁹⁸ On this issue, see a detailed case study of Central Asian states, Erica Marat, *The State-Crime Nexus in Central Asia: Weak States, Organized Crime and Corruption in Kyrgyzstan and Tajikistan*, Washington & Uppsala: Silk Road Paper, October 2006. [<http://www.silkroadstudies.org/new/docs/Silkroadpapers/0610EMarat.pdf>]

Caucasus and Moldova. A difficult economic situation, combined with overall political instability and limited governmental control of territory are common features to all these states and have provided a fertile context for the development of organized crime. Organized crime networks are actively seeking to infiltrate state institutions, in turn providing for constrained state capabilities of addressing smuggling, drug trade and other criminal activities. The infiltration of organized crime into the state is also an apparent problem in other Black Sea states, such as Ukraine. Aside from Central Asian states such as Kyrgyzstan and Tajikistan, the perhaps most obvious example in this respect is Georgia during the 1990s. In the chaos following the country's independence from the Soviet Union and the civil wars in Abkhazia and South Ossetia, a "war economy" developed, where state actors blended with warlords and mafia bosses, creating a situation where the state in practice stood powerless to the actors enjoying enormous economical benefits from a lawless climate and continued conflicts. High officials of the ministries of interior and security services in practice controlled and benefited economically from the smuggling of tobacco and gasoline,⁹⁹ and were also evidently involved in the drug trade.¹⁰⁰

Organized crime still provides important financial income for state actors in several of the Black Sea states, and servicemen in police and customs authorities often make a living more from involvement in smuggling activities than from their legitimate salaries. The unresolved conflicts in Nagorno-Karabakh, Abkhazia, South Ossetia and Transnistria are cut off from the international legal system and constitute entities with unaccountable authorities, thus highly attractive to organized crime networks. The Georgian paramilitary groupings "Forest Brothers" and "White Legions" were long conducting guerilla activities on Abkhaz territory, which was in large part financed through illicit trade and smuggling across the cease-fire line with Georgia, in close cooperation with Abkhaz crime groups and militia. This trade eventually became the main occupation of these groups and after the Georgian government recently

⁹⁹ David Darchiashvili, "Georgia: A Hostage to Arms" in Matveeva & Hiskock (ed), *The Caucasus: Armed and Divided*, London: Saferworld, 2003, pp 2-3.

¹⁰⁰ *BBC Monitoring*, quoting Rustavi-2 Television, Tbilisi, 23 June 2002.

officially disbanded them,¹⁰¹ they in large part continue to be active in criminal activities.¹⁰² In this case, the means for financing a political struggle eventually became an end in itself.

Transnistria has developed into a center for smuggling of conventional goods into Moldova, Ukraine and the EU, and is also allegedly a hub for the trafficking of arms, drugs and human beings. These activities have prospered under the secessionist government, but have also provided significant revenue for corrupt officials in Moldova, Ukraine and Russia.¹⁰³ In the North Caucasus, the lawlessness of Chechnya has turned it into a safe haven for criminal activities and the Chechen rebellion has in all likelihood to a large extent been financed through the activities of Chechen organized crime groups in Russia and elsewhere, also providing links between organized crime and the radical Islamist groups active in the Chechen conflict.¹⁰⁴ Likewise, the Russian military leadership in Chechnya is marred by involvement in organized crime at all levels, providing the military brass with a powerful incentive to oppose any change in policy toward Chechnya. In Dagestan, moreover, government officials are often closely affiliated with organized crime, in practice providing for a vast criminalization of state structures in this Russian republic.

These regions in close proximity of the Black Sea thus constitute free-zones for money laundering, smuggling and manufacturing of drugs and weapons, as well as for trafficking of human beings. Authorities of the breakaway regions are often themselves closely connected to organized crime and their regimes are dependent on income from these activities, while organized criminal groups are to a large extent dependent on the protection of state

¹⁰¹ Author's interview, Expert at Transnational Crime and Corruption Center, Georgia Office, Tbilisi, 11 september 2006.

¹⁰² Interview, Alexander Kupertadze, Doctoral Candidate at School of International Relations, St Andrews University, Associate Researcher, TRACCC-Georgia Office, Tbilisi, 11 September 2006.

¹⁰³ Popescu, "The EU in Moldova", p. 17.

¹⁰⁴ Louise I. Shelley et. Al., *Methods and Motives: Exploring Links between Transnational Organized Crime and International Terrorism*, Terrorism, Transnational Crime and Corruption Center, American University & National Institute of Justice Report, June 2005, pp. 73-74.

actors in the states in which they are active. The criminal networks thus not only comprise of professional criminals, but are largely dependent on the complicity of government officials, authorities in the conflict zones and law enforcement structures. This relationship has turned income from organized crime into an important aggravating factor to the security problem of the unresolved conflicts, since it creates incentives on all sides of these conflicts to maintain the current *status quo*. Simultaneously, the criminal networks are an influential factor of power in the conflict regions and have a clear potential to act as spoilers during attempts to normalize relations between the conflicting sides.

The interconnections between crime and politically motivated violence, in the form of breakaway regions, paramilitary groups or Islamist radical groups, are thus a clear feature in the region. As noted above, profits from organized crime are often of crucial importance to the economies of secessionist regions, as well as for corrupt elements in the states from which these regions have seceded, thus fueling the conflicts. Groups with criminal and political motives often share transport links and money laundering mechanisms. The smuggling of conventional goods, drugs and weapons has been important income sources for all politically motivated groups in the region, in practice making it difficult to distinguish between political and criminal groups, as they interact to the extent that they may for all economical purposes be said to share interests.¹⁰⁵

Drug Trafficking and Transnational Crime in the Wider Black Sea Region

Several major routes for drug trafficking pass through the Black Sea region, thus providing for a sustained presence of organized crime networks throughout the region. Turkey is strongly affected by drug trafficking from Afghanistan, with Istanbul being a traditional route for the smuggling of morphine and heroin toward the Balkans and onward to western Europe. Moreover, smuggling from the northern route also occasionally pass through Istanbul. And in Southeastern Turkey, PKK rebels have been and continue to be involved in the refining of opiates in makeshift laboratories.

¹⁰⁵ Shelley et. Al., *Methods and Motives: Exploring Links between Transnational Organized Crime and International Terrorism*, pp. 65-67.

The Caucasus is in the periphery of the two major drug routes from Afghanistan to Europe, the “Balkan” and the “Northern” routes, making this region an important link of the drug trafficking chain. The Caucasus is the main area where smuggling on these routes intersect, providing for a sustained presence of transnational crime networks in the region.¹⁰⁶ Moreover, the Caucasian states’ lack of control over their territories and partly criminalized state authorities has made these states a profitable transit zone for the trafficking of illegal goods to Europe. The unresolved conflicts play a prominent role in the transiting of drugs, in that these territories constitute entities practically isolated from international control systems, making them highly attractive to the drug trafficking business. Afghan heroin mainly arrives to the Caucasus through Turkmenistan from where it is transited across the Caspian Sea either to Azerbaijan or Dagestan. With its access to the Black Sea through its seaports in Sukhumi and Gudauta, Abkhazia has long been a transit area for heroin bound for Eastern Europe arriving from Dagestan and Chechnya, while drugs smuggled through South Ossetia mainly supply the Georgian market. Heroin is also shipped across the Black Sea from the Georgian ports of Poti and Batumi. Karabakh and Azerbaijani territories occupied by Armenian forces likely play a smaller role in drug trafficking, though Azerbaijani sources allege that these territories are used to transport heroin from Iran, from there smuggled onward through Armenia, Georgia and Russia. Just like along other parts of the routes, drug trafficking causes a range of social problems along its path and the Caucasus is becoming seriously affected by the drugs passing through it. The heroin trafficked through the Caucasus leaves a permanent imprint on these societies in the form of increasing drug abuse and a spread of HIV and tuberculosis. In spite of recent efforts to limit the involvement of state actors and enforcing a higher degree of border control on the part of several Black Sea states, the continued existence of unresolved conflicts and institutional weakness provides for a limited capacity of these states to control their

¹⁰⁶ See Svante Cornell, “The Growing Threat of Transnational Crime” in *The South Caucasus: a Challenge for the EU*, ed. Dov Lynch, Paris: EU Institute for Security Studies, Chaillot Papers, no. 65, p. 29.

territories, maintaining the attractiveness of the Black Sea states as drug transit zones.

Smuggling of Arms and Nuclear Materials

The smuggling and trade in small arms and heavy weaponry is yet another feature of organized crime around the Black Sea. Arms are transited to Europe and the Middle East through the Caucasus and smaller amounts of sophisticated weaponry have been smuggled through the South Caucasus to Chechnya.¹⁰⁷ Small arms are in great supply in the Caucasus, as an effect of the inflow of arms during the civil wars in the early 1990s, but chiefly due to the takeover of Soviet weaponry during the breakdown of the Soviet Union. Consequently, small arms are extremely widespread in Caucasian societies and the ownership of handguns is widely perceived as security in societies plagued by conflict and crime.¹⁰⁸ The largest quantities of arms currently in transit in the South Caucasus are originating from the Russian military bases in Georgia and Armenia, and are often obtained through purchase from the Russian military.¹⁰⁹ While a certain extent of legal arms production takes place in Transnistria through a Russian company based there, the region has frequently been described as an important hub for illegal manufacturing and trafficking of arms. Arms factories left over from the Soviet Union allegedly produce both light and heavy weaponry without serial numbers for export to conflict zones and organized crime networks.¹¹⁰ However, data is unavailable on the extent of these activities and there is little evidence to support the scale of alleged smuggling. The recently deployed EU Border Assistance Mission to the Moldova and Ukraine has not intercepted smuggling of arms or drugs of any significance. It should also be noted, though, that the border

¹⁰⁷ *Ibid.*, p. 35.

¹⁰⁸ Anna Matveeva, "Arms and Security in the Caucasus", in Anna Matveeva (ed.), *The Caucasus: Armed and Divided*, London: Saferworld, 2003

¹⁰⁹ Cornell, "The Growing Threat of Transnational Crime", pp. 35-36.

¹¹⁰ International Crisis Group, *Moldova: Regional Tensions over Transdniestria*, Brussels: ICG Europe Report no. 157, June 2004, p. 15.

between Moldova and Ukraine is for various reasons extremely hard to monitor, and the lack of actual seizures does not preclude arms smuggling.¹¹¹

Another worrying development is the smuggling of nuclear materials from Russian facilities in Siberia and the southern Ural mountains, which may potentially be used for the construction of weapons of mass destruction. These areas display high rates of crime and poverty, providing willing couriers for nuclear smuggling, while corruption among poorly paid guards of these facilities makes nuclear materials accessible for organized crime groups.¹¹² Since the Middle East constitutes the main market for nuclear materials, the Caucasus constitutes a natural transshipment point. Georgia has been particularly affected by this development and several seizures of smuggled nuclear materials have been made in the country since 1993.¹¹³ These have been smuggled from Russia mainly through Abkhazia into Georgia for further transport to Turkey and the Middle East. While developments in Georgia from 2001 onward have significantly improved Georgian abilities to fight smuggling, there are several signs implying it is still an ongoing activity. In July 2005, a senior Georgian official claimed Georgian police had prevented four attempts at smuggling highly enriched uranium through Georgia over the last two years.¹¹⁴ As late as the summer of 2006, around one kilogram of uranium transported in cars on route from Abkhazia to Turkey was seized by Georgian police. While this material was not enriched for the use in nuclear weapons, it would have been quite sufficient for the manufacturing of “dirty bombs”.¹¹⁵ The extensive transportation networks run by criminal groups, combined with corruption in both the transport sector and law enforcement agencies, make the

¹¹¹ International Crisis Group, *Moldova's Uncertain Future*, Brussels: ICG Europe Report no. 175, August 2006, pp. 5-7.

¹¹² Louise Shelley and Robert Orttung, “Criminal Acts: How Organized Crime is a Nuclear Smuggler's Best Friend”, *Bulletin of the Atomic Scientists*, September/October 2006, pp 22-23.

¹¹³ Douglas Franz, “Nuclear Booty: More Smugglers Use Asia Route”, *The New York Times*, 11 September 2001, p A1.

¹¹⁴ Margarita Antidze, “Georgia reports 4 new nuclear smuggling attempts,” *Reuters*, 8 July 2005.

¹¹⁵ Interview, Expert at Transnational Crime and Corruption Center, Georgia office, Tbilisi, 11 September 2006.

movement of any kind of illicit goods relatively easy and nuclear materials are no exception. While a number of nuclear smuggling cases have been successfully prevented, it is therefore a definite possibility that unknown quantities of nuclear material may have made it through undetected.¹¹⁶

Human Trafficking and Migration

The Black Sea Region is evolving as one of the most important regions in Europe for the trafficking in human beings. Citizens of Ukraine, Russia, Romania and Moldova are seeking to enter Turkey, which is the most flourishing state in the region with a relatively stable economy and obviously a demand for trafficked persons. The main push factor is the poor economic situation of the majority of its citizens, especially women. Trafficking in the region is both for sexual purposes and for labor purposes. In general, the weak position of trafficking victims in their home countries are explored in order to lure individuals to countries such as Turkey. Many of the detected human trafficking victims have been subjected to domestic violence or abuse. Some come from orphanages or boarding schools and some have mental disabilities. Interestingly, most of the trafficking victims do not consider themselves primarily as trafficking victims. They rather view themselves as migrants, economic and labor migrants, something which must be taken into account when designing measures to counter trafficking in human beings.¹¹⁷ The connection to human security is obvious. Weak states are usually not capable of providing human security for their citizens and the group hit the hardest are those already marginalized in society, for example orphans, mentally ill, abused children, and women in general. The connection to unresolved conflicts is also clear: indeed, most women trafficked from Moldova are from the criminalized breakaway Transnistria region.¹¹⁸ The Black Sea Region is in dire need of a strategy to handle migration in a constructive and sustainable matter. Clearly, poverty and

¹¹⁶ Shelley and Orttung, "Criminal Acts: How Organized Crime is a Nuclear Smugglers Best Friend", pp. 22-23.

¹¹⁷ Marielle Sander Lindstrom, "Turkey's Efforts to Fight Human Trafficking in the Black Sea Region: A Regional Approach", *The Quarterly Journal*, Winter 2005.

¹¹⁸ Communication to author from Louise Shelley, Director, Transnational Crime and Corruption Center, American University.

unemployment are the most important push factors and one way of controlling the trade and thereby restraining organized crime would be to stimulate the economic development in countries of origin in combination with regulating and legalizing labor migration.

In order to deal with the problem, the harmonization of migration laws in the region will be needed. This is especially the case when Romania and Bulgaria enter the EU, moving EUs border eastward. The overall question is whether Romania, traditionally a country of origin, together with Bulgaria will become countries of destination when becoming EU members. Although not very likely, the impact on states such as Ukraine, Russia and Moldova might change character over time. From being traditional origin and transit countries, they might become destination countries to an increasing degree.

Conclusion

Institutional weakness, combined with several cases where governments do not exercise full control over their territories, has made parts of the Black Sea Region extremely vulnerable to the influence of transnational organized crime networks. These networks seek to infiltrate state institutions and in many ways constitute an influential factor in the politics of these countries. The unresolved conflicts in the region create favorable conditions for organized criminal activity, as these provide territories lacking both efficient law enforcement and border controls. The problems connected to organized crime are closely linked to political instability, institutional weakness, corruption and poverty in these states. However, the criminal networks have also become an important obstacle to solving these problems, as they comprise of criminals, state actors and authorities of breakaway regions, thus creating strong economic incentives to maintain the preconditions for criminal activities, such as a protraction of status quo in the unresolved conflicts.

However, the transnational criminal networks extend far broader than to the Black Sea Region alone. Most narcotics smuggled through the region are headed for European markets and transnational criminality is in several other ways affecting the EU states. Furthermore, the unsettling phenomenon of nuclear smuggling is obviously part of a terrorist threat to the EU.

Insufficient border controls are part of the problem, not only on the EU's external border, but most importantly on the borders between the states of the Black Sea Region themselves. However, while the improvement of border controls may well be the most obvious practical measure at hand in combating organized crime, it is vitally important to maintain awareness of the deeper, underlying causes of the strength and influence of transnational crime in the Black Sea States. Problems of weak statehood, unresolved conflicts, the lack of civilian control over security structures, and overall poverty are all preconditions for organized crime. The development of strong, independent and eventually democratic states in the region is thus the only feasible long term approach to rooting out the problem.

To conclude, the extremely negative consequences of organized crime for both the Black Sea Region and the EU states constitute an additional motivation for the EU to become more actively involved in the region, and should be made part of EU strategy towards the region. It is also an issue where benefits from regional cooperation are quite obvious and the EU should seek to utilize experiences from Southeastern Europe in this regard, as well as explore the opportunities for addressing the issue through existing regional frameworks.

The EU and Frameworks for Cooperation in the Black Sea Region

This chapter maps current frameworks for economic and security cooperation in the Black Sea region. Starting out with an overview of organizations and initiatives aimed at developing cooperation among Black Sea countries, BSEC is the only institutionalized organization with this purpose. However, smaller regional organizations, i.e. the revived ODED-GUAM and the recently formed Community of Democratic Choice mark a changing, and more western-oriented, context for regional cooperation. The chapter then moves on to discuss EU approaches to Black Sea regional cooperation, including regional initiatives like TRACECA and INOGATE, but above all comprising of bilateral approaches to the Black Sea states. While bilateralism is logical in some respects, a regional approach and envisioning the Wider Black Sea area as a region would hold clear benefits for the EU, as several challenges in the region are transnational in nature. Finally, the EU enlargement to Romania and Bulgaria is discussed, focusing on Romania's potential for functioning as a bridge between the EU and the Wider Black Sea region. It is concluded that the existing and newly formed cooperation frameworks should be included and utilized in an EU strategy toward the Black Sea, where these frameworks can bring added value to development processes in the region, but that the EU should also develop a regional policy of its own in areas where these frameworks have proven insufficient.

Existing Cooperation Frameworks in the Black Sea Region

The Black Sea Economic Cooperation (BSEC)

The Black Sea Economic Cooperation Organization was established as a result of a Turkish initiative in 1992 and includes Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey,

Ukraine and Serbia and Montenegro as members. It thus encompasses the entire wider Black Sea Region and is the only institutionalized organization for regional cooperation with this coverage. Since the start-up of the organization, BSEC has established a number of institutions, such as the Parliamentary Assembly of BSEC (PABSEC), the Black Sea Trade and Development Bank (BSTDB), a Permanent Secretariat (PERMIS) and an International Center for Black Sea Studies (ICBSS). While the main objective of BSEC is to develop and diversify existing economic relations among its members, the organization's framework has expanded to also accommodate cooperation in a range of other fields, including soft security issues.

The establishment of BSEC has been termed a success in itself, since it represents a cooperative organization in a region otherwise divided by conflicts and tension. An important advantage of BSEC is that it has been formed and developed by the Black Sea states themselves and includes all states around the Black Sea, thus enjoying a high degree of political legitimacy.¹¹⁹ That said, BSEC has in several ways proven a problematic venue for cooperation around the Black Sea. The considerably lower level of economic exchanges between the Black Sea littoral states has often provided for questioning BSEC's progress regarding its main objective. The amount of funds allocated to BSEC's budget on the part of its member states does not indicate that cooperation in this form is highly prioritized and it remains unclear to which extent the member states are willing to grant BSEC room for initiative. Moreover, members' priorities concerning Black Sea cooperation within the framework of BSEC are unclear.¹²⁰ Cooperation on several of BSEC's core functions, such as environment, transport and energy issues are handled through other regional arrangements, such as the Black Sea Environment Program, Black Sea PETrA and TRACECA, for which the EU is the main sponsor.

¹¹⁹ Michael Emerson and Marius Vahl, "Europe and the Black Sea- Model European Regionalism Pret-a-Porter" in *Europe's Black Sea Dimension*, Brussels/Athens: Center for European Studies/International Center for Black Sea Studies, 2002, p. 31.

¹²⁰ Ibid.

Attempts have been made to reform BSEC into a more project-oriented and thus more efficient organization, most forthcoming during the Romanian chairmanship of November 2005-April 2006. The U.S. applied for and eventually gained observer status within BSEC in 2005, however this was initially rejected as an effect of Russian opposition and Turkish support for the Russian stance. While individual EU states, such as France, Italy, Germany and Poland have displayed an interest and have acquired observer status within the organization, the EU itself has so far devoted little attention to BSEC, and has chosen other avenues for promoting regional cooperation.¹²¹ BSEC has made various attempts to attract more EU attention to its activities with an aim to include the EU as an observer. However, these efforts have so far yielded little result as the EU frequently expresses a disinterest in gaining observer status.¹²² It thus remains to be seen whether BSEC will manage to reform itself in a way that will convince the EU to abstain from its common view of BSEC as too inefficient to be considered a partner for deeper cooperation.¹²³ Apart from attracting attention and support from the EU, the future importance of BSEC and successful cooperation through the organization are crucially dependent on the agendas of Turkey and Russia as key actors in the region and the role they wish for BSEC to play.¹²⁴

Other Cooperation Frameworks

While BSEC remains the only institutionalized organization covering regional cooperation throughout the region, several other frameworks have emerged. These include GUAM, comprising of Georgia, Ukraine, Azerbaijan and Moldova. The foundation of GUAM in 1997 was intended as an organizational alternative to the Commonwealth of Independent States, aimed at countering Russian influence over the CIS. Uzbekistan became a member in 1999, but decided to withdraw in 2005. In its previous form,

¹²¹ Emerson and Vahl, "Europe and the Black Sea- Model European Regionalism Pre-Porter" p. 31.

¹²² Interview, Official, Ministry of Foreign Affairs, Bucharest, July 2006.

¹²³ Interviews, Bucharest, July 2006.

¹²⁴ Interview, Dr. Liviu Muresan, Executive President, European Institute for Risk, Security and Communication Management in Bucharest, Bucharest, 19 July 2006.

GUAM produced very few concrete results; yet the organization was symbolically important in constituting a spontaneous cooperative effort among states of the region based on their common and mutual interests, and not imposed by any foreign or regional power. Moreover, GUAM provided an effective venue for the coordination of policies of the countries within the CIS that sought to resist Russian attempts to use the CIS as an instrument for exerting influence over the former Soviet space.

The peaceful revolutions in Georgia and Ukraine, along with the Moldovan government's increasingly pro-European stance and the coming online of Azerbaijan's energy resources, provided for new opportunities to revitalize the grouping. At a meeting in Kiev in May 2006, GUAM was formally institutionalized and renamed the "Organization for Democracy and Economic Development-GUAM". The organization defined its objectives and prioritized the area of energy security along the Caspian-Caucasus-Black Sea axis, along with the promotion of a free trade area and democratic values among ODED-GUAM member states.¹²⁵ It remains unclear whether the re-institutionalized ODED-GUAM will prove able to implement its ambitious new agenda into practice, but the attempt to revitalize the organization reflects a more decisive commitment to regional cooperation on part of smaller states in the Wider Black Sea region. A cloud on the horizon is the growing divisions in the Ukrainian government, with Viktor Yanukovich's Party of Regions considerably less committed to this project.

The Community of Democratic Choice was created in December 2005, during a two-day summit in Kiev, on the initiative of the Georgian and Ukrainian presidents, Mikheil Saakashvili and Viktor Yushchenko. The CDC consists of Georgia, Ukraine, Lithuania, Latvia, Estonia, Romania, Moldova, Slovenia and Macedonia, and has stated its aim to remove "the remaining divisions in the [Baltic-Black Sea] region, human rights violations, and any type of confrontation or frozen conflict."¹²⁶ The CDC

¹²⁵ Fabrizio Tazzariani (2006), *A Synergy for Black Sea Cooperation: Guidelines for an EU initiative*, Brussels: Centre for European Policy Studies, CEPS Policy Brief no'. 105, June 2006, p. 2.

¹²⁶ "Ukraine: Regional Leaders Set Up Community of Democratic Choice", *Radio Free Europe/Radio Liberty*, 2 December 2005.

subsequently met in Tbilisi and Vilnius during 2006. While not officially part of the CDC's agenda, its creation has frequently been understood as a new attempt by the member states to counterbalance Russian influence over its neighborhood and to bridge the divide between new EU members and CIS states.¹²⁷

The revitalization of GUAM and creation of CDC both reflect political shifts among Black Sea States, most importantly in Ukraine, Georgia, Moldova and Azerbaijan, emphasizing an orientation toward western institutions and an increased capability to implement these policies concretely. These states are showing an increased commitment to democratic reform and a will to reduce their dependence on Russia in exchange for a more decisive turn toward cooperation with the west and integration with the EU. It remains to be seen whether these organizations will develop into platforms of significance, but their creation clearly signal a renewed engagement in regional cooperation on part of their member states, potentially contributing to an important contextual change in this regard.

Linkages between new EU members in the Baltic and East European Regions and Black Sea states are increasingly referred to as the "Black Sea-Baltic Axis", an unofficial term referring to countries pursuing shared interests in the region. The term includes the Baltic States, Poland, Ukraine, Romania, Moldova and Georgia, thus encompassing countries belonging to western organizations such as NATO and the EU, as well as western-oriented ones like GUAM, CDC and the New Group of Georgia's friends.¹²⁸ The latter includes the Baltic States, Poland, Bulgaria and Romania and is aimed to export experiences from accession to NATO and the EU to Georgia and promote similar processes in the Black Sea region.¹²⁹ Indeed, both the Baltic

¹²⁷ *Ibid.*

¹²⁸ Vladimir Socor, "Baltic Sea – Black Sea 'Axis' Adumbrated", *Eurasia Daily Monitor*, 28 March 2005.

¹²⁹ Marius Vahl, "The EU and Black Sea Regional Cooperation: Some Challenges for BSEC", Presentation at Parliamentary Conference on The Wider Black Sea Region in the New European Architecture, Athens, 8 April 2005.

States and Romania have a record of promoting western engagement in the eastern part of the Black Sea region.¹³⁰

The Black Sea Forum

A major Romanian initiative in this regard was the Black Sea Forum, which took place in Bucharest on June 5, 2006. The Black Sea Forum was intended as the first step toward the establishment of a non-institutional framework for high-level discussion within which any issues connected to Black Sea Regional cooperation can be addressed.¹³¹ Apart from the hosting Romanian president, the event was attended by the presidents of Ukraine, Georgia, Armenia, Azerbaijan and Moldova in addition to senior officials from Bulgaria, Greece and Turkey. Russia, however, decided to take part in the forum only as an observer and was represented through its Bucharest ambassador. Russia's main official motivations for not participating was that existing cooperative frameworks, such as BSEC and Blackseafor are sufficient and in practice the only feasible frameworks for deepening regional cooperation.¹³²

Many Romanian observers are skeptical regarding the viability of an initiative like the Black Sea Forum if failing to attract Russian participation,¹³³ and Russia's lack of interest constitutes a clear political message that it is not interested in allowing smaller regional actors a leading role in Black Sea cooperation, and that Russian participation is decisive to the success of regional initiatives.¹³⁴ However, Romanian government officials point out that Russia usually displays a pattern of recalcitrance in the wake of new initiatives that are not invented by Russia itself, but that it often eventually embraces them when they prove fruitful. Russian skepticism to

¹³⁰ Vladimir Socor, "Baltic Anchors to the Black Sea", *Eurasia Daily Monitor*, October 21, 2004.

¹³¹ Interviews, Experts within the Romanian Presidential Administration, Bucharest, 19 July 2006.

¹³² Vladimir Socor, "Black Sea Forum Seeking its Rationale", *Eurasia Daily Monitor*, 8 June 2006.

¹³³ Author's interviews, Bucharest, July 2006.

¹³⁴ Vladimir Socor, "Black Sea Forum Seeking its Rationale", *Eurasia Daily Monitor*, 8 June 2006.

the Black Sea Forum, if this line of reasoning proves correct, may change over time.¹³⁵

The Black Sea Forum also made an attempt at bringing controversial hard security issues to the agenda, through bringing together presidents Kocharyan and Aliiev for talks on the Karabakh conflict. These discussions, however, led to little concrete progress.

EU Involvement in Black Sea Regional Cooperation

Previous EU Regional Cooperation Initiatives

The EU has previously taken part in initiating and funding a number of regional cooperation initiatives connected to the Black Sea Region, especially in the fields of transport and energy. The Transport Corridor Europe-Caucasus-Asia (TRACECA) was initiated in 1993 and constituted a visionary project aimed at building a network of roads, railroads and ferry connections, linking Europe and Central Asia through Turkey and the Caucasus. While TRACECA holds a potential for great improvements in continental trade and includes fourteen countries of the region, little has so far come out of the project.

The Interstate Oil and Gas Transport to Europe (INOGATE) is another regional cooperation initiative which provides technical assistance and some investment support for the building of new pipelines in the region, aimed at integrating oil and gas pipeline systems in Eastern Europe and Central Asia, thus enhancing European security of supply. INOGATE was launched by the EU in 1995 and encompasses 21 countries in Eastern Europe, the Caucasus and Central Asia; however Russia is not included among these.

As part of new EU guidelines for Trans-European networks, a process is underway aimed at developing proposals on transport axes within the Pan-European Transport Area, including a sub-group for the Black Sea (Black Sea PETrA). Among mentioned priorities with implications for Black Sea regional cooperation are a “central axis” which would run from the EU through Ukraine, the Black Sea and the Caucasus to Central Asia and a

¹³⁵ Author's interviews with Romanian government officials, Bucharest, July 2006.

“southeastern axis” linking the EU to the Caspian Sea through the Balkans, Turkey and the Caucasus.¹³⁶

Current EU approaches to the Black Sea Region

The EU currently has three sets of strategies toward the Black Sea Region. First, the enlargement to Romania, Bulgaria and eventually Turkey, along with the stabilization and association process for the Western Balkans. Second, the European Neighborhood Policy (ENP) applied to eastern and southern neighbors which are not candidates for membership. Third, the four “common spaces” (economic and environmental issues; freedom, security and justice; research and education and external security) bilaterally agreed with Russia. However, to date relations between the EU and countries in its periphery have primarily been bilateral, for the most part lacking aspects of regional cooperation.¹³⁷ As stated in the ENP strategy paper, the EU prefers differentiation in the application of the ENP to its partner countries. Bilateralism is perceived as beneficial in that it allows the EU and its partners to adapt their cooperation individually to the needs of different countries. It does, however, also state the importance of regionally fostering closer cooperation both between EU countries and among neighboring countries themselves.¹³⁸

While the ENP was established as an instrument for cooperation with the EU’s neighborhood with the background of the EU’s inability to offer membership and enlargement to its neighbors in the Mediterranean and the Black Sea Region, the ENP has not been understood by the EU’s Black Sea neighbors as a completely sufficient alternative to EU membership.¹³⁹ While membership was not an alternative in the first place, the rejections of the European Constitution on part of France and the Netherlands have further

¹³⁶ Marius Vahl and Sergiu Celac, “Ready for a Breakthrough: Elements for a European Union Strategy Towards the Black Sea Region”, *Southeast European Studies*, vol. 6 no. 2, June 2006, pp. 169-191.

¹³⁷ Vahl and Celac, “Ready for a Breakthrough”, pp. 169-191.

¹³⁸ European Commission, *European Neighbourhood Strategy Paper*, Brussels, May 12 2004.

¹³⁹ Iris Kempe and Kurt Klotzle, *The Balkans and the Black Sea Region: Problems, Potentials and Policy Options*, Munich: Center for Applied Policy Research, CAP Policy Analysis no 2, April 2006.

underscored the unwillingness toward new enlargement projects on part of the EU, in turn disillusioning Black Sea states with long term membership expectations, especially Georgia and Ukraine.¹⁴⁰

Enlargement and Regional Cooperation: The Case of Romania

The accession of Romania and Bulgaria will incorporate two Black Sea states and thus bring the EU to the shores of the Black Sea. Whether this will imply more EU engagement in regional cooperation and an EU strategy envisioning the Black Sea as a region remains an open question, but enlargement will certainly imply the inclusion of two countries which are also experienced participants in regional cooperation and members of Black Sea cooperation frameworks. Romania, with its 22-million strong population, is particularly well-placed for a greater role, and has also worked toward this aim in the past. What are Romania's chances to promote its visions on the Black Sea region within the EU, and of functioning as a bridge between the EU and the region?

The Black Sea Forum initiative represented Romania's increasingly explicit engagement in the field of Black Sea Regional cooperation. Since the election of Traian Basescu as president in December 2004, Romania has sought to elaborate a coherent strategy in this regard. From a Romanian perspective, the benefits of assuming a more forthcoming role as an actor in the region are threefold. First, a display of international initiative boosts Romania's image on the domestic arena. Second, engagement with Black Sea regional cooperation provides Romania with a profile and a special competence upon becoming an EU member. Third, the elaboration of functioning frameworks for regional cooperation is crucial to Romania's own strategies for national security, as these grant Romania instruments for addressing its controversies with Ukraine over Serpent Island and the Danube Delta, and is logical regarding its concerns over the Transnistrian conflict.

Romania has long been part of regional cooperation frameworks, like BSEC, but the current presidency seems somewhat disillusioned with the

¹⁴⁰ C.f. Michael Emerson, *The Black Sea as Epicenter of the Aftershocks of the EU's Earthquake*, Brussels: Centre for European Policy Studies, CEPS Policy Brief no 79, July 2005.

effectiveness of this regional organization. Indeed, BSEC is by many Romanian officials agree that BSEC has accomplished little practical cooperation in terms of joint economic projects between Black Sea states.¹⁴¹ In addition, the scope for cooperation within BSEC is viewed as being severely restricted by the agendas of Russia and Turkey and the organization's perceived failure in this regard was an important motivation for the arrangement of the Black Sea Forum initiative.¹⁴²

While the Romanian government appears quite determined in seeking to develop a vision on the Black Sea, Romanian observers not tied to government bodies express a somewhat more skeptical view of Romanian capabilities for bringing the topic of the Black Sea Region to the EU's agenda. It is argued that present Romanian policies towards the Black Sea covers a far too broad and vague range of issues, and that Romania would gain credibility and room of maneuver should it focus on fewer, but more concrete issues that can more easily be translated into concrete projects. Doubts can be raised to whether Romanian administrative capacity is capable of living up to the ambitious ideas elaborated by the government.¹⁴³ Moreover, the question is whether skepticism toward BSEC would not best be addressed by steps to strengthen the organization, rather than create parallel ventures. EU officials share doubts of Romania's capabilities, and underline that Romania's primary obligation upon joining the EU is developing the security of its external borders.¹⁴⁴ One may indeed raise questions as to whether Romania will be able promote economical exchange across the EU's external border, while at the same time adhering to EU security requirements.

As a mid-size actor in the Wider Black Sea region, Romanian capabilities to have a real impact on policy agendas in the region are indeed quite limited. The success of regional initiatives, such as the Black Sea Forum, is dependent

¹⁴¹ Interviews, Experts within the Romanian President's Administration, Bucharest, July 2006.

¹⁴² Author's interviews, Bucharest, July 2006.

¹⁴³ Author's interview, Dr. Alina Mungiu Pippidi, President, Romanian Academic Society, Bucharest, 19 July 2006.

¹⁴⁴ Speech by the Acting Head of the European Commission Delegation, Conference on *Black Sea Area and Euro-Atlantic Security: Strategic Opportunities*, Bucharest, 21 April 2005.

on a delicate balancing act where the interests of key players Russia and Turkey must be accommodated. Romania accordingly sought to utilize all diplomatic means available to ensure Russian participation, and the BSF agenda was designed specifically not to be offensive to Russia.¹⁴⁵ However, these efforts did not prove sufficient and the BSF experience constitutes an example of the difficulties present in promoting cooperation initiatives by small actors in the region.

The Romanian EU membership will likely bring increased credibility and legitimacy to Romania's role as a facilitator of cooperation around the Black Sea, and will bring added value to Romanian initiatives and engagement in the region. However, EU accession will also oblige Romania to conform to EU strategy toward the Black Sea. Romania's capacity for assuming the role of a bridge to the Black Sea Region is thus dependent on EU support for Romania's role in this regard. It is also reliant on the EU's readiness to develop a regional dimension for the Black Sea. Considering the current enlargement fatigue and an expressed unwillingness on part of the EU to bring new "problems", or obligations into the EU's realm of politics, Romania may find it difficult to place issues concerning Black Sea cooperation on the EU agenda. However, high-ranking EU officials have also expressed a willingness to support Romanian projects connected to the Black Sea, provided these are designed in a tangible and coherent manner.¹⁴⁶ In this regard, Romanian potential for functioning as a facilitator of regional cooperation are dependent on its capability of refining its agenda toward the Black Sea Region and perhaps of narrowing its focus in order to provide the EU with more concrete options for involvement. A developed vision on the Black Sea may therefore well be an important Romanian contribution to the formation of an EU Black Sea strategy.¹⁴⁷

¹⁴⁵ Author's interview, Bucharest, July 2006.

¹⁴⁶ Speech by the Acting Head of the European Commission Delegation, Conference on *Black Sea Area and Euro-Atlantic Security: Strategic Opportunities*, Bucharest, 21 April 2005.

¹⁴⁷ Interview with Dr. Liviu Muresan, Bucharest, July 19, 2006

How can the EU Utilize Existing Cooperation Frameworks?

Several signs of a changing context for regional cooperation around the Black Sea can be observed. Recent attempts of reforming BSEC into a project-oriented organization, along with the revitalization of GUAM, the formation of CDC and the increasing linkages between the Baltic and East European countries and smaller Black Sea states all represent the development of an increasingly cooperation-friendly context around the Black Sea. However, Black Sea regional idealism is mainly a feature among the less powerful actors of the region and, as was touched upon above, the main players Russia and Turkey seemingly do not share this enthusiasm. Russia is indeed skeptical toward new cooperation formats not initiated by Russia itself, and quite naturally negative toward the ODED-GUAM and CDC, as these are perceived as challenges to its influence over former Soviet republics. This point is perhaps best illustrated by Russian reluctance to take part in the Black Sea Forum. Turkey is concerned with maintaining its influence over the Black Sea, through as far as possible excluding external actors, and opposes an increased NATO presence in the region. This was clearly demonstrated through its unwillingness to extend Operation Active Endeavour from the Mediterranean to the Black Sea, instead forming the Black Sea Harmony operation in cooperation with Russia. Turkey and Russia thus appear to be quite determined in maintaining their influence over the Black Sea, displaying mutual understanding in this regard, along with increasing cooperation and economic exchange. This relationship leaves very little room for maneuver for smaller states in the region, seeking to develop their own frameworks for regional cooperation and common political direction. It is indeed difficult to envisage functioning cooperation around the Black Sea, especially in fields with high stakes such as energy and hard security, without the participation of Russia and Turkey. Any EU strategy on the Black Sea must thus seek to manage these regional powers in a constructive manner, providing benefits of cooperation rather than alienating them from development processes in the region. This is especially the case for Turkey, whose national interests are not adversarial to European interests in the region and where the prospects for meaningful cooperation are good. With Russia, Europe will find it difficult to deal with Moscow in the region as long as the Russian elite defines its national interests in the way it currently does. This does not mean that prospects of cooperation should not be explored, but that this is likely to be a cumbersome process.