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THE BLACK SEA REGION:
CHALLENGES AND
OPPORTUNITIES
FOR EUROPE

Yannis Valinakis

INSTITUT
D'ETUDES
DE SECURITE
UNION DE L'EUROPE OCCIDENTALE



INSTITUTE
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(A French translation of this paper is also available)

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CONTENTS

Preface

Abbreviations

Summary

Cooperation and security in the Black Sea region

The BSEC: incentives for and obstacles to cooperation

What should Europe's policy be?

PREFACE

Following an approach adopted by WEU well before other European security organizations, the Institute has devoted part of its research to regions that do not yet include full member states of either the EU or NATO. After the entry into force of the Amsterdam Treaty, the CFSP will only have sense and credibility to the extent that it addresses the concerns of third countries, which will put the EU's force of attraction as well as its conviction to the test. The Institute therefore considers it all the more essential to analyse subregional situations and their evolution, and the challenges and opportunities that the process of European integration could present for them.

The diversity of conditions and political ambitions that characterizes the countries bordering the Black Sea is not an obstacle to their convergence towards a common approach, in the identification and promotion of their common economic, and consequently security, interests, that the new international situation has made possible.

The study commissioned from Yannis Valinakis, who was at the time director of ELIAMEP in Athens, was discussed at an international seminar held in Paris in 1998 and subsequently revised. The result is now presented for wider discussion, with the participation of the countries most directly concerned by this analysis.

Guido Lenzi
Paris, July 1999

ABBREVIATIONS

AIOC	Azeri International Operations Company
Bcm	billion cubic metres
BSEC	Black Sea Economic Cooperation Project
BSTDB	Black Sea Trade and Development Bank
CBSS	Council of the Baltic Sea States
CEEC	Central and East European Country
CEI	Central European Initiative
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
COMECON	Council for Mutual Economic Assistance
CSBM	Confidence and Security-Building Measure
CSCE	Conference on Security and Cooperation in Europe
EBRD	European Bank for Reconstruction and Development
ELIAMEP	Hellenic Foundation for European and Foreign Policy
EU	European Union
FDI	Foreign Direct Investment
FRY	Federal Republic of Yugoslavia
FYR	Former Yugoslav Republic (of Macedonia)
ICBSS	International Centre for Black Sea Studies
INTERREG	Interregional Programme (EU)
MAPE	Multinational Advisory Police Element (WEU)
MEDA	Mediterranean European Development Agreement
MMFA	Meeting of Ministers of Foreign Affairs
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NIS	Newly Independent State(s)
OSCE	Organization for Security and Cooperation in Europe
PABSEC	Parliamentary Assembly of the BSEC
PERMIS	Permanent International Secretariat of the BSEC
PHARE	Poland and Hungary: Aid for the Restructuring of Economies (later extended to other Central and East European countries).
SECI	South-East European Cooperative Initiative
SME	Small and Medium Enterprise
TACIS	Technical Assistance to the CIS
UNHCR UN	High Commission for Refugees
WEU	Western European Union

SUMMARY

In this paper the term Black Sea region is defined as the area covered by the eleven states participating in the Black Sea Economic Cooperation Project (BSEC) – Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Turkey and Ukraine. The region is strategically important for the West as a trade link and area of transit, and because of its fossil fuel deposits. As crises in the Balkans, Caucasus and Caspian have shown, however, ethnic animosities, economic crises, refugees, environmental problems and disparities in military power make the area prone to instability. As well as constituting a divisive factor, the existence of large oil and gas reserves encourages cooperation, involving multinational consortia and external states. The major actors in the area are Russia and the United States. For Russia, the region is a natural bulwark, a gateway to the world’s oceans and an area in which it seeks to re-establish its influence. The United States has had three main goals in the region: to support newly independent states, to support US commercial involvement in oil production and export, and to reduce its dependence on oil from the Persian Gulf. For mainly geostrategic and economic reasons respectively, Turkey and Iran also play important roles in the region; the importance of oil makes them both potential rivals and partners.

The BSEC, which was set up in 1992, was originally inspired by Turkey’s strategy of ‘cooperative hegemony’ but has developed into a collective project. Its member countries, who vary widely in terms of area, population, wealth and motives for joining, share a desire to join forces in common projects and avoid relegation to the ‘periphery of world politics’ by transcending traditional rivalries. In 1998 the BSEC was transformed into a regional organization, which enables it to intensify cooperation with other regional and international organizations. Its development can be considered a political success: its regular summits and other meetings have in themselves contributed to greater stability. However, for economic cooperation to advance into the area of political commitment, latent antagonisms and conflicts will have to be overcome, rather than left to one side as at present. Cooperation is restricted by historical perceptions; lack of homogeneity, implementation mechanisms, resources, international visibility; and a clear vision of priorities.

An active European role in the area seems worth exploring. Compared with the United States and Russia, Europe has the advantage that the region feels it has a European vocation, and, having no traditional superpower interests, the EU could become actively involved without being perceived as seeking a zone of influence. European Union policy has been to support regional cooperative projects strongly, and in 1996 and 1997 it took specific policy initiatives towards, *inter alia*, the BSEC. At the same time, the EU is increasingly becoming the focus of most BSEC countries’ aspirations; some of them seek membership. It is in the EU’s interest that the BSEC should not become paralysed. Following a number of developments, there is now a window of opportunity for a stronger BSEC relationship with the EU to be promoted, and the EU might consider spelling out a policy on the BSEC, institutionalizing the EU-BSEC relationship. As a member of both organizations, Greece is well placed to take the lead on this. The Black Sea’s strategic importance also, however, calls for the involvement of other European actors: the Council of Europe (in enhancing

democracy and peace-building), the OSCE (through the Stability Pact) and WEU (for Petersberg tasks).

COOPERATION AND SECURITY IN THE BLACK SEA REGION

The strategic importance of the Black Sea region

The term 'Black Sea area (or region)' has been used in a rather flexible way. The problem of defining the Black Sea region is complex, as there are many different interpretations. It is perceived either as a concrete geopolitical entity, actual or resulting from history – and thus with a sense of common identity and togetherness – or as a process in hand; as a subregion, rather than an entity *per se*, or a network of bilateral, trilateral, or multilateral links. However, the creation of the Black Sea Economic Cooperation Project (BSEC) in 1992 has contributed to the intensification of regional cooperation and a perception of emerging common interests. In this study the term Black Sea region (or area) is used as referring to the territories of the eleven states participating in the BSEC: i.e. on the one hand the sea's six littoral states – Bulgaria, Georgia, Romania, Russia⁽¹⁾, Turkey and Ukraine – and on the other the more or less adjacent countries – Albania, Armenia, Azerbaijan, Greece and Moldova.

The Black Sea area's strategic importance to the West, and to Europe in particular, is bound to increase substantially in the years to come. Given the region's geostrategic position as a natural link between Europe and Asia, and between Central Asia and the Middle East, it constitutes a vital trade link as well as an important area of transit. Consequently, instability and potential for conflict in the Black Sea area, its energy resources and its economic prospects matter to the international community.

Instability and potential for conflict

Since the dissolution of the USSR in 1991, a number of violent conflicts have erupted leading to instability and raising questions over security in the region. The region has an inherent potential for conflict, as illustrated by the crises in former Yugoslavia, the Caucasus area and the oil-rich Caspian Sea to the east. While the communist system had the means to repress the existing conflicts from their open outbreak or to deal with it behind closed doors, the collapse of the Soviet Union inevitably opened the way to conflicting claims with which no diplomatic machinery was adequately prepared to cope efficiently.⁽²⁾ The issue of national borders and territorial claims in particular has been further complicated by several newly independent states (NIS) failing to demarcate their borders, and by the absence of effective control over armed forces. There is a high and ever-present danger of unauthorized groups gaining control and dragging regional states into conflicts. The Chechen conflict is one example. Furthermore, the conflict could set a dangerous example to other parts of the Russian Federation.⁽³⁾ The increased weakness of the central government could well transform the north Caucasus into a powder keg.

Ethnic animosities in the formerly Soviet region stem from an extraordinary ethnic diversity in that area, which is populated by more than twenty different larger ethnic groups and nationalities. Besides, these nationalities are dispersed in the territory of several countries, where the national minority often plays a substantial role.⁽⁴⁾ Administrative and national borders are frequently in sharp contrast with the

perceptions of the local population about the entitlement of certain ethnic groups to specific territories (Ingushetia-North Ossetia). The striving of smaller ethnic communities for the attributes of nationhood comes into conflict with previously established borders, and has been exacerbated by forced and spontaneous migrations. Public opinion in some countries revolves around the traditional fixation on the restitution of territories lost at some point in history.⁽⁵⁾

As an example, together with Chechnya the Nagorno-Karabakh struggle is the most long-standing conflict on CIS territory, while renewed fighting in the Georgian-Abkhaz conflict indicates that the conflict there is by no means settled or close to settlement. The Azeri leader Heydar A. Aliyev and Armenia's new President, Robert Kocharyan, met in Moscow in April 1998 and issued a joint statement confirming their "commitment to a peaceful settlement" but their respective positions on Nagorno-Karabakh continue to diverge.⁽⁶⁾

The emergence of Ukraine as an independent state is an important geostrategic development in Europe. Moscow and Kyiv have been at odds over a wide range of issues: the Black Sea Fleet, the division of former Soviet property, international debt repayments, energy deliveries, the shape of the CIS and the control and ownership of nuclear weapons.⁽⁷⁾ The Crimea is and will remain at the heart of the Russian-Ukrainian relationship; it is known for its ethnic entanglements, as its population of 2.5 million is composed of 1.7 million ethnic Russians, 600,000 Ukrainians and 280,000 Tartars.⁽⁸⁾ The future of the Black Sea Fleet was settled with the signing of a Friendship Treaty on 30 May 1997,⁽⁹⁾ but analysts warn that the "lord-vassal" relationship between Moscow and Kyiv could turn into a new economic struggle.⁽¹⁰⁾

The case of Moldova contains some of the major problems of Russian policy towards the NIS: a large Russian-speaking population, economic dependency and Russian military involvement.⁽¹¹⁾ The Dniester conflict in Moldova led to armed struggle in Transdniestria and regional instability. A cease-fire was declared in July 1992 and peacekeeping arrangements were established under the auspices of Russia, Moldova and Ukraine.

Economic crises are additional causes of instability in this area. Almost all Black Sea nations were hit by crises (due to dependency on the Soviet market and post-Soviet transition to a market economy) at the time when the BSEC was conceived, and continue to suffer from it today. Inflation rates remain fairly high (e.g. the inflation rate in 1997 (consumer price index) in Albania was 40 per cent, in Romania 151 per cent and in Moldova 11.2 per cent⁽¹²⁾) and decline in production has assumed across-the-board proportions. Output in all countries in transition in the region is below the pre-transition levels, and full recovery is still some years away. For example, in Armenia and Azerbaijan the decline in output in terms of GDP in 1992 (when the BSEC was formed) was 52.3 and 22.6 per cent respectively.⁽¹³⁾ States in the region have only recently begun making progress on economic reform. Positive growth rates have been the result of economic programmes primarily sponsored by the IMF. In 1997, GDP real growth rate in Armenia was 2.7 per cent and in Azerbaijan 5.8 per cent.⁽¹⁴⁾ The difficulties are both macroeconomic and structural. Living standards have dropped sharply, and social tension (caused largely by the pains of transition) could seriously destabilize the whole region. As its economy melts, Russia in particular is going through its worst economic crisis since the dissolution of the Soviet Union,

inflation is high and the financial system is collapsing. Economic and political turmoil is undermining regional stability and has severely affected the real economy: the value of Ukraine's currency has fallen by some 30 per cent since the Russian rouble was devalued.⁽¹⁵⁾ There are also prospects of asymmetries in economic growth in the region. For instance, a rise in Azerbaijan's economic power as a result of oil sales would boost its capacity to buy arms, with consequent further instability.

The problem of *refugees* and *forced migrants* as a result of conflict, political and economic malaise is clearly of particular concern. Fighting in South Ossetia (1991) and Abkhazia (1992-93) resulted in 280,000 internally displaced persons from Abkhazia, South Ossetia, and Georgia, including 40,000 persons displaced during 1998 in western Georgia.⁽¹⁶⁾ Russia alone, in the last few years, has hosted an estimated five million people, mainly ethnic Russians who were uprooted from the CIS and Baltic countries. Among these are some 150,000 internally displaced persons from Chechnya (Russian Federation), 23,000 internally displaced persons from North Ossetia (Prigorodny District); 29,000 Georgian refugees; and 20,000 formerly deported Meskhetian Turks.⁽¹⁷⁾ Inter-ethnic tension in Azerbaijan and Armenia, coupled with the Nagorno-Karabakh conflict, resulted in more than 330,000 ethnic Armenian refugees from Azerbaijan during 1988-92.⁽¹⁸⁾ UNHCR reports 620,000 internally displaced persons in Azerbaijan, 180,000 ethnic Azeri refugees from Armenia, 45,000 Meskhetian Turk refugees from Uzbekistan and asylum-seekers from outside the CIS seeking protection and assistance.

The inability of authorities to provide requisite social assistance for refugees leads to inevitable disorder which in turn becomes a fertile breeding ground for organized crime. There is a very real and confirmed danger of the region, which lies at the crossroads of trade routes from Asia to Europe, turning into a haven for international drug traffickers.⁽¹⁹⁾

Tension could gradually develop as a result of *aggravated environmental problems* which are increasingly detrimental to the interests of the Black Sea riparian states and even beyond. The sea, whose coasts provide a home to many million people, is becoming one of the most polluted in the world; resources have been squandered through over-exploitation and short-sighted development policies, and it has always served as a sink for man-made and natural waste dumped into the rivers that feed it – the Danube, Don, and Dniester.⁽²⁰⁾ The environmental catastrophe is so serious that many fear the sea will never recover.

The destabilizing factors cited above are rarely manifested individually. More frequently, a confrontational incident that develops into a conflict will be triggered by a whole set of interrelated causes, with no apparent primary and secondary factors.

Last but not least, the combination of the afore-mentioned tensions could be further aggravated by *disparities in military power*. The Black Sea region includes the states with the three largest armed forces in Europe – Russia, Turkey and Ukraine.⁽²¹⁾ The other countries (with the exception of Greece) remain militarily fairly weak and are unlikely to spend large amounts of their budgets on defence. Albania and Moldova in particular have found themselves with virtually no armed forces after the collapse of the communist regimes.

Table 1 Defence expenditure (1992 and 1996) and military manpower (1992 and 1997) of Black Sea states

	Russia	Turkey	Ukraine	Bulgaria	Greece
Defence expenditure (US\$ million, current prices)					
1992	47,220	4,140	4,320	1,310	4,400
1996	69,537	6,856	1,306	335	5,900
Armed forces (thousands)					
1992	2,030	480	438	99	159
1997	1,240*	639	385*	101	162

Source: *The Military Balance 1993-1994* (London: Brassey for the IISS, 1994); *The Military Balance 1997-1998* (Oxford: Oxford University Press for the IISS, 1997).
*estimates.

Despite certain countries' reduction of military power immediately after the collapse of the Soviet Union (the abandonment of Ukraine's nuclear capacities is a telling example), others opted for the opposite direction. Some states (Azerbaijan, in particular) have developed important arsenals. Arms acquisitions and indigenous production capacities have become increasingly noticeable and sophisticated weapons systems are being introduced.⁽²²⁾ The NIS have found that weakness has its price: when threatened by external or domestic enemies, some may have to rely on Russia's support.⁽²³⁾

Military alliances are another important factor. Russia has formal military agreements with both Armenia and Georgia.⁽²⁴⁾ Greece and Turkey are members of NATO, and Bulgaria and Romania also aspire to full membership, while on 27 May 1997 Russia and NATO signed the Founding Act on Mutual Relations, Cooperation and Security.⁽²⁵⁾ As full membership of NATO is not yet a viable prospect for Ukraine, on 9 July 1997 Kyiv signed a 'Charter on a Distinctive Partnership'⁽²⁶⁾ with NATO which does not include hard security guarantees. However, Ukraine's characterization by NATO as a key factor for ensuring stability in Central and Eastern Europe has been interpreted as recognition of Ukraine's Western orientation.

Energy and economic potential

It is against this background of complicated territorial and ethnic conflicts and competing interests that the development and transportation of energy resources takes place. It raises two main questions: first, whether economics will be a divisive or a stabilizing factor. Energy (oil and gas) is both a factor that encourages cooperation and an obstacle, a divisive factor. The second question is whether or not there is a primacy of politics over economics, and whether the development of one is conditional on the other.

The region's economic potential and huge natural resources, especially the energy resources of the Caspian Basin, are increasingly attracting the West's strategic

attention.⁽²⁷⁾ In the foreseeable future, the stability of the Black Sea area will depend very much on the development and transportation of Caspian oil and gas.

As far as oil is concerned, estimates of the region's resources range from a conservative 70 billion barrels to 200 billion barrels⁽²⁸⁾ of recoverable oil reserves – a quantity larger than the reserves of the North Sea and the Alaskan North Slope combined.⁽²⁹⁾ These quantities represent potentially the world's second largest oil reserves and a fundamental energy source for the West in the next century. The opportunities to earn hard currency on the world market that they offer are therefore considerable, and the political stakes very high. As global demand for oil is estimated to rise by at least a third by 2010 (between 92 and 97 million barrels a day) due to economic development and population increase, Gulf oil suppliers will be asked to provide 60 per cent of the world's import requirements. The Caspian region has the potential to supplement Gulf oil if political and economic problems of transporting the oil can be solved.⁽³⁰⁾

Lack of agreement on the legal status of the Caspian Sea and the territorial division of the seabed have been a source of conflict among the riparian states.⁽³¹⁾ Russia and Iran regard the Caspian Sea as a closed inland body of water, and prefer common ownership and production, while Azerbaijan in particular advocates a division of the seabed into national zones determined by land borders. Recent signs of Russian flexibility on this matter, such as the July 1998 bilateral agreement between Russia and Kazakhstan on the division of the seabed in the northern part of the Caspian, could open up new prospects for stability and cooperation in the area.⁽³²⁾

The issue of membership of production consortia is also complicated. Some Russian businessmen have not waited for solutions to legal questions and have joined the oil production consortia founded by Azerbaijan, while the United States has not wanted US companies to participate in Iranian projects.

The most problematic aspect of the energy question, however, is the choice of a route for the oil main line. Oil and gas pipelines built to serve the Council for Mutual Economic Assistance (CMEA) are inadequate and are not matched to major markets. As a result, new pipeline proposals are now under consideration. These proposals involve enhancing the capacity of existing networks and the reorientation of transport routes to new markets. They directly affect the interests of Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Iran, Kazakhstan, Russia, Turkey and several other countries and major oil multinationals. They have therefore assumed major geopolitical importance. For foreign oil companies the region holds a further attraction: unlike the majority of the world's proven oil reserves, these resources are available for exploitation by Western companies.

Oil and engineering companies, as well as states, determine the rules of the oil game and have their own 'private' interests in the region. Investment decisions therefore depend on perceptions of commercial risks and rewards. Profitability considerations are, however, accompanied by evaluations of political risk, but oil companies take a more relaxed attitude to political risk than do other firms. They are more used to dealing with violent or unstable countries than other industries are.

Petroleum consortia and banks have been intensively studying the construction of a number of pipelines, the most important of which are:

- Oil pipelines: (1) Tengiz - Novorossiysk; (2) Baku - Grozny - Novorossiysk; (3) Baku - Supsa (Georgia); (4) Baku - Ceyhan (Turkey); (5) Uzen (Kazakhstan) - Turkmenistan - Iran; (6) Uzen - Karamai (West China);
- Natural gas pipelines: (1) Turkmenistan - Iran - Turkey; (2) Turkmenistan - Afghanistan - Pakistan; (3) Dchubga (Russia) - Samsun (Turkey) on the seabed of the Black Sea.

Oil routes, in theory, could go in almost any direction. Southern and eastern pipelines could serve the Asian markets.⁽³³⁾ Iran already has an extensive pipeline system, and the Gulf is considered a good exit point. The US administration is still lobbying for an oil pipeline from Azerbaijan across Georgia and Turkey to the Mediterranean (the Baku-Ceyhan route), as this would tie Azerbaijan and Georgia to the West and be a boon to Turkey, a key NATO ally.⁽³⁴⁾ However, doubtful of the commercial viability of the first project, which would need a subsidy of more than \$1 billion, many American companies, supported by prominent figures in the foreign policy establishment, believe that the best route might be through Iran, and thus argue the case for a reconciliation process on the grounds of common interests.⁽³⁵⁾ Azerbaijan, too, is wary of Iran, while choosing this route would increase the world's dependence on the Gulf. The Eastern route through China is not considered to be commercially viable by industrial experts. However, China could make a strategic decision and build it anyway. Northern routes are preferred by Russia, which has offered to build a bypass around Chechnya. Azerbaijan is concerned that the Russians would have a stranglehold, and the oil companies are worried about security.

Western routes are favoured by Azerbaijan, Georgia, Turkey and the United States. This option would involve building an upgraded pipeline to the Georgian port of Supsa and then shipping the oil. However, Turkey claims that the Bosphorus cannot cope with any more tanker traffic, nor with its impact on the safety and environment of the Istanbul area. An alternative could be to build a Bosphorus bypass from Burgas in Bulgaria to Alexandroupolis in Greece or construct a pipeline from Baku to Ceyhan on the Mediterranean coast.⁽³⁶⁾ However, the latter route would pass through the unstable Kurdish regions. The Burgas-Alexandroupolis pipeline project followed a declaration by Bulgaria, Greece and Russia on the creation of the necessary joint venture, the TransBalkanNeft JV. Russia is to have a 50 per cent share, and Bulgaria and Greece 25 per cent each, and the cost of the scheme is put at \$800 million.⁽³⁷⁾

Pipelines are by definition ideal targets for terrorist attacks, which would not only disrupt the flow of oil or gas but also render certain routes less attractive. The safety of each and every project, apart from the question of profitability, is therefore a key parameter for the investors concerned. Moreover, multinational consortia are involved in almost all these projects, i.e. American, Russian and partially European companies. Although they are competitors, these companies have opted for the consortium as a means of spreading risks, as well as of securing Russian cooperation. Moscow behaved in an uncooperative way during the first years (for example in 1993 with the Chevron contract on the Tengiz field). This was apparently due to the fact that the Caspian energy resources were in direct competition with both Russian energy exports and international investment in the disastrous Russian energy

infrastructure.⁽³⁸⁾ As the Russian authorities and companies gradually came to realize their relative weakness, they became more cooperative, particularly *vis-à-vis* European (rather than US) companies.

Russia is bound to gain disproportionately from the early oil, and is therefore seeking the most intensive use of the existing oil pipeline linking Baku and Novorossiysk. While continuing its investigation of various opportunities, in 1997 the Azeri International Operations Company (AIOC) commenced the transportation of early oil from Baku to Novorossiysk.⁽³⁹⁾ This pipeline's modernization is far less costly than the construction of a new pipeline via Georgia, leaving aside the technically complicated and even more capital-intensive project (\$2.9 billion) of a pipeline stretching across Turkey. Russia would prefer to see new routes pass through its territory. On the other hand, the region's states would prefer to diversify their exports beyond Russia in order to enhance their autonomy and efficiency, while for economic and geopolitical reasons the United States opposes any Russian monopoly on energy routes.

Non-Russian pipelines would pull ex-Soviet states even further into American or other spheres of influence. Turkey and Iran remain interested in proposed routes through their own territory. The US administration, mainly for strategic reasons, supports the idea of a route through Turkey, although companies are mainly considering its cost and eventual vulnerability to the Kurdish rebellion. Following a Turkish initiative, in March 1998 foreign ministers from Azerbaijan, Georgia, Kazakhstan, Turkey and Turkmenistan signed an accord stating their support for an east-west pipeline network to carry oil and gas from the energy-rich region through Turkey to the west.⁽⁴⁰⁾

In the longer term more pipelines are likely to be built. Multiple pipelines, as opposed to a single route, could strongly contribute to a more stable and cooperative environment in the area. They would allow the Caspian states to share prosperity more equally, create greater interdependence and balance their external interests, as well as foreign influence. Commercial logic strongly supports a southern route through Iran, and US policy towards Tehran may well mellow.

For various reasons, oil has received more coverage than has the area's gas. Transportation for oil has been more difficult as it needs prior political agreement. Total Caspian area gas exports (i.e. exports net of intraregional flows) could approach 100 bcm a year in 12-15 years' time if markets are found, foreign investment in gas exploitation takes off and current export constraints are lifted.⁽⁴¹⁾

Against this background of complicated and competing interests, and in view of impending decisions, the major players are positioning themselves as to their specific commitments and the exact shaping of these large-scale investment projects. Intense lobbying and diplomatic manoeuvring have also made increasingly clearer to the interested parties that effective and rational exploitation of the region's vast energy resources may be possible only under conditions of wide international cooperation. As many interested powers and business interests as possible should become involved, particularly those with proven expertise in undertaking projects of such magnitude and with sufficient investment capabilities. West European, American and Japanese companies have signed several agreements in the region for the extraction of oil and

the construction of gas and oil pipelines. The AIOC, in which British Petroleum Co. participates, plans to spend between \$8 billion and \$10 billion on a thirty-year deal with Azerbaijan and Russia. In total, \$16 billion worth of oil services contracts are awaiting the business community.

In terms of the Black Sea region's overall economic prospects, there has been slow progress in its integration into the global economy. Foreign investment has been limited and economic cooperation in the region has faced a number of barriers: economic recession, political instability, lack of infrastructure and legal framework, and managerial inefficiency.⁽⁴²⁾

However, the prospect of a market of 200 million people⁽⁴³⁾ has also attracted business interests beyond the energy sector. A number of joint ventures have been established, mainly in financial services, telecommunications, transport projects and the tobacco industry. Foreign banks (for instance ING and ABN-Amro of the Netherlands and Raffeisen of Austria) have already established a presence in the Black Sea region, as they are interested in the market due to the capital coming from oil. In theory, if properly addressed, factors such as a well educated human capital, huge natural resources, a potentially big market and new market opportunities might give a comparative advantage to the Black Sea area.

These developments and the dynamism of the region clearly open up a window of opportunity for Europe. The EU's positive image and its already vast experience with subregional cooperation could pave the way for more active and productive European involvement in the Black Sea area.

Actors

Major actors in the region: the United States and Russia

The role of Russia

The Black Sea region constitutes a most crucial area in Russian foreign policy due to its geopolitical importance and specific Russian interests during the difficult period of transition. The notion of 'near abroad' was coined to reflect the sudden replacement of the Former Soviet Union republics by sovereign states, thus giving rise to widespread concerns in the Black Sea area as well. There are a number of reasons for Russia's interests in this zone.⁽⁴⁴⁾ For Russia the Black Sea has always been a gateway to the world's oceans. The region also constitutes a natural bulwark for Russia, and it is seen as marked by a string of potentially destabilizing factors such as the alarming situation in the Transcaucasus and the northern Caucasus, a festering crisis in the Balkans, the Kurdish problem and the charged situation around Iran and Iraq. In addition, many Russian regions have maintained strong economic links with the Black Sea area. Russia is witnessing a transformation of the geopolitical environment in the Black Sea region that is distinctly marked by a growing number of international actors in the area. Though it regards the region as a political priority, its present weaknesses and reduced presence in the Black Sea limit its capabilities; the coastline inherited from the USSR in this sea is a modest thirty-plus per cent of its former length. Russia acquired only three of the twenty major coastal cities and only one technologically advanced sea port – Novorossiysk.⁽⁴⁵⁾

Russian policy has, however, conveyed ambiguous signals as a result of internal fighting and the interplay of separate lobbies or interest groups within the Russian leadership.⁽⁴⁶⁾ North Caucasus preoccupies Russia most as it is seen as an exclusively domestic issue.⁽⁴⁷⁾ The issue of Chechnya is high on Russia's policy agenda not only due to its importance for Russian territorial integrity but for geo-economic reasons, as the only existing pipeline capable of carrying Caspian oil runs through Chechnya. Moscow is clearly eager to develop a strong military presence in the Transcaucasus, as it has done in Armenia and Georgia and tried to do in Azerbaijan, the latter through an agreement on leasing the missile-tracking radar at Gebele, a vital link in the CIS air defence system.

While for Russia North Caucasus is an issue of territorial integrity, Transcaucasus forms an area where Moscow has witnessed a decline of its influence and its efforts aim at strengthening its levers over developments in the area. It feels that it is obliged to take appropriate actions to oppose attempts to lock it within its own borders or infringe upon what it sees as its legitimate interests in preventing the northern Caucasus ethnic patchwork from falling apart.⁽⁴⁸⁾ It has therefore reacted to the formation of what it sees as new blocs such as the GUUAM (Georgia-Ukraine-Uzbekistan-Azerbaijan-Moldova) initiative, which are perceived as part of an anti-Russian policy.⁽⁴⁹⁾ Especially in the Caucasus area, some regional leaders have seized on the concept of pan-Caucasus solidarity (Pan-Caucasus Security Organization, modelled on the OSCE and proposed by the Chechens) or the Transcaucasus-Eurasian Common Market, comprising Armenia, Azerbaijan, Chechnya, Georgia and Turkmenistan.⁽⁵⁰⁾ Regional cooperation in the Black Sea region is seen in Moscow as complementary to cooperation with the EU, but might be seen by Moscow as being in competition with the CIS. Russia has pushed for closer security and economic agreements in the CIS framework, and the BSEC could be seen as potentially threatening the CIS if it posed an alternative to Russian predominance.⁽⁵¹⁾

Russia is probably doomed to play an important role in the region. A constructive dialogue with Russia is therefore necessary in order to clarify how far and under what conditions Moscow is ready to cooperate with Europe in preventing and dealing with armed conflict in the region. Russian statements and actions on this issue have been contradictory, with Moscow acting, depending on the particular crisis, as a factor of both instability and stability. In terms of peacekeeping, for example, Russia has tried to dominate all missions within the CIS.⁽⁵²⁾ Following the outbreak of hostilities in South Ossetia, Transdniestria and Abkhazia, which required urgent action, only Russia (far from impartial) was able to step in without delay. Furthermore, Western unwillingness to commit troops to this part of the world, as well as Russian success at suppressing hostilities, rendered the Russian role justifiable: short of any other feasible alternative, its role was seen as a necessity.⁽⁵³⁾

Russia's motives apparently went beyond traditional fears of a power vacuum to be filled by hostile forces: peacekeeping was also being used as a means to secure a predominant position in regional politics. However, given that traditional power politics thinking has been the initial and instinctive reaction of most players involved, Russia was not alone. It strove to overcome its internal crisis and the paralysing trauma following the collapse of the Soviet Union, and to re-enter the area through its Near Abroad policy.

There are signs that Russia's internal weaknesses and North Caucasian nightmares render it more willing than in the past to pursue its interests in the Black Sea and Caucasus in cooperation rather than in competition with the major Western countries. One example is the search for a settlement to the war over Nagorno-Karabakh. Under the auspices of the OSCE's Minsk conference, France, Russia and the United States are engaged in an intensive effort to resolve the conflict.⁽⁵⁴⁾ Moscow's foreign policy elite probably sees a closer political relationship with European countries as offering some tactical advantages in its quest to buy time and achieve a more balanced foreign policy. Although poorly institutionalized, the Russia-Western Europe relationship is moving into a higher gear. There are no important conflicts of security interests, and both sides present attractive features to each other.⁽⁵⁵⁾

Whatever Russia's motives, Europe could embark on a dialogue with the Russians to clarify Moscow's reaction to these issues, including ideas such as a more active European presence in the area, European participation in peacekeeping operations and the financial aspects of sharing the burden.

The role of the United States

The United States considers the Black Sea region as particularly important, not only because of its energy resources but also because of its geography: proximity to Russia, Central Asia, the Mediterranean, South-Eastern Europe and the Middle East. In addition, the region is important in determining whether and if so to what extent Russia is re-extending its influence over the Eurasian continent. The United States has pursued three main policy goals in the region. First, support of the sovereignty and independence of the newly independent states; second, support of its own commercial involvement in the region's oil production and export; and third, reduction of future dependence on Persian Gulf oil.⁽⁵⁶⁾

The US approach has also been heavily dominated by power politics. Although the quest for new sources of hydrocarbons is a driving force behind Washington's new policy, it has also signalled US preparedness to compete for influence with Russia and other powers in the Caucasus-Caspian area in a more vigorous way. America's new policy therefore also reflects the heightened priority now given to helping the independent former Soviet states of Central Asia assert their independence from Russia.

Washington thus moved closer to a new form of Russian containment as soon as the NATO accord with Moscow had been signed. Its courting and increasingly overt supporting of NIS is viewed with increasing distrust by the Russians. However, US policy in the region is becoming less and less constrained by concerns about Moscow's reaction. The United States has been engaged in efforts to mediate settlements to the region's conflicts with the additional aim of securing a stable environment for American investments in the energy sector; it estimates that Russia is not strong enough to act as guarantor of regional stability, and that Russian interests can be co-opted as part of a mutually beneficial development of the region.⁽⁵⁷⁾

These new trends also pertain to the Clinton administration's coming under increasing pressure from important business interests to become more actively involved in Caspian oil politics. The Azeri President Heydar Aliyev received a warm reception on

his state visit to Washington in summer 1997; his meetings signalled a substantial change of US policy, which has been moving away from support for Armenia under the influence of the powerful Armenian lobby and is tilting in favour of oil-rich Azerbaijan.

Many US sources have exaggerated the importance of oil and gas reserves in the Caspian area. In fact, given US over-reliance on oil from the Gulf and global oil demand on the increase, Washington is interested in securing access to new and diverse energy sources. It is in this context that the policy reversal towards Azerbaijan and US openings to Iran should be interpreted.

US policies of isolating Iran have backfired for American interests. European, Russian and other multinational companies have isolated the embargo imposed on Tehran and have secured for themselves lucrative deals and a prominent place in these markets and routes. Policy disagreements between the EU and the United States are also pushing Washington towards a new policy on Iran. Lobbyists for American energy companies have been pressing for an end to sanctions, while American officials have called for a process of reconciliation based on a remarkable number of common interests.⁽⁵⁸⁾ The decision of Washington in April 1999 to allow sales of food and medicines is the first sign of easing sanctions on Iran.⁽⁵⁹⁾ The United States has also called for resumption of an official dialogue with Iran but thus far has been rebuffed.

In addition, the United States has sought to support Turkey as a balancing factor in the Caspian against the expansion of Russian and especially Iranian influence. American support for the Ceyhan pipeline is seen as being in line with US priorities in the region while keeping in mind the interests of American companies, whose focus is not the European but the global energy market. Commercial considerations, however, dictate more caution, and could ultimately delay or even halt this project.⁽⁶⁰⁾

Other actors: Turkey and Iran

As early as 1990 and 1991, Turkey displayed a strategic interest in several of the Soviet republics; it saw this as a historic opportunity to increase its influence in a region encompassing the Black Sea, the Caucasus and Central Asia. Turkey continued to exploit this opportunity in the post-Soviet era, bearing in mind Russia's strategic interests in the region.⁽⁶¹⁾ Turkish analysts closely monitor the internal debates on Russia's foreign policy orientations. According to Turkish Ambassador S. Elekdag, despite all controversial issues, the two countries have a strong political will to expand their mutual area of interest, to minimise points of contention and to be careful and respectful to the sensitivities of each other . . . Nevertheless, Turkey must include the Russian Federation in her threat assessment rating.⁽⁶²⁾ Turkey also monitors Iran, which it considers a rival for influence in the Caucasus and Central Asia.⁽⁶³⁾

Turkey's goals in approaching the former Soviet republics have been to export its own ideology and to cultivate cultural and economic relations at a time when its position in Europe was faltering.⁽⁶⁴⁾ A series of intergovernmental meetings were held between Turkey and the Turkic countries throughout 1992-93 in a historical embrace of the Turkic world as the then prime minister Sleyman Demirel said on

his return from visiting the Central Asian republics. Initial euphoria, however, was soon replaced by realism as the newly independent states in Caucasus and Central Asia, eager to secure political and economic support from all possible sides, refrained from identifying themselves solely with a Turkic identity. Turkic summits and unofficial meetings continue as forums for discussion.

Turkish efforts to mediate between Armenia and Azerbaijan over Nagorno-Karabakh, and to involve BSEC in security issues, when in May 1994 it appealed for the formation of a BSEC Consultation Committee, have been dealt with suspicion by the states in the region.⁽⁶⁵⁾

Pipeline politics have primarily influenced Turkey's policy towards Transcaucasus, as it is an important area through which access could be secured to Central Asia while avoiding other routes through Russia and Iran. Azerbaijan enjoys a special relationship with Turkey, underlined by cultural elements and economic considerations. Azerbaijan's potential wealth makes it of great importance to Turkey, as the latter is a net importer of fossil fuels. Kazakh oil could be transported across Turkey via Azerbaijan. Pipeline politics have led Turkey to pursue a policy of close cooperation with Georgia, as oil and gas pipelines from the Caspian and Central Asia will have to go through Georgia, given the problems between Ankara and Yerevan.⁽⁶⁶⁾

Iran's geographical position and oil potential make it an important player in the Caucasus.⁽⁶⁷⁾ Although the United States has tried to exclude Iran from the oil game (e.g. putting pressure on Baku to force Iran to surrender its stake in the AIOC) Tehran participates in several projects of oil extraction and exploitation in the Caspian fields (e.g. Shahdeniz field). Iranian policy is based on pragmatism and economic considerations rather than exporting its brand of Islamic-based society.⁽⁶⁸⁾ Tehran's main security concern is that Baku and Ankara do not encourage the Azeri population in northern Iran to rise up and seek union with Azerbaijan. Iran's competition with Turkey in the region appeared to be evident when Tehran announced the formation of the Caspian Council, which would consist only of the Caspian littoral states. While Iran views with great suspicion any expansion of American and Western influence in the region, it accepts Russia as a justified regional player with whom it shares common interests (e.g. regarding the exploitation of the Caspian). Although Iran views Turkey as a vehicle for American interests, oil makes the two countries both potential rivals and partners. They have agreed on the construction of a gas pipeline between Tabriz and Ankara that would also complement a Turkmen-Iran natural gas project.⁽⁶⁹⁾ The Persian Gulf however, provides an alternative to the Turkish Mediterranean for the transport of Kazakh oil and Turkmen gas.

THE BSEC: INCENTIVES FOR AND OBSTACLES TO COOPERATION

The Black Sea Economic Cooperation Project

The BSEC concept was originally a Turkish initiative based on an idea of the Turkish ambassador S. Elekdag. It progressively developed into a common project led by both Turkey and Russia. On 25 June 1992 in Istanbul, eleven heads of state or government (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine) signed the Summit Declaration of the BSEC. The main factor influencing Turkey's plans for the region was the changing international European and Eurasian security climate.⁽⁷⁰⁾ A "cooperative hegemony" strategy⁽⁷¹⁾ was behind Turkey's BSEC initiative, which was aimed at establishing a new project under Turkish leadership. The creation of the BSEC should be seen in the context of the tendency in the early 1990s to forge greater interdependence among states in the western and eastern parts of the Old Continent and set up new regional cooperation schemes. The BSEC concept presents, therefore, important similarities, as well as differences with other regional groupings that were established during the same period.

Based on a purely geographical concept (itself rather blurred), the new grouping presented important differences in terms of the participating states' size, population and economic development (see Table 2). There was a common willingness to profit from the new opportunities brought about by the new European and regional environment and join forces in common projects. For almost half the participating states (i.e. for those having finally acquired national independence and new statehood, as well as for the until then self-isolated Albania), their appearance on the international scene was above all a historic first.

Table 2 The BSEC countries: area, population, GDP per capita

Country	Area Sq. km. (1)	Population Thousands (2)	GDP per capita (1996) US\$ (3)
Albania	28,748	3,183	820
Armenia	29,800	3,580	630
Azerbaijan	86,600	7,146	994
Bulgaria	110,993	8,987	1,190
Georgia	69,700	5,449	850
Greece	131,957	10,020	11,460
Moldova	33,700	4,344	590
Romania	237,500	23,190	1,600
Russian	17,075,400	147,386	2,410

Federation			
Turkey	779,452	56,473	2,830
Ukraine	603,700	51,704	1,200

Source: (1),(2) Biannual Bulletin of the PABSEC, PABSEC, June 1994, p. 25; (3) World Development Indicators 1998, World Bank, 1998.

If the end of the Cold War has helped promote a greater sense of independence in the BSEC countries, it has also led to a greater sense of vulnerability. For the former Soviet and Eastern bloc countries, regionalism is seen as a way of averting the isolation in which many countries have found themselves and a route for overcoming the economic and security vacuum left in the region with the winding up of CMEA and the Warsaw Pact. The Black Sea states had to compete with developing countries for loans, markets, and even humanitarian assistance. They had to demonstrate a capacity to liberalize their economies and political systems or perhaps face what they feared might be permanent relegation to the periphery of world politics.

The political liberalization or democratization that has swept through many BSEC countries has also helped to produce an environment that is more hospitable to interdependence at the regional and global level.

There was also a sense that regionalism had become fashionable, even desirable. Leaders from both the CEECs and the former Soviet Union have been quick to perceive that a commitment to regionalism is likely to receive the approval of the international community, notably the EU and the advanced industrialized countries, and is therefore a policy worth pursuing. The states who are queuing to join the EU have therefore sought to demonstrate their regionalist credentials through their commitment to regional groupings such as the Central European Initiative (CEI) or the BSEC.

At the 1992 Istanbul meeting, the eleven BSEC leaders also adopted the Bosphorus Statement, which sets forth the political objectives.⁽⁷²⁾ Referring to the general principles of the United Nations Charter and CSCE documents, the Statement emphasized the need for the peaceful settlement of all disputes and suggested that partnership between the BSEC countries (which is inspired by values of democracy, the rule of law, and respect for human rights) will contribute to the future architecture of Europe and facilitate the processes and structures of European integration. However, the document refrains from mentioning the European Union or concrete measures of cooperation in this direction.⁽⁷³⁾

The BSEC intends to develop and diversify existing economic relations among its members by making efficient use of the advantages arising from their geographical proximity, their traditional ties, the possible complementary synergies with other economies and large economic space and market. This development is also to be in line with the principles of pluralist democracy and the dynamics of competitive market economics. In February 1997, the Declaration of Intent on the establishment of a BSEC free-trade area was signed at a special meeting of BSEC foreign ministers.⁽⁷⁴⁾

For the BSEC to succeed, it needed to secure a sound political base and the backing of a strong political will transcending traditional conflicts and rivalries. Given the realities of the region, however, institutional flexibility was seen as the most prudent choice. The BSEC was designed to operate as a forum, and thus has no legal personality or founding treaty. The sole institution foreseen in the 1992 Istanbul Declaration was the Meeting of Ministers of Foreign Affairs (MMFA) to be convened regularly on rotation basis at least once a year in order to review progress and to define new targets.⁽⁷⁵⁾

As the main decision-making body, the MMFA has since the introduction of the six-month rotating chairmanships met at least twice a year. An inter-parliamentary element was added in 1993 with the establishment of the Parliamentary Assembly of the Black Sea Economic Cooperation Project (PABSEC). Its aim is to enhance cooperation among the parliamentary assemblies of participating states, to help in the realization of the goals of the BSEC Declaration and to strengthen pluralistic democratic structures and political stability in the Black Sea area. The three committees of the PABSEC (the Economic, Commercial, Technological and Environmental Affairs Committee; the Legal and Political Affairs Committee; and the Cultural, Educational and Social Affairs Committee) include parliamentarians from countries participating in the PABSEC who on a regular basis discuss relevant problems and submit reports to the General Assembly.⁽⁷⁶⁾

The business communities were also invited to participate in the BSEC network; these efforts led to the creation of the BSEC Business Council, which was established in 1992, in order to improve the business environment and expand economic cooperation in the region. The BSEC structure also includes the Black Sea Trade and Development Bank (BSTDB), planned to become the BSEC's principal mechanism for working out, financing and implementing joint regional projects.⁽⁷⁷⁾

In practice, the Meeting of Senior Officials⁽⁷⁸⁾ has gradually become a politically decisive organ which reviews the activities of the BSEC subsidiary bodies, evaluates the implementation of decisions and recommendations of the MMFA and elaborates recommendations and proposals on these issues to be presented to the MMFA. Given ministers' limited availability, in practice very important competencies are concentrated in senior officials' hands.

The Permanent International Secretariat (PERMIS) of the BSEC was established in Istanbul and assumed its full duties in March 1994. Its functions are to prepare drafts and distribute the BSEC documents in accordance with the relevant mandate given by the Chairman-in-Office, and to provide administrative support to the BSEC meetings. The Director (now the Secretary-General) of the Secretariat is responsible to the Chairman-in-Office, and functions under his authority.⁽⁷⁹⁾ Regarding the PERMIS's budget, Turkey assumed all financial burdens until 1996. Following an agreement between participating states, the scale of their contributions to the PERMIS budget is determined by dividing the countries into three groups (according to available GDP and per capita GDP data).⁽⁸⁰⁾

The transformation of the BSEC into a regional organization has been a landmark. In Yalta in June 1998, the group acquired definite form as the Black Sea Economic Cooperation Organization, after signing the new organization's Charter, which

provided the forum with a legal basis and enables it to intensify cooperation with other regional and international organizations.⁽⁸¹⁾

The BSEC can be seen as a framework for forging closer economic, and political ties and thus conducive to more stability and security in a volatile and strategically important area. So far, it has accomplished some progress in the sphere of action that was determined by the Istanbul Declaration, and its success can be seen in the list of states aspiring to full membership or observer status. Critics say, however, that practical achievements have been minimal and that no concrete measures for enhancing economic cooperation among its Participating States have been implemented. The BSEC's contribution to security building has also been seen as marginal. Closer analysis is therefore necessary.

Incentives for cooperation

Given the diversity in political orientation and external contacts, the Participating States viewed their participation in the BSEC under the prism of often diverging aspirations. The BSEC initiative was launched at a time when *Russia* had to determine its new position in the regional and international system, while trying to preserve its influence on the newly independent republics that had been part of the Soviet Union. The Black Sea and its vast adjacent territories are known to be a historical priority for Russia, and today it continues to feel the need to preserve its firm presence here – a need greater than before, in some instances. The balance of forces in the region is still evolving, but it is already limiting Russia's latitude and compelling it to pursue a cooperative policy. This policy would reduce possible losses to the minimum and help find most appropriate solutions to existing entanglements; it revolves around ensuring regional stability, cooperation and interaction that would further lead to a new system of regional security.⁽⁸²⁾ The involvement of Russia in the BSEC can also be explained by its need to eliminate instability in the region and, first and foremost, in its territory, and as an effective vehicle of transformation of the whole region.

Turkey also saw in this form of regional cooperation a way to strengthen its image of a privileged partner of the West in this area and increase its influence around the Black Sea basin and the Transcaucasus. The preference for the BSEC framework was motivated primarily by Turkey's geopolitical interests as a state which, culturally, institutionally and geographically, is torn between the European and Islamic cultures.⁽⁸³⁾ Turkey's primary consideration in proposing the creation of the BSEC was to explore alternatives to membership of the European Union.⁽⁸⁴⁾ However, other analysts view the BSEC as a scheme that has been conceived and elaborated as an integral part of Europe's new architecture,⁽⁸⁵⁾ arguing that Ankara hoped that the BSEC might enhance Turkey's prospects of full admission to the EU.

The BSEC was in fact only one of several potential structures under consideration in 1990; others were a free-trade agreement with the United States and a Balkan Cooperation Council.⁽⁸⁶⁾ Schemes of regional cooperation offer Turkey the possibility of being an important regional actor. In addition, given the demise of the USSR, the BSEC evolved into an important instrument of Turkish policy *vis-à-vis* the CIS. Among Turkey's motivations, economic considerations were indeed quite important. Having the second most developed economy in the area (after Greece), Turkey is in a position to benefit from business and cooperation with the other BSEC states.

Ukraine and the other NIS joined the BSEC above all in order to underline their autonomous presence in regional and international affairs. At the same time, they aimed at creating new bilateral and multilateral relations in their immediate vicinity, which was undergoing a process of radical restructuring. Ukraine in particular wished to overcome its dependence on the structures inherited from the former Soviet Union, and to turn westwards to the rest of Europe.⁽⁸⁷⁾ Ukraine's policy towards the BSEC has been consistent with its policy of diversifying its international contacts. Ukraine has also promoted the idea of Baltic-Black Sea regional cooperation, which has received little support as most of the countries to be included in the project have preferred direct links to the EU and NATO.⁽⁸⁸⁾

The smaller countries (*Armenia, Azerbaijan, Georgia, and Moldova*) also sought the reinforcement of their security and multilateral connections, as well as their gradual involvement in European integration processes.⁽⁸⁹⁾ Fearful of isolation and an unstable regional framework, they opted for a regional system of cooperation, which allowed for more predictability, interaction and a reduction of tensions. Although many of these newcomers to the international scene are directly or indirectly involved in conflicts, these latter rivalries are not seen as impeding the development of the BSEC processes.⁽⁹⁰⁾ Moreover, participation in regional schemes helps these countries to consolidate their state identity and increases the legitimacy of their governments on the international scene. Particularly for the small states, participation in subregional groupings guarantees their equal status while offering proportionally greater influence, discreet channels for information exchange and negotiation, and flexible agendas.⁽⁹¹⁾

For *Armenia* too, belonging to the BSEC helps it break out of its geographic isolation within the region. Deprived of access to the Black Sea or any other sea, and with strained relations with Azerbaijan and Turkey, Armenia requires a regional system of cooperation with an emphasis on the opening of transport routes and free circulation of goods.⁽⁹²⁾ *Azerbaijan*, the big oil producer in the region, needs the BSEC as a stable environment allowing for the construction of new oil pipelines and protecting the unimpeded flow of oil emanating from the shores of the Caspian. Though not directly interested in the European Union processes, it feels that the BSEC helps it break its isolation as a newly independent state in the area.⁽⁹³⁾ Like other new republics, *Georgia* also regards the BSEC as a stepping stone towards gradual integration in Europe. It stresses the importance of the Black Sea as a major trading route, and has put forward the idea of a Euro-Asian Corridor, which might bring about the formation of a chain of regional structures along the axis of the Mediterranean, Black, and Caspian Seas.⁽⁹⁴⁾ For *Moldova*, its dependence on outside sources of energy requires its participation in cooperation projects like the BSEC. Not unlike other countries of the area, the BSEC is perceived as an appropriate forum for stimulating bilateral and multilateral cooperation in a number of fields that would lead to the development of free enterprise and market economies.⁽⁹⁵⁾

After the collapse of communism, the strong historic ties between *Greece* and the Black Sea area also revived a Greek interest in playing a primary role in the strengthening of stability and prosperity in this region.⁽⁹⁶⁾ Greece's participation in this regional scheme was, however, hesitant, even though the BSEC gave it the opportunity to play a role in a region of important historic links and great economic

interest, but which was up to then politically and commercially inaccessible. Turkey's active interest in promoting the idea in 1990-91 was seen as a diversion from a more Europe-oriented Balkan (or South-East European) cooperative scheme. The eastward orientation of the proposed BSEC scheme therefore initially met with Greek resistance.⁽⁹⁷⁾ Later on, Greece's participation as a founding state in the BSEC came to be seen rather as an insurance policy in the event of prolonged disorder in Yugoslavia or diplomatic deadlock impeding the revival of Balkan Conferences. Until 1995, Greece preferred to adopt a relatively low profile.⁽⁹⁸⁾ In early 1995 Greece increased its interest and sought to play a more active role as a bridge between the EU and the BSEC.⁽⁹⁹⁾ Several factors influenced this new attitude, including progressive disillusionment as to the potential for Balkan cooperation, given the chaotic situation in former Yugoslavia. Considerations of an economic nature also turned into a priority goal and acted as an additional incentive. The Black Sea region came to be seen as constituting a natural economic outlet for the expansion of the Greek private sector. The exploitation of new markets to which businessmen and investors had not had access in the past provided new opportunities and gave new dynamism to the Greek economy. However, progress in cooperation within the wider Balkan area could conceivably shift Greece's emphasis towards its more immediate neighbourhood.

Albania was invited to join by Ankara, which hoped to attract closer a partly Muslim-populated country; it sees advantages in the creation of economic links eastwards, including projects such as the construction of the gas pipeline from the Caspian to the Adriatic port of Vlore, which could bring a number of economic benefits to the country.⁽¹⁰⁰⁾ For *Bulgaria* and *Romania* joining the BSEC was part of a 'networking strategy' in parallel with a strong EU orientation. Both countries became associate members of the EU, participate in the PfP and seek to be admitted to NATO. Initially, Bulgaria displayed a rather cautious attitude *vis-à-vis* the BSEC, and particularly the PABSEC, because it was being promoted by Turkey.⁽¹⁰¹⁾

Practical achievements

The BSEC's contribution to stability and conflict prevention

Given the uncertainties of the transition to democratic rule and market economy, and the chaotic situation and conflicts that ensued in the first few years after the collapse of the Soviet Union (in, for instance, Abkhazia, Nagorno-Karabakh and Transdniestria), the BSEC's development can already be considered a political success.

Some practical progress towards a more stable region is already on record; for example the BSEC summit meetings and MMFAs have offered a suitable framework for mostly informal bilateral meetings, and the Greek and Turkish foreign ministers have often used the MMFA framework to discuss bilateral and highly political issues. Moreover, the traditional working lunches of the ministers of foreign affairs have evolved into informal but useful meetings where ministers have the opportunity to raise and discuss political issues directly.

Thus, although the BSEC may not have to deal directly with purely political issues in the near future, the nature of economic cooperation itself is likely to create a

framework conducive to more stability and security. At the same time it may require some commitment of political means, in order to sustain the results. In other words, if economic cooperation is to advance beyond the present stage of technical consultations, there needs to be a certain degree of political will in order to enable the on-going projects to evolve into areas of national policy. At the moment, this evolution is limited by various latent antagonisms and conflicts that exist in the region. Cooperation is, therefore, channelled into fields where this is possible, leaving aside intractable issues of conflict.

Moreover, cooperation in security affairs of a non-military character in the search for solutions to problems such as organized crime, illegal migration, and drugs is now also a possibility. In fact at their Moscow summit BSEC leaders considered this area of cooperation to be of primary importance, since it "contributes to the creation of favourable conditions for promoting trade and economic cooperation in the Black Sea region" They reiterated their support for the work done at the meeting of ministers of internal affairs in Yerevan in October 1996 "that launched interaction of law-enforcement bodies of the Participating States in combating organized crime, illicit trafficking of drugs and weapons, radioactive materials, illegal migration and all acts of terrorism." They also stressed that they attached "special importance" to the adoption of urgent concrete measures in this direction.⁽¹⁰²⁾

Some participating states have gone further and proposed the introduction of directly political subjects into the BSEC process. Ukrainian officials have proposed a non-aggression pact, an initiative "towards economic cooperation through confidence-building" aimed at military confidence-building measures around the Black Sea. Bulgaria, Georgia, Romania, Russia and Turkey supported the idea but argued that it should be considered outside the BSEC framework.⁽¹⁰³⁾

President Shevardnadze of Georgia has proposed the creation of a "Conflict Resolution Centre"⁽¹⁰⁴⁾ he has also put forward the "Peaceful Skies"⁽¹⁰⁵⁾ proposal for the settlement of the Karabakh conflict, combining a cease-fire agreement with economic incentives. The major component of Shevardnadze's "Peaceful Caucasus" initiative of early 1996 (which has been supported by Iran), is again economic cooperation.

However, the eventual introduction of political elements is bound to be met with the reluctance of a number of states; it would therefore be advisable to adopt a gradual approach to it, alongside the further evolution of the BSEC and the emergence of more suitable conditions. The BSEC could thus gradually play an indirect role in the further de-escalation of local conflicts by acting as an informal forum of consultation. Although lacking adequate means to address security problems and develop a comprehensive conflict prevention policy, in the longer term the BSEC could, given the range and complexity of regional problems, develop a conflict prevention mechanism.

Whilst reconsidering the BSEC's overall contribution to stability, it is necessary to review its economic and political profile and orientation. So far, the BSEC has been preoccupied with purely economic and associated issues. This is an expected outcome, considering that the main factor that brought together the majority of the BSEC countries, despite their differing political realities, was their common interest

in economic development. The uniqueness of the BSEC experiment lies in the emphasis it has placed on the interaction of the private sectors in the region as the main vehicle for achieving cooperation. Gradually, however, there has appeared to be a need for the parallel involvement of the national public sectors in various BSEC projects, such as those dealing with transport, communications and energy.

It could be argued that the public sector carries with it elements that transcend the purely economic sphere, especially given the fine line that separates economic from political decisions in national and international politics. It is very hard, for instance, to imagine that common energy projects could be implemented without a degree of political cooperation. Although it cannot be openly acknowledged, politics entered the BSEC from the beginning. The very fact that the principal decision-making organ of the BSEC consists of ministers of foreign affairs introduces a non-economic aspect. Elements that are not purely economic in nature are clearly visible in the founding and subsequent texts.⁽¹⁰⁶⁾

Regional networking and cooperation projects

The BSEC has also received some international acclaim; neighbouring countries (for example Poland and Slovakia) have joined it as observers and a series of countries from South-Eastern Europe and Eurasia are waiting to join. The BSEC has also served as a 'Eurasian bridge' i.e. as a link between Central and Eastern Europe and Central Asia. It has thus acted as an incentive for Eurasian nations to integrate by bringing the Caucasian republics closer to Europe.

As a forum for consultation and a flexible mechanism for policy coordination the BSEC has proved useful to all participating states in establishing regional contacts and creating the habit and laying the groundwork for sectional cooperation.

Following a necessary organizational stage, the BSEC's activities have increasingly focused on practical regional projects such as the creation of a BSEC common energy market and an interconnected power system, the development of a regional transport infrastructure integrated into European networks and the intensification of cooperation in attracting foreign investment and export credits.⁽¹⁰⁷⁾

What is important in this initiative is that its activities, mainly on infrastructure, environment and small and medium sized enterprise development, are planned on a project basis. The establishment of a databank in Istanbul that is soon going to provide data for infrastructure and industrial installations in the region, and the BSTDB, are two important projects that have been realized.

Considering the importance of a reliable transportation and communications infrastructure among the states, a number of projects are to be realized. An underwater fibre-optic system project links Romania, Moldova, Bulgaria and Turkey while the ITUR Fibre Optic System is established between Italy, Turkey, Ukraine and Russia. Another project is the Eastern Black Sea Telecommunication Project (DOKAP) which is being built between Azerbaijan, Georgia and Turkey. Another project 'KAFOS' in which Turkey, Bulgaria and Romania participate, is nearing completion.⁽¹⁰⁸⁾ Regarding transportation, the BSEC is examining the existing and planned transportation networks in connection with the European Transportation

Network, and encouraging bilateral shipping agreements and cooperation of the private sectors in maritime projects. Rehabilitation projects concerning some of the ports (such as Odessa, Varna and Constanta) are being conducted by the World Bank, the EU and the European Bank for Reconstruction and Development (EBRD). Another project is the multiple transportation system that will connect the port of Durres in Albania to Varna on the Black Sea coast of Bulgaria via road and rail connections, and to Ukrainian, Russian and Georgian ports via ferry and roll-on roll-off transportation facilities.⁽¹⁰⁹⁾

Cooperation in the field of energy between the EU and the BSEC, as well as between the BSEC countries themselves, has been pursued mainly through the BSEC Energy Centre in Sofia. Parallel initiatives have already been taken on specific issues (i.e. the Balkans Energy Interconnection Task Force).⁽¹¹⁰⁾

The significance of these projects is that the private sector will gradually become more and more involved, taking the economic and development burden off the shoulders of central governments. This will be a cardinal change, considering that just the opposite of this attitude was once the norm in most of these countries.

The creation of the BSEC Business Council in 1992 responded to the need to introduce the economic potential of the Black Sea countries to the international business community, to encourage greater investment flows into the region and to unleash the huge potential for joint-ventures between Black Sea enterprises. A major event was the Business Conference on the New Opportunities in the Black Sea Region in April 1997, which examined a number of subjects including regional cooperation initiatives, different aspects of financing, and growth and case studies of regional cooperation in the BSEC area.⁽¹¹¹⁾ In Bulgaria, the BSEC Council gathered projects aimed at the modernization of small and medium-sized enterprises, and tried to find potential international partnerships for the projects (e.g. the construction of a hydroelectric power station on the Arda river and a viaduct over the Danube which is to be constructed between Romania and Bulgaria). The BSEC Council's fruitful cooperation with the EBRD is also seen in five small projects in Bulgaria and two joint Turkish-Russian projects in Russia that have been introduced to the Bank.

The BSEC has also undertaken a number of activities concerning environmental protection as a result of an unusual level of goodwill among regional governments interested in saving the sea.⁽¹¹²⁾ In 1992, participating States signed the Convention of the Black Sea against pollution. The Global Environmental Facility (GEF) was asked to provide financial support to the objectives of the Convention, and during 1994 the first major investment was approved: a \$20m emergency concessionary loan to Georgia.⁽¹¹³⁾

Cultural agreements were also signed in 1993 to increase exchanges between signatory countries and broaden understanding among them. Another positive achievement has been the involvement of local authorities, NGOs and professional groups (for instance, meetings of mayors from BSEC states' capitals,⁽¹¹⁴⁾ and a BSEC network of the academic community).

The BSTDB, established in Salonika, Greece, should become the first BSEC major implemented project. It is scheduled to become the principal mechanism of the BSEC

for working out, financing and implementing joint regional projects and providing the necessary financial resources for participating states.⁽¹¹⁵⁾ In January 1997 the agreement on its establishment finally went into force.

Of direct relevance to the EU has been the creation of the International Centre for Black Sea Studies (ICBSS), whose task is to carry out policy-oriented and practical research aimed at the realization of BSEC goals, especially in the fields of economy, industry and technology. The Athens-based ICBSS was conceived as a bridge between the BSEC countries and the EU.⁽¹¹⁶⁾

Limits to cooperation

Despite good intentions and progress in specific areas, the BSEC still faces serious problems and challenges. Although the governments of all the BSEC states have demonstrated their dedication to the BSEC goals by hosting various meetings of working groups, they have been reluctant readily to accept one another's proposals, and resistant to change, almost invariably asking for time to examine and re-examine proposals.⁽¹¹⁷⁾ Various factors have impeded progress and continue to pose serious obstacles to the development of the BSEC. Criticism expressed towards the BSEC process essentially focuses on the following structural impediments.

Historical perceptions. Throughout history the Caucasus and the Balkans have been meeting places and battlegrounds. Historical enmities between and within existing countries, and border issues, prevail even today, which impedes cooperation.

Lack of homogeneity. Diversity rather than homogeneity seems to prevail within the BSEC. The eleven participating states differ significantly: (1) in their economic development; i.e. Greece with \$11,900 GDP/capita, compared with Azerbaijan with \$1,400; (2) in their military power, with a nuclear power, i.e. Russia, on the one hand, and Albania, whose armed forces virtually collapsed in 1997, on the other; (3) in size; (4) in their cultural and religious traditions: the BSEC includes almost all countries of the Orthodox world (Armenia, Bulgaria, Georgia, Greece, Moldova, Romania, Russia and Ukraine), as well as three Muslim ones (Albania, Azerbaijan and Turkey); and (5) in their institutional relationships with European structures: the BSEC states range from countries, like Greece, that are fully integrated in the West European structures (EU, WEU, NATO), to states, like Turkey, with strong links and others, like Russia and Ukraine, that have flexible bilateral arrangements.

Lack of implementation mechanisms. Economic cooperation in the BSEC has not advanced in a satisfactory way: even though some progress has been achieved within the working groups, inter-agency cooperation has been scarce; the subsidiary bodies now overlap and their structure has become complicated.⁽¹¹⁸⁾ These shortcomings are partly due to BSEC's character as a forum rather than a regional organization. Moreover, most BSEC decisions are taken by consensus, where the lowest common denominator has prevailed, which has limited progress.

Critics sometimes refer to the BSEC Working Groups as "talk shops"⁽¹¹⁹⁾ and indeed many discussions have taken place without any concrete decisions being reached. Implementation of resolutions remains primarily the responsibility of the participating states, and national institutional weaknesses have seriously impeded progress in this

direction. In most of the BSEC countries the basic legal and institutional framework is not capable of meeting the new requirements.

Lack of financial means and resources. Although Greece and Turkey are better off in terms of per capita income compared with other states, and Russia is the richest in terms of natural resources and the strongest in industrial infrastructure, none of these countries is prosperous enough to offer direct help to others, to be more open to cooperation schemes and to demonstrate the will to realize common objectives that require unity of action.⁽¹²⁰⁾ Even honouring their financial obligations within the BSEC machinery (i.e. contributing to the budget of the PERMIS) has proved to be difficult for most participating states. The continuous delays in the creation of the BSTDB are the most eloquent example of the financial pressures.

Undoubtedly the main weakness of the member countries of the BSEC is their lack of capital accumulation and their dependence upon Western economies in this area. BSEC countries in comparison to the CEECs have made less use of the resources of the EBRD, which prioritizes the profitability factor in the investments it finances.⁽¹²¹⁾ The majority of the economies of members is characterized by runaway inflation, trade and budget deficits, huge falls in per capita income and negative growth.⁽¹²²⁾ Especially, the former Soviet bloc economies have faced serious problems since the disintegration of the USSR in 1991 because of the collapse of internal networks between the republics.

Lack of international visibility. Institutionally, the BSEC has so far failed to attain equal standing in the family of international governmental organizations and an appropriate place in the structures of the new European architecture, or among institutions operating in the field of economic cooperation. This means, *inter alia*, that the BSEC has not drawn sufficiently on the experience of other subregional initiatives, which could help save time and resources in turning the BSEC into a more effective instrument. The BSEC thus remains a largely unknown enterprise among the member countries themselves. Public opinion in most of the Participating States remains passive to the BSEC process.

Economic difficulties. Despite the creation of these mechanisms, however, the region's record in terms of improving competitiveness and increasing volume of trade and investment flows has been rather poor. Analyses of internal economic cooperation reveal that trade links between the Black Sea countries are still relatively weak. The only exception is that of strong traditional links between the NIS (Armenia, Azerbaijan, Georgia, Moldova, Ukraine) and Russia, although these are declining. In every case except Azerbaijan, Russia is the most important destination for those republics' exports. In 1995 Russia was the main customer of Armenia (taking 30.7 per cent of the total value of its exports), Georgia (29.0 per cent), Moldova (48.3 per cent), Ukraine (38.7 per cent) and Azerbaijan (18.9 per cent). Regarding imports, Russia was also during the same period their main supplier (predominantly energy imports).⁽¹²³⁾

There has been *no clear vision of priorities* during this initial period. Critics have noted in particular a lack of political commitment to real progress in the trade and investment area: The regional trade market remains embryonic, mutual investments are insignificant, and even bilateral trade relations between most of the BSEC

members are also underdeveloped⁽¹²⁴⁾ In fact, many BSEC states have continued to give priority to other areas or economic cooperation institutions. The adoption of a Declaration of Intent on the establishment of a BSEC free-trade area should create new momentum. However, this will most probably be a long and difficult process (if achievable at all), given the different levels of economic development and different trade regimes of the BSEC states, as well as their different status and aspirations *vis-à-vis* the EU.⁽¹²⁵⁾

New trade relations have been developing, although they are still fairly small. Intraregional trade has increased between certain BSEC countries but in terms of investment only Turkish and Greek enterprises have been active in other states of the region. In the case of Greece, exports to the Black Sea area rose from \$355 to \$1,544 million in 1995. Imports also increased from \$524 million in 1989 to \$1,695 million in 1995.⁽¹²⁶⁾ In terms of investments, most of the FDI in the region comes from the developed economies; however, the actual flow of FDI has been slow. In 1995 FDI in the Black Sea countries was estimated at \$4,874 million, up from \$2,034 million in 1993.⁽¹²⁷⁾ The amount of foreign capital inflows between the BSEC countries has been small and BSEC firms are involved mainly in energy, machinery building and infrastructure projects.

The transformation of the BSEC: a regional organization in the making

More than five years after its creation, the BSEC process finds itself at a crossroads, for several reasons. After an initial organizational phase, it can draw a number of lessons as to its way of functioning and future mission, and a process of restructuring is already under way. At the same time, the whole region, particularly the Caucasus-Caspian area, is undergoing fundamental change. Although subject to often diverging interpretations, these developments give rise to a comprehensive consideration among the participating states as to the future direction, value and composition of the BSEC, as well as to the role of outside powers.

The Moscow Declaration identified the transformation of the BSEC into a regional economic organization as *one of the priorities at present*;⁽¹²⁸⁾ this was mainly due to a desire to reinforce its position within the international and European system. To achieve this, and in spite of some initial resistance, the participating states decided, at a summit in Yalta in June 1998, to transform the BSEC into a genuine regional organization.⁽¹²⁹⁾ With the signing of the Charter in Yalta the group acquired legal standing and a definite form as the BSEC Organization. This gives the BSEC more possibilities for developing formal interaction with other international organizations such as the EU and the World Trade Organization.⁽¹³⁰⁾

The question of the BSEC's enlargement has become a central element of its restructuring process, following a series of new applications for full membership from the Federal Republic of Yugoslavia, the FYR of Macedonia, Iran and Uzbekistan.⁽¹³¹⁾ As a matter of principle, the majority of the participating states would not be against enlarging the BSEC. It seems, however, that their primordial task is to seek the consolidation of its achievements, thus setting a firm foundation for its future shape. Some of the countries are reluctant to enlarge the BSEC because it would increase its operational costs.

However, the key question pertaining to new members ought to be a clearer determination of the geographic direction and delimitation of BSEC's zone with other regional groupings; five members of the BSEC (Albania, Bulgaria, Moldova, Romania and Ukraine) have recently become members of the CEI as well. Moreover, if a degree of enlargement is to be pursued, this could be accomplished more effectively in a way that would give priority to the European orientation of the Organization.⁽¹³²⁾

The status of observers also needs to be defined, following the asymmetries experienced up till now. Egypt, Israel, Italy and Tunisia make up the Mediterranean group of observers, but only the first two have displayed any interest in BSEC activities.⁽¹³³⁾

The current structure of the BSEC constitutes another area subject to change. A more effective BSEC requires a clearer commitment and political will. Therefore, the introduction of an annual meeting of heads of state or government would serve to underline political commitment and coordinate national approaches at the highest level more frequently.⁽¹³⁴⁾

Another measure to improve efficiency and continuity has been the institutionalization of the *troika*⁽¹³⁵⁾. This new procedure has been successfully used at senior official level quite often, and further improvement could be explored.⁽¹³⁶⁾ For example, the calendar could be slightly modified so that BSEC presidencies coincide with those of the EU and the CEI (i.e. January to June, July to December).

The MMFA, since Yalta renamed the Council of Ministers of Foreign Affairs, will continue to be the main organ of the BSEC. A further reduction of the ceremonial part of these meetings in favour of more deliberations between ministers would substantially enhance the effectiveness of the whole process. At the same time, following agreement by the eleven states in Moscow, the work of the Council of Ministers of Foreign Affairs will be supplemented by meetings of other ministers in charge of individual sectors.⁽¹³⁷⁾

With a view to strengthening and extending cooperation among BSEC participating states, new fields of cooperation could be introduced, such as education and the media, thus giving the BSEC greater visibility.⁽¹³⁸⁾ A working group on relations with the EU could contribute to an exchange of experience and more information on expectations from the EU. Other fields of cooperation that could be explored are illegal immigration, civil defence⁽¹³⁹⁾ and cooperation between regions. Although the BSEC club has made some contacts, many BSEC countries tend to focus on state cooperation, rather than reinforcing the role of the regions and other local authorities. A study or a working group could provide the necessary stimuli for the gradual decentralization of initiative.

The issue of more representative and balanced staffing within the BSEC organs is an important one; more could be done to make sure that the senior staff of various bodies be employed, as far as possible, from all states participating in the BSEC. For example, the senior staff of the PERMIS could be enlarged, possibly in a way that allows each participating state one senior staff member. Furthermore, given budgetary constraints, it would be more practical to coordinate (and synchronize) the national

staffing policies of the PERMIS and the PABSEC secretariat or introduce senior adviser posts; these experts would be appointed by the participating states on a voluntary basis and become nationally financed positions. In the event of deadlock,⁽¹⁴⁰⁾ criteria, of which rotation is the most obvious, would have to be introduced and applied. However, representation in the different organs could also be allocated in proportion to financial contribution to the BSEC budget.

Whatever the options presented by their rules of procedure, the BSEC bodies have meticulously striven to reach consensus. However, both the imminent enlargement process and reasons of efficiency may point to a greater use of majority voting in some areas of BSEC decision-making. Approval of cooperation projects by consensus of interested states (Article 14.2, Rules of Procedure), if interpreted flexibly, opens up the way to more effective and speedier decision-making.

The transformation of the cooperation process into a regional organization inevitably involves additional expense, and longer-term solutions will have to be found (for example, the scale of contributions applied in the BSTDB could be adopted by other BSEC bodies, except for specific cases where a participating state has offered to carry the financial burden on its own).

Regarding the PABSEC, which is the most vivid expression of a wide spectrum of opinions, the forging of stronger operational links with the BSEC is natural and inevitable. In particular, the PABSEC could assist with the implementation of BSEC decisions in individual countries in national parliaments, while working bodies of both the BSEC and the PABSEC could expand their contacts, exchange information and consult regularly.⁽¹⁴¹⁾ Synchronization of the two rotating presidencies would also improve the efficiency and visibility of the BSEC. Moreover, if the plenary assemblies were to be held in parallel with the summit meetings or the MMFAs, greater synergy would be created. Links with the European Parliament and the WEU Assembly are also of mutual benefit and are bound to develop further.

A final point on the BSEC restructuring is worth noting. With time the gradual and cautious introduction of political elements could become inevitable, especially considering the fine line that separates economic from political decisions. However, given the magnitude of open and potential conflicts in the area, the outright politicization of the BSEC could paralyse the whole process. It is therefore wiser to proceed in a gradual and cautious way; for example, more use of the Gymnich type of unofficial meeting of leaders and foreign ministers could be encouraged; cooperation on soft security issues, such as organized crime, illicit trafficking of drugs and weapons, illegal migration and terrorism, could be further encouraged and developed.

To conclude, the Yalta BSEC restructuring constitutes an important institutional step forward. Further improvements in the organization's effectiveness are of direct interest to Europe.

WHAT SHOULD EUROPE'S POLICY BE?

EU policy towards the Black Sea

The fall of communism and the search for a new European architecture gave decisive momentum to the move towards the formation of subregional groups, particularly among states that had not belonged to the same institutions and mechanisms during the Cold War. As a result of the breakdown of the Cold War structure, states are seeking new relationships, both within the emerging constellation of major powers and with their neighbours. Regions are increasingly recognized as conscious and purposive agents; they are no longer to be seen as incidental aspects and passive reflections of 'real' politics, devoid of any life of their own.⁽¹⁴²⁾ States tend to seek participation in regional groupings for a series of political, economic and ideological motives.⁽¹⁴³⁾ Most usual among these are: the failure of global organizations to solve 'local' problems; the search for new roles by political leaderships; increased bargaining power in international negotiations; the decrease of political tensions; the maintenance of 'historical relationships'; access to markets; the internationalization of certain activities (such as transport, energy and the environment); and imitation and 'fashion'.⁽¹⁴⁴⁾

Security concerns have tended to be linked strongly, if often obliquely, to economic cooperation at the regional level.⁽¹⁴⁵⁾ Assuming that the likelihood of political conflict decreases among countries with close economic relations, many states have seen regional economic cooperation as a means to achieve a more stable and coherent political environment. Given the existence of unresolved border and ethnic disputes (i.e. among and within former communist states) regionalism has been in a sense a way to defuse the source of tension between members. Opinions are divided on this approach. For some, the nature of the region's problems (conflicts in Abkhazia, Nagorno-Karabakh and Transdniester) inevitably leads to a tendency increasingly to take into account security questions. Thus, the intensification of political cooperation and relations in the security sphere constitutes the condition for economic relations. For others, the BSEC cannot in itself adequately take on responsibility for security issues, and will probably therefore limit itself to economic matters. In that sense, it might even be necessary to dissociate economic cooperation in the Black Sea and a diminution of regional conflicts. There might even be a trend towards an inverse relationship, i.e. the coexistence of economic cooperation and persistent regional conflicts.

Regionalism is discussed mainly as public policy, in a legal or institutional framework within a regional grouping. Regionalization of markets (market-led integration) through trade and the movement of capital has been an increasing force in neighbouring economies.⁽¹⁴⁶⁾ Even if the outward form of regionalism is economic in nature, the factors that underpin and sustain such projects are often far from solely economic. Consequently, economic cooperation may carry with it important geopolitical or security consequences.

European attitudes to subregionalism

Subregionalism gained momentum in Europe in the early 1990s, when several subregional groups of diverse character and role were initiated, from Northern Europe to the Black Sea.⁽¹⁴⁷⁾

Historically, the European Union has strongly supported regional cooperative projects provided that they respect free world trade and good-neighbourly relations. In its conclusions, the 1994 Essen European Council emphasized the importance of regional cooperation among associated countries for the promotion of economic development and good-neighbourly relations. EU assistance to these goals would include support for the introduction of modern trade legislation where necessary, transfer of European Union know-how in export promotion and marketing, support for spreading European Union norms and technical assistance for the development of export insurance and guarantee schemes.^Ö

In June 1996, the European Commission issued a report on ways of initiating more intensive cooperation in Europe, while in 1996 and 1997 it developed specific policy initiatives towards the CBSS, the CEI and the BSEC. The objectives for EU support in regional cooperation can be summarized as: the promotion of stability, security and prosperity in Europe through the development of good-neighbourly relations among countries and peoples in its regions; the reinforcement of the process of European integration by ensuring that no new dividing lines are drawn on the European continent; and the creation of favourable conditions for EU enlargement.⁽¹⁴⁸⁾

The Council of the Baltic Sea States (CBSS), the Barents Euro-Arctic Council (BEAC) and the Black Sea Economic Cooperation (BSEC) are among the largest groups functioning as a bridge between Western and Central/Eastern states, particularly Russia. They mainly address functional problems such as infrastructure, environmental issues and economic development. On the other hand, the Visegrad group and the CEFTA are of smaller size and are characterized by relative homogeneity. Their primary goal is to facilitate integration with the Euro-Atlantic structures. The CEI, South-East European Cooperation Initiative (SECI), Royaumont process and the Balkan Conference lie between the previous two types of subregional groups; not all of them aim at integration with the EU/NATO, and their membership is diverse.⁽¹⁴⁹⁾

Given the participation of some of its members, the following bodies have attracted the EU's attention. The *Council of the Baltic Sea States* was formed in March 1992 with the aim of promoting stability in the area, and to discuss and elaborate common strategies for regional political-economic development and coordinate regional cooperation.⁽¹⁵⁰⁾ The special interest of the Baltic region is related to its economic potential, to the need to promote political stability in the region and to the building of a pragmatic relationship with Russia. Acknowledging the importance of the Baltic, the EU set up the Baltic Sea Region Initiative, which supports the CBSS's work in a number of areas: (a) strengthening democracy and political stability, (b) promoting economic development, (c) developing regional cooperation.⁽¹⁵¹⁾

The *Central European Initiative*, covering most of Central and Eastern European countries, is a loose grouping of states with no legal status, based mainly on working

groups which plan and approve initiatives. The CEI's primary function is to prevent the emergence of new dividing lines by bringing together current EU members, EU Associates and countries with little prospect of EU membership.⁽¹⁵²⁾ The CEI member states, due to their considerable heterogeneity, do not want to be judged on a collective basis but rather on individual performance. The CEI's priorities focus on strengthening cooperation among its members (e.g. cross-border cooperation, combating organized crime); strengthening the participation of all member states in the process of European integration by fostering political dialogue with the EU and assisting the least developed members; and strengthening economic, social and legal aspects of the transformation processes.⁽¹⁵³⁾

In South-Eastern Europe there are three major subregional initiatives which at least partially overlap.⁽¹⁵⁴⁾ *The Balkan Conference on Stability and Cooperation in South-Eastern Europe*⁽¹⁵⁵⁾ was established in July 1996 with the aim of recommencing the inter-Balkan cooperation process that was already under way prior to the break-up of former Yugoslavia. Its objectives are the strengthening of stability, security and multilateral economic cooperation in the humanitarian, social and cultural fields, as well as fighting crime, drugs trafficking and terrorism. The South-East European summit held in Crete in November 1997 was the first comprehensive meeting of this kind in the post-Cold War history of the region.⁽¹⁵⁶⁾ The declarations made at the Crete and Antalya summits were meant as a new step in institutionalizing regional cooperative schemes. Flexibility and an open-ended approach towards participation have been the main strengths of the Balkan Conference.

The South-East European Cooperation Initiative was initiated by the United States in December 1996, with the aim of promoting stability by encouraging cooperative cross-border solutions to shared economic and environmental problems.⁽¹⁵⁷⁾ SECI is neither an assistance programme nor directly tied to aid. Instead, it seeks to mobilize finance from private-sector and international institutions for specific projects.⁽¹⁵⁸⁾

The Process on Stability and Good-Neighbourliness in South-East Europe (the Royaumont process) is the EU's initiative in the area. Launched in December 1995, it aims at strengthening stability and good-neighbourly relations by reducing tensions arising from the Yugoslav conflict. The process aims to promote small-scale projects to restore cooperation in fields such as civil society, culture, science and technology. The aid provided is conditional on compliance with the Dayton agreement and on cooperation with neighbouring countries. As all states in the Yugoslav conflict are involved, it could in the long term provide an important framework for their integration in Europe. The Royaumont process is also related to the Stability Pact, a French initiative which encourages bilateral agreements on minority issues, borders and transfrontier cooperation.

The above subregional initiatives in South-Eastern Europe indicate the willingness of the states in the region to establish cooperation despite their differences. Although their rhetoric is more ambitious than their practical achievements, their existence is in itself a political success.

Despite their non-involvement in most overt security issues, the subregional groups in Europe have contributed to security by addressing off or low security issues,

while by drawing in new actors they are helping re-create civil society from the bottom up.

The EU's involvement in north European subregional initiatives, if not more active, has been more effective than in South-Eastern Europe. The EU's aid, in terms of the amount of money allocated to the Balkans, has been small and has not resulted in fundamental changes in governments' behaviour. Instability and conflict potential in the Balkans and the Black Sea probably explain this difference.

The EU policy

One might argue that the EU could have some difficulty in its approach to the region for a number of reasons: the inherent weakness of the CFSP, which may hamper the definition of common goals, interests and actions in the region; the Black Sea region might not rank among priorities for the EU in view of the latter's current internal restructuring and more immediate regional priorities at its periphery, such as Central and South-Eastern Europe; finally, it is a weak institutional framework, which might complicate the establishment of bilateral links between the two organizations.

However, the EU has an interest in the BSEC's new shape. The process of change will eventually reinforce the position of the BSEC within European and international structures; increase its visibility, both within the countries concerned and outside the BSEC area; secure stronger political commitment by the participating states; bring solutions to present or potential problems; and rationalize structures and procedures that have been created in an *ad hoc* way.⁽¹⁵⁹⁾

It is also in the EU's direct interest that the BSEC should become more effective. It is in Europe's interest to see that the BSEC is not driven towards paralysis; the consolidation of the BSEC's achievements (deepening) should therefore take precedence over the enlargement process; enlargement should only result from a well thought-out strategy, based on specific criteria.⁽¹⁶⁰⁾ The EU could also contribute to addressing the issue of the complementarity of participation in the BSEC and the CEI or other subregional groupings; it should be carefully studied and positively exploited; any problems should be addressed, instead of being swept under the carpet.

As part of EU assistance to the countries of the region which over the period 1991-96 amounted to a total of 2,589 million euros the EU has already contributed significantly to promoting regional cooperation in the Black Sea area.⁽¹⁶¹⁾ Over the same period an estimated 490 million euros in grants were provided for activities aimed specifically at strengthening regional cooperation in the Black Sea area: the TRACECA (Transport Corridor Europe-Caucasus-Central Asia) project;⁽¹⁶²⁾ the INOGATE (Rehabilitation, Modernisation and Rationalization of Interstate Oil and Gas Pipelines in the NIS) and Black Sea Regional Energy Centre programmes in the field of energy; the Black Sea environment programme and other practical projects.⁽¹⁶³⁾

EU involvement in the BSEC framework has, however, been minimal (except for the funding of some isolated projects such as the Black Sea Regional Energy Centre in Sofia, the Black Sea environmental projects as well as smaller ones, like the business plans of the BSTDB, and the ICBSS).

Following the Dublin European Council in December 1996, the Commission has reported regularly on regional cooperation activities in Europe from the Arctic to the Black Sea.⁽¹⁶⁴⁾ Among these, the Black Sea report marks what could be the beginning of an EU BSEC policy; it welcomes the BSEC and draws attention to the role it can play in the development of a more cooperative and stable environment in this area. It also defines priority objectives for the BSEC that could usefully be promoted with EU support, and identifies the instruments available to encourage regional cooperation.⁽¹⁶⁵⁾

A BSEC policy for the EU could eventually be based on the following recommendations:

The Black Sea Area's European vocation should be encouraged. In its approach to the Black Sea area, the EU should encourage the region's European vocation, which is based on political, security and economic reasoning. Although the Black Sea countries have stressed their European orientation, the region, being in a period of transition, is still confused and vulnerable. The spreading of European values and norms is becoming of direct interest to the EU in view of its eastward enlargement, which will bring the EU's eastern border to the shores of the Black Sea. This prospect provides the preconditions for long-term stability in the continent, diminishes the possibility of creating new dividing lines and underlines the EU's interests as compared with the influence of outside (i.e. the United States) or regional (e.g. Iran) powers. In this context, Europe should first and foremost seek to exploit one important asset: its power of attraction. Neither Russia nor the United States enjoys such general popularity among the people and states of the region.

The attitude of countries in the region towards European integration is being increasingly clearly expressed. In specific references to the EU in the Moscow Declaration, the BSEC leaders expressed their intention "to develop further cooperation in fields of common interest with such institutions as the European Union," and they appealed to the EU "to work out a common platform for developing closer contacts and mutual cooperation."⁽¹⁶⁶⁾

They also appealed to the EBRD and the European Investment Bank to consider the possibility of developing co-financing programmes and eventually to participate as members of the BSTDB.⁽¹⁶⁷⁾ In the declaration issued at the Yalta summit, emphasis was placed on relations between the BSEC and the EU with a view to forming a "EURO-BSEC" area.

Given these new developments, a window of opportunity to promote a stronger BSEC relationship with Europe has now been opened wide. The contractual relations of the EU with BSEC states vary greatly, i.e. from full membership (Greece) to Partnership and Cooperation Agreements (Armenia, Azerbaijan, Georgia, Moldova, Russia and Ukraine). At the same time, many of these states have entered into Partnership and Cooperation Agreements (Armenia, Azerbaijan, Georgia), Customs Union (Turkey), or even pre-accession negotiations with the EU (Bulgaria, Romania). The signing of the 1994 Agreement on Partnership and Cooperation with Russia in Corfu, as well as the 1996 agreements with the Transcaucasian republics, have opened up broad opportunities for interaction in the Black Sea region. In a sense, the development of

an integrated system of relations between Black Sea nations and the EU has already started.

As part of the BSEC's European vocation, the idea of developing relations with the European Union is now being more strongly supported by the participating states. The way is clear for the EU to work out a BSEC policy. Such a policy will eventually compete with other areas and demands for resources; it will also be affected by West European cultural stereotypes and usually conservative definitions of the easternmost limits of Europe. What is therefore needed is an authoritative and unequivocal expression of Europe's political commitment to the region's European future, and political interest in the area's prosperity and stability. Whether it wants it or not, the EU is already, and will increasingly become, the main focus of most of the BSEC countries' aspirations. Bulgaria, Romania, Turkey as well as other states want EU membership.

The BSEC's role should be reinforced. The European Union has acquired a certain experience over the years with regard to its policies and attitudes toward intra-regional cooperation schemes. However, the EU's approach can be described as asymmetrical at best. Cultural affinities, assessments of stability and pressures by neighbouring and interested member states explain why the EU has placed much more emphasis on, for example, the CBSS, which lists the Commission as one of its founding members. The EU took a leading role in presenting the Baltic Sea Region Initiative in Visby in May 1996, which introduces practical measures in the development of regional cooperation among the states, regions, and peoples of the Baltic Sea.

The BSEC does not preclude or prevent EU membership or the establishment of any other relationship with it for that matter. Nor does the EU perceive regional cooperation initiatives in general, and the BSEC in particular, as competing or rival structures. On the contrary, regional cooperative schemes like the BSEC clearly serve wider European integration by complementing the EU as some of the BSEC member states prepare themselves for the necessary and sufficient conditions required for integration in Europe.⁽¹⁶⁸⁾

For the region's countries, the BSEC can therefore be seen as a grounding for integration in a wider Europe. It aims at establishing patterns of cooperation among its members in various fields, which would facilitate European integration. Consequently, it could be asserted that the BSEC is an important pillar of the overall European architecture. The BSEC would promote suitable means for the dissemination to and adoption by its members of certain norms, standards and practices as well as principles and policies of the EU which have taken shape over years of accumulated experience and which have stood the test of time. Thus, more active European involvement could serve as a useful means for encouraging these countries' westward reorientation, as well as the transformation of the region into a zone of stability and pluralistic democracy.

The European Union might consider reinforcing the role of the BSEC and consider clearly spelling out a comprehensive BSEC-oriented policy and launching a Black Sea Region Initiative modelled on its Baltic Sea Region Initiative. The aim of this would be twofold: to strengthen the BSEC and the institutionalization of the EU-

BSEC relationship; and to promote economic development and intraregional cooperation among BSEC states, as well as between the EU and the BSEC. As the only EU member participating in the BSEC,⁽¹⁶⁹⁾ Greece could take the initiative and submit a comprehensive proposal (a similar role was played by Sweden in the case of the CBSS).

The EU should display a politically more visible interest in the BSEC. It would be mutually beneficial for a structured mechanism to be established between the Commission and the BSEC. Thus, the European Commission might seriously consider – as it has done with the CBSS – accepting a special status (possibly some form of associate membership) in the BSEC; its involvement in the work of the various organs of the BSEC, particularly in the working groups, would increase their efficient functioning in the light of the BSEC’s transformation into a regional organization.⁽¹⁷⁰⁾

Obviously, for the Black Sea area, the attractiveness of the EU is closely associated with Europe’s potential to contribute to the development of the economies of the region. However, the idea should neither be to extract additional funding to the existing Community programmes nor to affect the responsibilities of each provider of assistance with regard to its individual programme and the rules which govern it. Instead, a realistic plan should call for and outline proposals for taking full advantage of existing cooperation and programmes by intensifying regional coordination and focusing on priority areas.

In its first ever report on the BSEC, the Commission has suggested the following priority objectives:⁽¹⁷¹⁾

- the promotion of political stability and dialogue, and the strengthening of human rights, democracy and the rule of law;⁽¹⁷²⁾
- transit through the region and the development of the region’s transport, energy and telecommunications networks, including connections to European networks;
- regional commercial cooperation and the creation of favourable conditions to attract EU and other foreign investment, including in small and medium enterprises, while ensuring the compatibility of any new arrangements with existing regimes;
- sustainable development, the protection of the region’s environmental integrity and nuclear safety;
- the reduction of drug trafficking, smuggling and illegal immigration throughout the region.

Moreover, the EU has an interest in the funding and implementation of cross-border projects; in encouraging the EBRD and the European Investment Bank to play a more active role in financing infrastructure projects in the area; in the development and implementation of the legal framework initiatives that are necessary in order to create an environment that is attractive to foreign direct investment; and in increased contributions in value and form, and improved coordination among the PHARE, TACIS, Interreg and Meda programmes to cover the BSEC area, or the development of a special programme solely for the BSEC.

Security challenges and opportunities for Europe

The Black Sea region is one of the most conflict-ridden yet strategically important zones in the world. It is also a vast economic area and trade crossroads whose overall importance will dramatically increase as Caspian hydrocarbon fuels gradually find their way to Western and other energy markets. With global oil demand expected to rise substantially in the coming decades, Europe is becoming increasingly aware of its growing dependence on oil from the unstable Gulf region. To offset this over-reliance, access to the Caspian Basin could become of vital importance.

Europe should seek, first and foremost, to clarify its interests in this region, which are not merely a function of its potential as a source of energy. The conflicting geopolitical interests that are emerging in the area underline the need for more pronounced and active EU involvement. Since the break-up of the Soviet Union, major rivalries for leverage – including the control of energy resources – have developed in the region between Russia, Turkey and Iran, as well as the United States and some NIS. The outcome of current manoeuvring for influence in the region will determine not only the degree of Western access to a major energy source, but also the geopolitical make-up of Eurasia itself.

Conclusion

The shortcomings of these EU policies invite some preliminary remarks. Because of both unproductive policy choices and mobilized interests and objective conditions, neither Russia nor the United States would be able to dictate the course of events or the flow of oil and gas. This is obviously even more true of medium-sized players like Iran or Turkey, not to mention the smaller states like Azerbaijan, Kazakhstan and Turkmenistan. The presence of many actors creates opportunities for several possible coalitions and balances, whose interaction and exact impact on the evolution of the region towards more or less conflictual outcomes is difficult to predict. The most powerful new type of actor is (and will be more so in the future) the multinational consortium. In a globalized economy, the tendency of multinational investors to form cross-border alliances, following the rules of competition, could significantly influence the outcome of events in a cooperative direction.

Thus, given important transatlantic differences on policy *vis-à-vis* Iran and other issues, an active European role in the area seems worth exploring. Although Russia, the United States and Europe will continue to be major players in energy issues, Europe seems to have a comparative advantage: most Black Sea countries have clearly expressed their own and the region's European vocation; moreover, no suspicions of traditional superpower interests are usually attached to the EU's actions. It could, therefore, become more actively involved in the region's affairs without risking being seen as seeking a zone of influence.

Until recently, Europe seems to have underestimated what is at stake in the rivalries that have developed in the 1990s in this part of the world, thus inadvertently contributing to the rise of an unstable security environment in the region. The strategic importance of the Black Sea region therefore demands greater and more sustained priority within Europe's foreign relations and the CFSP; it calls for planning and implementing a new, more proactive policy towards these areas; it calls for

formulating its political role in the Black Sea area: to prevent or help resolving conflicts.

Seeking a more active role and promoting stability in the area implies going beyond the usual forms of economic support: it requires a vigorous diplomatic effort to bring a fair and reliable end to (at least some of) the multiple and often interconnected conflicts that have erupted in recent years. This goal is to be pursued in close cooperation with other actors and organizations, whose actions are to be complementary to those of the EU, such as the United States, Russia, the Council of Europe and OSCE. The Council of Europe, given its image in this region, could therefore complement the EU's efforts at enhancing democracy and post-conflict peace-building.⁽¹⁷³⁾ The Stability Pact, which has been transferred to the OSCE, could also give impetus to cooperation for democracy, human rights and good-neighbourly relations.

A role for WEU?

The West's decision to enlarge its main institutions has brought the Black Sea area closer. In order for a new European security space to be created, close cooperation between the EU, WEU and NATO, as well as between members of these institutions and the 'outs' will be essential.

A report published in 1997 by the WEU Assembly marks the first attempt to explore a possible WEU role in the area that would go beyond merely keeping a watchful if increasingly interested eye on the situation.⁽¹⁷⁴⁾ WEU has devoted attention to crises in the region involving the disruption of energy supplies and threatening transport routes, recognizing that the flow of gas and oil to European markets through reliable pipeline and maritime routes hold great political and strategic significance.⁽¹⁷⁵⁾

Although focused mainly on the Caucasus and energy issues, the above-mentioned report also arrived at some policy suggestions for the European states: to intensify the efforts to stabilize and consolidate the situation in this area; to step up any initiatives designed to resolve on-going regional conflicts; to take preventive measures in conflict-prone zones.

WEU has considered peacekeeping operations a priority area, and has emphasized that Europe should make preparations to provide a specific peacekeeping contribution, so that none of the powers of the region can pose a threat.⁽¹⁷⁶⁾ In the Petersberg Declaration of June 1992 it was stated that military units of WEU member states, acting under the authority of the WEU, could be employed for: humanitarian and rescue tasks; peacekeeping tasks; and tasks of combat forces in crisis management, including peacekeeping.⁽¹⁷⁷⁾

Given that WEU is becoming increasingly involved in conflict prevention and crisis management measures, European participation in peacekeeping activities in the Black Sea area could well be a field worth exploring. In particular, second-generation, multidimensional peacekeeping (e.g. monitoring electoral processes and supervising the withdrawal of foreign troops) allows WEU/EU to become significantly involved. The presence of the Russian factor in the region and Russia's possible reaction to any transatlantic engagement in the Black Sea, or to its no longer being able to use the

CIS framework, would make WEU's peacekeeping role a necessity. Russia has not opposed EU or WEU enlargement towards the Black Sea.

A common approach to peacekeeping by WEU and Black Sea states would certainly promote a more cooperative security framework and eventually lead to concrete initiatives. Specific measures to be undertaken could involve the joint organization of seminars and training programmes, and the exchange of experts and experience at all levels.⁽¹⁷⁸⁾ For instance, in 1996 the Ukrainian foreign minister requested *inter alia* that Ukraine be involved in WEU-led operations or peacekeeping missions, and in training exercises as observers.⁽¹⁷⁹⁾

WEU has been present in parts of the region as a result of its various relationships with states in the area. With Greece as a full Member and Turkey an Associate, WEU lists two further countries, Bulgaria and Romania (Associate Partners), whereas Albania is the focus of an important WEU operation (MAPE).⁽¹⁸⁰⁾ Yet there is a need to do more, particularly in the direction of institutionalizing WEU's links with the Black Sea area.

WEU's relationship with Russia, important as it is, lacks the systematic character that an international agreement would confer on it. Although cooperation between WEU and Russia has been limited,⁽¹⁸¹⁾ important developments in the NATO-Russia relationship could have a spillover effect. WEU could conceivably reconsider its policy in the context of the NATO-Russia Founding Act signed in May 1997, and the Euro-Atlantic Council.

Ukraine's relationship with WEU has also progressed, but needs to be formalized. In 1996, during the WEU Secretary-General's visit to Kyiv, Ukraine requested Associate Partner status in the organization. WEU could take new initiatives (in the context of the NATO-Ukraine Cooperation Charter of July 1997) that go beyond the June 1997 conclusion of an agreement with WEU on long-haul air transport⁽¹⁸²⁾ – short, however, of granting Kyiv Associate Partner status.

The institutionalization of relations with Albania, Moldova and the Transcaucasian republics could ease the political and psychological implications of their exclusion from the enlargement of Western institutions.

Developing a Black Sea-Caucasian policy in parallel with the EU's BSEC policy would constitute a conflict prevention mechanism in its ultimate form. An active WEU role in this volatile area, from which Europe has been rather absent, represents a challenge and an opportunity; it could contribute to greater stability and extend Europe's presence further eastwards to Eurasia. It would convey a positive political message and express a longer-term commitment to the Black Sea area's European vocation.

If Europe is surrounded by other democracies and enclosed within stable borders, it will become stronger. This in turn will produce a more stable European space. Consequently, the EU and WEU have a role to play in helping a more stable order and values to take root. In the quest for a more homogeneous European structure, they need to help accelerate the process of problem-solving in the Black Sea area as much as they do in Central and Eastern Europe, and in the Mediterranean.

FOOTNOTES

1. Given Russia's particular size and weight, statistics on the Black Sea region often take into consideration only the oblasts adjacent to the Black Sea (Krasnodar, Rostov and Stavropol).

2. B. Coppieters (ed.), *Contested Borders in the Caucasus* (Brussels: VUB Press, 1996). See S. Karaganov and Y. Valinakis, 'The Creation and Evolution of the BSEC' *The Southeast European Yearbook 1997-98* (Athens: ELIAMEP, 1998).

3. See S.N. MacFarlane, F. Muller and C. Zullo, 'The Impact of Petroleum: Conflict or Cooperation?' in C. Zullo, 'Caucasus/Caspian Region, the Impact of Petroleum: Conflict or Cooperation' (SWP Ebenhausen, Conflict Prevention Network, March 1998), p. 89.

4. Ibid. For instance, ethnic Russians make up 22 per cent of Ukraine's population, 13 per cent of that of Moldova and 8 per cent of the Georgian population. Many ethnic Ukrainians reside in territories adjacent to their country: 300,000 live in the adjacent Rostov region and another 600,000 in Moldova.

5. See S. Karaganov et. al., 'The participation of Russia in the Black Sea Economic Cooperation: Expectations and Concerns' (paper prepared for ELIAMEP, Moscow, November 1996).

6. According to a US plan, Armenian forces would withdraw from the Azeri territories they captured outside Nagorno-Karabakh in return for an eventual settlement that would promise the Armenians in Nagorno-Karabakh 'the highest degree of self-rule within Azerbaijan'.

7. See J. Morrison, 'Pereyaslav and after: the Russian-Ukrainian relationship' *International Affairs*, vol. 69, no. 4, 1993, p. 677.

8. *The Moscow Times*, 15 January 1994. It is expected, however, that the Tartar population will grow to 600,000 soon. See *Nezavisimaya Gazeta*, 20 January 1993.

9. See Floriana Fossato, 'Russia/Kremlin Chooses Pragmatic Approach - An Analysis' *RFE/RL*, 4 June 1997; and Paul Goble, 'Russia/Ukraine, Analysis From Washington - A Victory for Ukraine' *RFE/RL*, 3 July 1997.

10. See Z. Brzezinski, 'On Ukraine, Cold War still seems to rage; West and Russia compete with economic aid, war games' *The Wall Street Journal*, 30 May 1997, p. 14.

11. See K. Litvak, 'The role of political competition and bargaining in Russian foreign policy: the case of Russian policy toward Moldova' *Communist and Post-Communist Studies*, vol. 29, no. 2, 1996, p. 213.

12. *World Factbook* (Washington: CIA, 1998).

13. See 'The transition economies' in *Economic survey of Europe in 1995-96* (New York and Geneva: UN-Economic Commission for Europe, 1996), p. 54.
14. *World Factbook* (Washington: CIA, 1998).
15. See P. Goble, 'The end of the Former Soviet Union' *RFE/RL*, 21 September 1998. On the Russian crisis see 'Meltdown in Russia' *The Economist*, 29 August 1998.
16. 'Operations in Georgia' *UNHCR 1999 Global Appeal* (Geneva: UNHCR, 1999) (<http://www.unhcr.ch/world/euro/georgia.htm>).
17. Operations in Russian Federation' *UNHCR 1999 Global Appeal* (Geneva: UNHCR, 1999) (<http://www.unhcr.ch/fdrs/ga99/rus.htm>).
18. 'Operations in Armenia' *UNHCR 1999 Global Appeal* (Geneva: UNHCR, 1999) (<http://www.unhcr.ch/fdrs/ga99/arm.htm>).
19. *Izvestia*, 11 October 1996.
20. Intensified oil shipments, construction of oil terminals and oil and fuel spills from vessels will increasingly result in the greater contamination of water, and have an adverse impact on the fishing industry and tourism. See V. Aleksandrov, 'Ecological Problems of the Black Sea' *International Affairs* (Moscow), vol. 43, no. 2, 1997, p. 87; and C. Woodard, 'Reviving the Black Sea' *Transition*, vol. 3, no. 4, 7 March 1997, p. 50.
21. See *The Military Balance 1997-1998* (Oxford: Oxford University Press for the IISS, 1997). Although Russia's and Ukraine's military capabilities have been decreasing, Turkey's defence expenditures have continued to rise.
22. A. Shakoor, 'The U.S. Interest and its Security Policies' *Eurasian Studies*, vol. 2, Summer 1995, p. 17.
23. See in particular R. Allison, 'Military Forces in the Soviet Successor States' *Adelphi Paper* 280, October 1993.
24. See 'Russian, Armenian Presidents sign new cooperation agreement' *RFE/RL Newslines*, vol. 1, no. 107, part I, 1 September 1997. Russia and Armenia had formerly (May 1996) signed a series of additional agreements on military and technical cooperation that were described by the Russian defence minister as 'a military coalition' Following a 1993 agreement, Armenian army troops and Russian border guards jointly patrol Armenia's frontiers with Iran and Turkey. See E. Fuller, 'Transcaucasus - Doomed to Strategic Partnership' *Transition*, vol. 2, no. 23, 15 November 1996, p. 29.
25. Dmitriy Danilov and Stephan De Spiegeleire, 'From decoupling to recoupling: a new security relationship between Russia and Western Europe?' *Chaillot Paper* 31 (Paris: Institute for Security Studies of WEU, April 1998).

26. See *Charter on a Distinctive Partnership Between NATO and Ukraine*, Madrid, 9 July 1995; and Donald McConnel, "Charter with NATO will Help Ukraine Regain its Rightful Place in Europe" *NATO Review*, July/August 1997, p. 22.
27. From a rapidly growing literature, see A. and K. Dawisha (eds.), *The Making of Foreign Policy in Russia and the New States of Eurasia* (London and New York: M.E. Sharpe, 1995); M. Mesbani (ed.), *Central Asia and the Caucasus, After the Soviet Union. Domestic and International Dynamics* (Gainesville: University Press of Florida, 1994); M. Olscot, *Central Asia's New States: Independence, Foreign Policy and Regional Security* (Washington, DC: USIP Press, 1995); A. Rubinstein and O. Smolensky, *Regional Power Rivalries in the New Eurasia: Russia, Turkey and Iran* (London and New York: M.E. Sharpe, 1995); R.D. Blackwill and M. Sturmer, (eds.), "Allies Divided; Transatlantic Policies for the Greater Middle East" *CSIA Studies in International Security* (Cambridge, MA: The MIT Press, 1997).
28. "A Caspian gamble" A Survey of Central Asia, *The Economist*, 7 February 1998, p. 6.
29. See J. Bradbury, "Caspian Calling" *Euroil*, vol. 9, Issue 5, May 1998, p. 35.
30. See G. Kemp, *Energy Superbowl - Strategic Politics and the Persian Gulf and Caspian Basin* (Washington, DC: Nixon Center for Peace and Freedom, 1997), pp. 14-17.
31. See R.R. Dion, "Cutting up the Caspian" *The World Today*, vol. 54, no. 3, March 1998, p. 80.
32. See R. Synovitz, "Russia/Kazakhstan: Nazarbayev Ink Accord On Caspian Oil Rights" *RFE/RL*, 6 July 1998.
33. "A Caspian gamble" A Survey of Central Asia, *The Economist*, 7 February 1998, pp. 10-11.
34. "US and Turkey step up Caspian oil efforts" *Financial Times*, 29 October 1998.
35. See statements by former Secretary of State Cyrus Vance and Graham Fuller of RAND. See also Stephen Kinzer, "A New Big-Power Race Starts on a Sea of Crude" *The New York Times*, 24 January 1999.
36. Op. cit. in note 31.
37. See "Bulgaria" *EIU Country Report*, 1st quarter 1997, p. 22.
38. Stephan De Spiegeleire, "Russian Responses to Possible EU Policy Initiatives in the Caucasus" in *Caucasus/Caspian Region – The Impact of Petroleum: Conflict or Cooperation* (Brussels: SWP-Conflict Prevention Network, March 1998), p. 121.
39. *Segodnya*, 11 October 1996.

40. See J. Barham, "Turkey builds pipeline accord" *Financial Times*, 13 March 1998, p. 4.
41. See O. Skagen, "Caspian Gas" (RIIA, London, Former Soviet South Project, 1997), p. 2.
42. See C. Vlachoutsikos and P. Liargovas, "Obstacles of economic cooperation among BSEC countries" (ELIAMEP, Athens, 1997); and P. Kazakos and P. Liargovas, "Cooperation between BSEC and EU countries" (ELIAMEP, Athens, 1997).
43. This figure does not include the total population of the Russian Federation but that of the Black Sea oblasts (i.e. approx. 12 million).
44. See A.G. Arbatov, "Russian National Interests" in R.D. Blackwill and S.A. Karaganov (eds.), *Damage Limitation or Crisis? Russia and the Outside World* (Washington and London: Brassey, 1994).
45. See S. Karaganov, op. cit. in note 5.
46. See A. Arbatov, "Russia's Foreign Policy Alternatives" *International Security*, vol. 18, no. 2, Fall 1993, p. 5.
47. See Stephan de Spiegeleire, op. cit. in note 38, p. 117.
48. See A. Zaitsev, "Russia and Transcaucasia" *International Affairs* (Moscow), vol. 43, no. 5, 1997, p. 182.
49. *The Current Digest*, vol. XLIX, no. 50, 14 January 1998, p. 3.
50. See L. Fuller, "Seeking New Models of Cooperation" *War Report*, no. 55, October 1997, p. 21.
51. See D. A. Connelly, "Black Sea Economic Cooperation" *RFE/RL*, vol. 3, no. 26, 1 July 1994, p. 37.
52. In March 1992 the CIS members adopted an "Agreement on military observer and collective peacekeeping groups in the CIS" The agreement was based on UN and OSCE standards, and declared that peacekeeping was applicable only where the parties to the conflict had given their prior consent and had already reached an agreement to end all hostile acts.
53. Lack of experienced professional units required for such highly delicate assignments was also a reason why Russian troops vastly outnumbered any other foreign contingent. World-wide tensions between 1990 and 1994 led to a six-fold increase in the size and cost of peacekeeping operations; see Boutros Boutros-Ghali, "L'ONU et les nouveaux conflits internationaux" *Les Cahiers de la Fondation pour les Etudes de Defense*, 9/1996, p. 3.

54. See "New Round of Minsk Group Consultations" *RFE/RL Caucasus Report*, vol. 1, no. 30, 22 September 1998. In recent months Armenian officials have suggested that the Dayton Agreement might constitute an acceptable blueprint for resolving the conflict, or that the status of Andorra, which is nominally headed by the French president and a Spanish bishop, could be applied to Nagorno-Karabakh.

55. See *op. cit.* in note 5.

56. See R. Forsythe, "The politics of oil in the Caucasus and Central Asia" *Adelphi Paper* 300, May 1996; and F. Stephen Larrabee, "U.S. and European policy towards Turkey and the Caspian Basin" in R.D. Blackwill and M. Střrmer, (eds.), "Allies Divided Transatlantic Policies for the Greater Middle East" *CSIA Studies in International Security*, 1997, p. 162.

57. See "The Caucasus and the Caspian" 1996-1997 Seminar Series, vol. II, Strengthening Democratic Institutions Project, Harvard University, 1997, p. 118.

58. See Stephen Kinzer, "A new Big-Power Race Starts on a Sea of Crude" *The New York Times*, 24 January 1999, p. 11.

59. Reuters, 30 April 1999.

60. See "Turkey's President Offers his Support for Caspian Pipeline" *The New York Times*, 13 October 1998; and "Unlocking the Assets: Energy and the Future of Central Asia and the Caucasus" (Main Study, James A. Baker III Institute for Public Policy, April 1998).

61. See E. Athanassopoulou, "Ankara's foreign policy objectives after the end of the Cold War: making policy in a changing environment" *Orient*, vol. 36, no. 2, 1995, p. 31.

62. See S. Elekdag, "1/2, "War Strategy" *Perceptions: Journal of International Affairs*, vol. 1, no. 1, 1996, pp. 53-4.

63. See C. Okman, "Turkish Perceptions Regarding the Black Sea Economic Cooperation" Background Paper (Athens: ELIAMEP, October 1996), pp. 1-2.

64. See Duygu Bazoglu Sezer, "Turkey in the New Security Environment in the Balkans and Black Sea Regions" in Vojtech Mastny and Craig Nation (eds.), *Turkey Between East and West, New Challenges for a Rising Regional Power* (Oxford: Westview Press, 1996), p. 87.

65. See *Turkish Daily News*, 19 May 1994.

66. See Gareth Winrow, "Turkey's Evolving Role in the Post-Soviet World" in Libby Rittenberg (ed.), *The Political Economy of Turkey in the Post-Soviet Era, Going West and Looking East?* (Connecticut, London: Westport, 1998), p. 106.

67. See Rosemarie Forsythe, "The politics of oil in the Caucasus and Central Asia" *Adelphi Paper* 300, 1996, pp. 23-6.

68. See Gareth Winrow, op. cit. in note 66, p. 103.
69. Ibid., p. 111.
70. See Melten Muftuler-Bac, *Turkey's Relations with a Changing Europe* (Manchester and New York: Manchester University Press, 1997), p. 44.
71. For the concept of 'cooperative hegemony' see Thomas Pedersen, 'Realism and Regional Institutionalization: A Theory of Cooperative Hegemony' draft paper presented at the Third Pan-European International Relations Conference, Vienna, 16-19 September 1998. For a theoretical framework of the BSEC initiative, see Duygu Bazoglu Sezer, 'Black Sea Economic Co-operation Project: Anarchy, the Demise of Bipolarity, and the Turkish Call on the Regional Players to Co-operate rather than Defect' *European Security in the 1990s: Problems of South-East Europe*, (Rhodes, 6-7 September 1991), UNIDIR, New York, 1992, p. 155.
72. For the full text see 'Bosporus Statement' Istanbul, 25 June 1992, in *BSEC Handbook of Documents* (Istanbul: PERMIS, July 1995), vol. 1, pp. 9-10.
73. See O. Ozuye, 'Black Sea Economic Cooperation' *Mediterranean Quarterly*, vol. 3, no. 3, 1992, p. 51. See also 'The Summit Declaration of the BSEC' *BSEC Handbook of Documents* (Istanbul: PERMIS, July 1995), vol. 1, para. 7.
74. 'Declaration of Intent for the Establishment of the BSEC Free Trade Area' *BSEC Handbook of Documents*, vol. 3, January 1998, p. 109.
75. *Istanbul Declaration*, Istanbul, 25 June 1992, para. 17. See also 'Rules of Procedure of the BSEC' 2nd MMFA, Istanbul, 17 June 1993, art. 3, para. 1. The participating states initially resisted the creation of an international secretariat, as it was seen as an obstacle to institutional flexibility. It was precisely this flexibility that attracted some states to participation.
76. Greece and Bulgaria refrained from participating in the PABSEC when it was established due to their objections to introducing security issues in the BSEC and giving an overall political dimension to the BSEC process.
77. See 'The Agreement Establishing the Black Sea Trade and Development Bank' Tbilisi, 30 June 1994, in *BSEC Handbook of Documents* (Istanbul: PERMIS, September 1994), p. 263.
78. Based on the 'Proposals concerning the competence of the Meeting of Senior Officials' Attachment 3 to Annex VI to BS/FM/R(95)2, Chisinau, 1 November 1995.
79. The first director appointed was the Russian Ambassador Evgeny Kutovoy, who was assisted by three deputy directors appointed by Romania, Turkey and Ukraine.
80. 4th MMFA, Tbilisi, 30 June 1994, in *BSEC Handbook of Documents* (Istanbul: PERMIS, July 1995), vol. 1, p. 90. The groups are the following: (1) Greece, Russia, Turkey and Ukraine, with 16 per cent each, cover 64 per cent of the total budget; (2)

Bulgaria and Romania, with 8 per cent each, cover another 16 per cent of the budget; (3) Albania, Armenia, Azerbaijan, Georgia and Moldova, with 4 per cent each, cover the remaining 20 per cent of the total budget.

81. See Breffni O'Rourke, 'East: New Black Sea Organisation Sets Sail' *RFE/RL*, 11 June 1998.

82. See S. Karaganov, *op. cit.* in note 5, pp. 18-19.

83. See G. Uzeyir, 'New Historical Roles for Turkey in Near Future' *Turkish Daily News*, 25 June 1992; and D. Connelly, 'Black Sea Economic Cooperation' *RFE/RL*, vol. 3, no. 26, 1 July 1994, p. 32. See also D.B. Sezer, *op. cit.* in note 71.

84. See S. Ilkin, 'Les tentatives de coopération économique de la Turquie et la zone de coopération économique en mer Noire' *Cahiers d'Etudes sur la Méditerranée Orientale et le Monde Turco-Iranien* (CEMOTI), no. 15, 1993, p. 69.

85. It has never been considered as an alternative to any existing groupings in Europe, however. See O. Ozuye, *op. cit.* in note 73, p. 51.

86. See D.A. Connelly, *op. cit.* in note 51, p. 32.

87. See F. Stephen Larrabee, 'Ukraine's Balancing Act' *Survival*, Summer 1996, pp. 143-65, and Peter van Ham, 'Ukraine, Russia and European security: implications for Western policy' *Chaillot Paper* 13 (Paris: Institute for Security Studies of WEU, February 1994); Oleg Strelak, 'Independent Ukraine: the search for Security' (SWP Ebenhausen paper IP 2886, March 1995). The quest for alternative energy sources was also an important motivation. See O. Pavliuk, 'The Black Sea Economic Cooperation - Dynamics, Challenges and Prospects' in T. Veremis and D. Triantaphyllou (eds.), *The Southeast European Yearbook 1997-98* (Athens: ELIAMEP, 1998), p. 7; M. Shafir, 'Ukraine as a Nation and as a State' *Transition*, vol. 2, no. 18, 1996, p. 5.

88. See F. Stephen Larrabee, 'Ukraine's Balancing Act' *Survival*, Summer 1996, p. 144.

89. See A. Hovakimian, 'The BSEC and Armenia' (Background Paper prepared for ELIAMEP, October 1996); M. Kudava, 'Georgia and the BSEC process' (Background Paper prepared for ELIAMEP, November 1996); A. Nistean, 'The BSEC and Moldova' (Background Paper prepared for ELIAMEP, November 1996); B. Bala, 'The participation of Albania in the BSEC: expectations and concerns' Halki International Seminars, Halki, September 1996.

90. See Background Papers prepared by A. Hovakimian (Armenia) and V. Yakushik (Ukraine) on the BSEC process for ELIAMEP, 1996.

91. See Alyson Bailes, 'Sub-regional Organizations: The Cinderellas of European Security' *NATO Review*, March 1997, p. 28.

92. See A. Hovakimian, *op. cit.* in note 89, p. 4.

93. On Azerbaijan's politics, see E. Fuller, 'Between Neo-Stalinism and Democratization' *Transition*, vol. 2, no. 18, 1996, pp. 35-9.
94. See A. Chikvaïdze, 'Black Sea Economic Cooperation' *Eurasian Studies*, Fall 1994, p. 115.
95. See A. Nistrean, op. cit. in note 89, p. 3.
96. See Y. Valinakis, 'Greece and the BSEC' in H. Psomiades (ed.), *Greece and the Balkans: Challenges and Opportunities* (New York: Pella Publishing Company, 1998).
97. See T. Couloumbis and P. Yannas, 'Alternative Futures in the Post-Cold War International System and their Implications for Greece' *Südosteuropa Aktuell*, no. 20, 1995, p. 43.
98. See P. Kazakos and P. Liargovas, op. cit. in note 42.
99. For a positive Turkish reaction, see O. Ozuye, op. cit. in note 73, p. 52.
100. On Albania's foreign policy, see: Jens Reuter, 'Albanien's Aussenpolitik: Balanceakt zwischen nationalen Sicherheitsinteressen und panalbanischen Traumen' *Südosteuropa*, vol. 44, nos. 1-2, 1995, pp. 89-100.
101. See S. Roussev, 'Bulgaria and the BSEC' and M. Malitza and M. Iliescu, 'Romania and cooperation in the Black Sea area' (Background Papers prepared for ELIAMEP, November 1996).
102. They also instructed the ministers of foreign affairs, 'together with other appropriate authorities to elaborate programs to strengthen cooperation in this field, as well as to develop further interaction between the law-enforcing, border, customs and immigration authorities, search and rescue services and units for actions in emergency situations to eliminate the consequences of natural and technogenic disasters'
103. O. Pavliuk, op. cit. in note 87, p. 328.
104. See *Report of the Fourth Meeting of the Ministers of Foreign Affairs*, Tbilisi, April 1994. The latter idea could well be of direct interest to the EU and WEU.
105. Caucasus Report, *RFE/RL*, vol. 1, no. 17, 23 June 1998.
106. 'Moscow Declaration of the Heads of State or Government of the Participating States of the Black Sea Economic Cooperation' *PABSEC* (Istanbul: PABSEC International Secretariat, November 1996), vol. 6, p. 5.
107. See O. Pavliuk, op. cit. in note 87, p. 3.

108. See "The BSEC in 1996 – To new horizons in the multilateral Economic Collaboration" PERMIS, Press Release no. 39, Istanbul, January 1997.

109. See "Report on Cooperation in Transportation among BSEC member countries" Document EC1776/96, Draft, PABSEC International Secretariat, 1996, pp. 9-10.

110. An important step towards cooperation was taken at a conference in Bucharest in 1997 which was organized within the framework of the SYNERGY programme. See "EU-Black Sea region: extending cooperation between two key players in the World Energy Market" Bucharest, 28 November 1997 (Brussels, European Commission, December 1997).

111. See "The Business Conference on the New Opportunities in the Black Sea Region" PABSEC, vol. 7, PABSEC Permanent Secretariat, Istanbul, June 1997, p. 42.

112. See C. Woodard, *op. cit.* in note 20, p. 51.

113. See "1994 Annual Report, GEF Black Sea Environmental Programme" (Istanbul, Programme Coordination Unit, UNDP-UNEP-World Bank, 1995), p. 5.

114. On the issues discussed during the meetings of the Governors and Mayors, see "The second Black Sea Capitals' Governors and Mayors Round Table" PABSEC International Secretariat, Istanbul, 1995.

115. The allocation of shares among the participating states, as a percentage of initial capital stock of the Bank, is as follows: Albania 2, Armenia 2, Azerbaijan 2, Bulgaria 13.5, Georgia 2, Greece 16.5, Moldova 2, Romania 13.5, Russian Federation 16.5, Turkey 16.5 and Ukraine 13.5. See "Agreement Establishing the BSEC Trade and Development Bank" *BSEC Handbook of Documents* (Istanbul: PERMIS, September 1994), p. 486.

116. See *Updated Document on the ICBSS* (Athens: ICBSS, September 1996). The ICBSS will attempt to function as a locomotive for cooperation among entrepreneurs, managers, government agencies, researchers and the media from Black Sea countries, as well as from other parts of the world, particularly the European Union.

117. See A.Y. Kolat, "Black Sea Economic Cooperation in Perspective" *Eurasian Studies*, vol. 3, no. 3, Fall 1996, p. 23.

118. See O. Pavliuk, *op. cit.* in note 87, p. 3.

119. *Ibid.*, p. 4, referring to interviews with Ukrainian Foreign Ministry officials.

120. *Ibid.*

121. See Z. Yildirim, "The Black Sea Economic Cooperation and Development Bank" (Paper), Istanbul, 31 August 1992, p. 3.

122. See P. Kazakos and P. Liargovas, *op. cit.* in note 42, p. 213. For an analysis of the economic and business environment in the BSEC, see P. Vlachoutsikos and P. Liargovas, *Obstacles of economic cooperation among BSEC countries* (Athens: ELIAMEP, February 1997).

123. See "Black Sea Economic Cooperation Business Council" Greek Representation to the BSEC-Business Council, Greek Chamber of Commerce and Industry, Athens, June 1997.

124. *Ibid.*, p. 4.

125. *Ibid.*

126. "North Greece significant for development" *Ependitis*, 6 September 1997, p. 15.

127. *Regional Co-operation in the Black Sea area: State of play, perspectives for EU action encouraging its further development*, COM (97) 597 final (Brussels: Commission of the EC, 14 November 1997), p. 7.

128. Moscow Declaration, *op. cit.* in note 106, p. 3.

129. See "Draft Charter on the Organization of the Black Sea Economic Cooperation" Attachment I to Annex VI, BS/FM/R (97) 3 (Istanbul, BSEC PERMIS).

130. See Breffni O'Rourke, "New Black Sea Organization Sets Sail" *RFE/RL*, 11 June 1998.

131. According to press reports, an application by the Republic of Cyprus was also well on its way.

132. It has been suggested that given that practically all BSEC participating states define themselves as European, they could conceivably consider a more flexible and representative name (such as "Southeast European Cooperation"). See S. Karaganov and Y. Valinakis, *op. cit.* in note 2.

133. Egypt and Israel have sponsored training seminars for the participating states. As regards the future granting of observer status, a number of countries are queuing: Bosnia-Herzegovina, Croatia, Cyprus, Jordan, Kazakhstan and Slovenia. The two EU members which have been granted observer status (Italy and Austria) have not been directly involved and have often failed to attend important meetings.

134. According to Article 10 of the Charter establishing the BSEC Organization, "The Heads of State or Government of the Member States may meet when the need arises"

135. "The troika convenes upon request of the Chairmanship in order to exchange views on current and prospective activities of the BSEC and its relations with other international organizations and institutions" (Article 14), *Charter of the Organization of the BSEC* (Istanbul: PERMIS, 1998).

136. For example, some restructuring of the order of the rotating presidency system might also be welcome, given that the smaller and newly independent states' ability to carry out effective presidencies is limited.

137. The eleven leaders have agreed that 'the ministers/deputy ministers responsible for specific economic sectors, i.e. transport, communications, energy, trade and industry, environment, tourism will meet on a regular basis to discuss the issues of cooperation and to take concrete decisions within their competence.' They further specified that 'the experience of first meetings at these levels will encourage the holding of other meetings of the BSEC ministers/deputy ministers.' See Moscow Declaration, op. cit. in note 106, p. 5.

138. Some initial ideas on education were discussed during the Conference of Representatives of Academic Communities, in Athens in December 1996. Additional topics of eventual interest include the possibilities of youth exchanges among the countries of the BSEC or between the BSEC and the EU; the promotion of cultural initiatives; the systematic study of the civilization of the area, focusing mainly on the common points among the BSEC countries; the possibilities that exist in the area of vocational training and distance education; the organization of a series of training seminars for researchers, teachers, journalists, etc.

139. The BSEC could follow the example of the CEI and establish a working group on civil defence. Given the limited experience of the majority of the countries of the BSEC in disaster relief, and their known financial and other weaknesses, EU assistance could be both valuable and politically visible.

140. Six candidatures were presented in spring 1997 for three senior posts at the PERMIS.

141. At the Moscow summit, the BSEC leaders pleaded for more interaction between the BSEC and PABSEC, 'based on an appropriate mechanism.' Moreover, the issue of a permanent location of the PABSEC could also be considered.

142. See Vol Palre Bernard, 'Subregionalismus: Eine Zwischenebene in einer gesamteuropäischen Ordnung' *Europa Archiv*, October 1991, pp. 558-66.

143. In an important literature on regionalism, see L. Fawcett and A. Hurrell, (eds.), *Regionalism in World Politics* (Oxford: Oxford University Press, 1995); Edward D. Mansfield and Helen Z.V. Miller, (eds.), *The Political Economy of Regionalism* (New York: Columbia University Press, 1997); R. Rosecrance 'Regionalism and the Post-Cold War Era' *International Journal*, 46, Summer 1991; K. Ohmae, 'The Rise of the Region State' *Foreign Affairs*, Spring 1993.

144. For a comprehensive analysis, see P. Kazakos and P. Liargovas, *Cooperation in Southeastern Europe* (in Greek) (Athens: Ioniki, 1996), p. 40.

145. See 'Political and economic incentives for formal integration initiatives and developments' in *Regional Integration and the Multilateral Trading System, Synergy and Divergence* (Paris: OECD, 1995).

146. In practice there has always been an interaction of market and political factors. Private sector strategies depend, in part, on the regulatory environment which, in turn, the private sector tries to influence. For any regional agreement to be effective in the long term, it must be supported by market forces acting on the basis of complementarity and opportunity for firms to achieve economies of scale.

147. In this paper the term 'subregional' is used to refer to groups such as the BSEC which are considered to be parts of the larger European region and are not (like NATO or the OSCE) Europe-wide in scope.

148. See *Report from the Commission to the Council on Regional Co-operation in Europe* COM (97) 659 final (Brussels: European Commission, December 1997), pp. 6-7.

149. On subregionalism in Europe, see Andrew Cottey (ed.), *Subregional Cooperation in the New Europe, building Security, Prosperity and Solidarity from the Barents to the Black Sea*, (London; Macmillan Press-The EastWest Institute, 1999).

150. Special Issue of the *CBSS Monitor* on the occasion of the CBSS III ministerial session in Tallin, 24-25 May 1994, p. 2.

151. *Baltic Sea Region Initiative*, SEC (96) 608 (Brussels: European Commission, 10 April 1996).

152. The foundations of the CEI were laid in 1989 by Austria, Italy, Yugoslavia and Hungary. Today the CEI includes sixteen members: Albania, Austria, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Italy, FYR of Macedonia, Moldova, Poland, Romania, Slovakia, Slovenia and Ukraine. Yugoslavia's membership has been suspended. See Christopher Cviic, 'The Central European Initiative' op. cit. in note 149, p. 113.

153. See 'Sarajevo Declaration: The Central European Initiative's Contribution to a Cooperative and Stable Europe' The Heads of Government of the Member States of the Central European Initiative, Sarajevo, 28-29 November 1997 (<http://www.ceinet.org/meetings/declarat.hrm>); see also WEU Assembly Document 1605, 'The Central European Initiative' Report submitted on behalf of the Committee for Parliamentary and Public Relations by Mrs Squarcialupi, Rapporteur, 28 April 1998.

154. See Ian Bremmer, Sophia Clément, Andrew Cottey and Thanos Dokos, 'Emerging Subregional Cooperation Processes: South-Eastern Europe, The Newly Independent States and the Mediterranean', op. cit. in note 149, pp. 217-24.

155. It includes Albania, Bosnia-Herzegovina, Bulgaria, the Federal Republic of Yugoslavia, FYR of Macedonia, Greece, Romania and Turkey.

156. See P.C. Ioakimidis, 'Balkan Cooperation and the Summit' *Athens News*, 6 November 1997, and D. Triantaphyllou, 'Crete could succeed where Kinkel couldn't' *Athens News*, 30 October 1997. A second meeting took place in Antalya; see *Turkish Daily News*, 13 October 1998.

157. The participants include: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Greece, Hungary, Moldova, Romania, Slovenia, FYR of Macedonia, Turkey and the United States. See *Report from the Commission to the Council on Regional Cooperation in Europe* (Brussels: European Commission, 1997).

158. The project groups established address trade facilitation, transport infrastructure, financial support for small and medium enterprises, energy efficiency, gas supplies and Danube river environmental recovery.

159. For example, as already suggested: through better coordination the rotating presidencies could become more effective (through calendar modifications and synchronization between the BSEC and PABSEC, as well as between the BSEC, CEI and the EU); better coordination between the Chairman-in-Office and the PERMIS; the reinforcement of the competencies of the latter; more use of constructive abstention and gradually of majority voting (decisions can be adopted with a two-thirds majority) could be encouraged; representative and balanced sharing of the seats of BSEC-related bodies (some relocating of organs currently based in Turkey could become necessary as the restructuring of financial contributions progresses).

160. In this context new European members (from former Yugoslavia and eventually Cyprus) are likely to be positive additions, as compared with Asian candidates (except, perhaps, for Iran). Moreover, given the emphasis put by the BSEC states on the European orientation, and the decreasing number of non-Black Sea riparian members, the suggestion to rename the BSEC "Southeast European Cooperation" will eventually merit serious consideration.

161. Op. cit. in note 127, pp. 9-10. This assistance figure excludes Greece but includes the Russian Federation as a whole; it mainly refers to PHARE-TACIS national and multi-country programmes, complemented by funding from Interreg and from sector-specific Community programmes.

162. Four technical addenda on customs implementations and registrations were signed within the TRACECA project at the Baku summit in September 1998. See "Baku summit inaugurates restoration of Silk Road" *Turkish Daily News*, 9 September 1998.

163. Community assistance was given to the process of accession of the Black Sea states to the WTO, as well as to BSEC-related activities, such as for the development of the business plans of BSTDB and the ICBSS. See op. cit. in note 127, p. 10.

164. Ibid.

165. Ibid., p. 1.

166. See Moscow Declaration, op. cit. in note 106, pp. 3-4.

167. In this context they also appealed to the EU to adopt relevant decisions enabling the European Investment Bank to extend its operations to cover all the BSEC countries.

168. See F. Ercan, 'The BSEC and the EU' *Perceptions*, vol. 1, no. 3, September/November 1996, p. 83.

169. This point is taken up by the EU Commission; see *op. cit.* in note 127, p. 8.

170. *Ibid.*, pp. 8-9.

171. *Ibid.*

172. In the field of governance, the EU could consider supporting activities such as direct contacts between public and private institutions, including necessary administrative reform, projects in the area of civil society and human rights (under the PHARE, TACIS and MEDA Democracy programmes), as well as regional networking of NGOs within the BSEC area.

173. Greece's presidency of the Council of Europe in 1998 pledged to work actively in this direction.

174. WEU Assembly Document 1586, 'The Situation in Central Asia and the Caucasus and European Security' Report submitted on behalf of the Political Committee by Messrs Baumel and Akcali, Rapporteurs, 19 November 1997.

175. WEU Council of Ministers, *European Security: A Common Concept of the 27 WEU Countries*, Madrid, 14 November 1995, para. 26.

176. *Op. cit.* in note 174, p. 31.

177. WEU Council of Ministers, *Petersberg Declaration*, Bonn, 19 June 1992, part II, para. 4.

178. The WEU Institute for Security Studies is uniquely placed to contribute to such initiatives.

179. See WEU Assembly Document 1585, 'The Consequences of the Madrid NATO Summit for the Development of WEU's Relations with the Central and Eastern European Countries and Russia' Report submitted on behalf of the Political Committee by Mr Martínez CasaZ, Rapporteur, 5 November 1997, p. 9; see also D. Danilov and S. De Spiegeleire, *op. cit.* in note 25.

180. See S. Silvestri, 'The Albania Test Case' *The International Spectator*, July-December 1997, pp. 87-98.

181. The Torrejon Satellite Centre's work and the cooperation between the WEU Institute for Security Studies and the Russian Academy of Sciences represent some of the contacts that have been taking place. See WEU Assembly Document 1585, *op. cit.* in note 179, p. 11.

182. *Ibid.*, p. 9.