

Assessment of Security Risks and Opportunities in the Black Sea Region

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The Black Sea region is one of the most heterogeneous areas being characterized by great diversity among nations. The region as a whole is coping with transition from authoritarian governments and centrally planned economies to pluralist democracies and free market economies. Not all the security risks that will be presented below affect each country or affect them in a similar degree or manner.

The rapid development of economic, technological, cultural, political and military changes usually identified with the globalization process, triggered a boomerang effect on the security challenges both at national and international level. The "post-international politics"¹, that is after the end of the Cold War, brought besides the more acute "old global" security challenges such as arms proliferation, overpopulation and impoverishment, new ones such as drug trafficking, international terrorism, massive human rights violation, civil wars, radicalization of religious movements and transnational criminality, basically resulted from the dismantling of the bipolar system, the demise of the Soviet Union which unleashed tensions the Cold War partially suppressed or covered.

The Black Sea region is very much exposed to the globalization threats that were already registered in other parts of the world. At the beginning of the 21st century "old" and "new" security threats are intertwined. Nowadays the emphasis is no more on the military ("hard") security challenges but on the non-military ("soft") security challenges.

With the end of the Cold War, the Black Sea region attracted international attention for both negative and positive reasons.

Unfortunately, there is no genuine, comprehensive security dialogue among Black Sea riparian states. Although the launching of the Black Sea Naval Cooperation Task Group

(BLACKSEAFOR), and establishment of the Black Sea Economic Co-operation Organization (BSECO) proved the value of pooling efforts and resources, little had been achieved.

The Black Sea's strategic importance increased significantly after September 11th. The promotion of a climate of peace and stability in the area can contribute directly to reducing a whole range of conventional and asymmetric threats to Europe's security. Individual countries in the region cannot effectively deal with emerging security challenges if they are insulated from their neighbors. In spite of different national interests and policies, a concerted approach toward security and stability is needed in order to benefit all.

Politically, the Black Sea area has a dual potential. This potential has on one hand *positive* developments characterized by the amplification of EU-NATO relationship with Ukraine and Russia, thus creating premises for promoting stability in the region and for the development of regional cooperation, which over the long term can generate a containment of those areas that have a conflict-driven potential.

On the other hand there is a *negative* potential characterized by the persistence of a *tensioned state of affairs, latent conflicts determined by separatist movements* (Moldova, Caucasus), by the *political instability* which determines the dismantling of state authority and the flourishing of organized crime which spreads to the Western Europe.

The serious threat to the stability in the region comes from the existence of *ethno-political clashes with intra-state and inter-state conflicts*. Of the armed ethno-political conflicts in the region (Abkhazia, South Osetia, Nagorno-Karabach, Transnistria, Chechnya), four remain "frozen" at the moment (the exception is Chechnya), with various chances to settle for a

political solution. Due to these conflicts, the jurisdiction of the central governments is not fully restored over the entire territories of states such as Azerbaijan, Georgia and Moldova.² *Ethnic nationalism* is still revealing in the area, especially in Turkey where demands for a Kurdish independent state are destabilizing not only Turkish domestic politics but also impacts on the stability of the Middle East (Iraq). Furthermore, extreme ethnic nationalism brings new concerns and threats to the states where this type of challenge is present. Terrorism is frequently associated with extreme nationalism, a reality that led to PKK/KADEK (KONGRA-GEL) inclusion on the list of terrorist organizations. Turkey is a well-known case for which ethnic nationalism triggers terrorism.

In some states of the wider Black Sea, the danger of further fragmentation is present. Right or wrong, there is a widespread perception that existing arrangements under the aegis of various international organizations have not delivered, and have not been particularly successful and effective in managing the conflict situation in the region. This applies to "pseudo-states entities" due to the politically motivated secessionist movements finishing in armed clashes and unilateral declaration of independence (Abkhazia, Transnistria, Nagorno-Karabach, Chechnya). The ruling elites of those entities are unaccountable both domestically and internationally and their behavior is unpredictable, thus representing a serious source of instability in the region. Last but not least, there are favorable conditions for the development and spreading of international terrorism.

Following the September 11th events, both NATO and the EU engaged in the war against terrorism, thus narrowing their agenda and compelling them to divert their attention from the Black Sea area traditional threats (this does not necessarily mean that funds and assistance will not be channeled to fight against asymmetric threats in this area). Regional ethnical and political conflicts will receive less consideration and a lack of aid and assistance would make the Black Sea region a target for both domestic and international terrorism. A weakening of state capacity to intervene or find proper solutions will bring feeling of vulnerability, allowing terrorists to engage in illegal activities.

Terrorist activities also generate instability and political challenges and they further intensified if supported by local extremists who can be influenced by international terrorist organizations or radical fundamentalist groups. Activity of Al-Qaeda cells had been registered in Transnistria, Chechnya and Abkhazia thus hindering the process of political normalization endeavored by the international community in these regions. These terrorist elements and the local extremists were mutually reinforcing their activities. On the one hand, local extremists aid and abet Al-Qaeda elements offering them the opportunity of training and hiding and on the other hand Al-Qaeda elements trained and recruited new members elected from the local forces.

Terrorism has been turned into a brandishing weapon and is extensively used by separatist regimes in the Black Sea region. That is why it is important to avoid the use of double standards with regard to terrorists and separatists. It is vital for Black Sea states as well as for the international community to adopt coordinated actions against states harboring terrorists or financially and militarily supporting them on the territory of another state. In order to carry on their missions, terrorists operate from state-uncontrolled territories, engaging in organized crime. The existence of such lawless territories leads to the destabilization of the region. Therefore, in order to eliminate terrorism in the region, more attention should be paid to the social, economic and political causes of growing terrorism and related mechanisms needed to deal with.

Organized crime poses a serious challenge to the security of region. Illegal trafficking of arms, human beings, drugs, materials and components for WMD is endemic in the region. Criminal networks are well favored by the permeability of the borders. Corruption, organized crime and terrorist activities form very often a downward spiral and are variables of an equation that has as unique result the political destabilization. If not contained, these flaws would not only isolate the region but they can further propagate, having as final destination Western Europe.

Due to its geographical location and political and economical situation, the Black Sea region is a gateway for illicit trade in radioactive substances, trafficking human beings, arms smuggling and extorting money. Therefore, no

one should ignore that *transnational criminality* in the area could be a source of funding for future civil wars either in the region or in the neighboring countries.

The successful functioning of Southeast European Cooperative Initiative (SECI) center in Bucharest, the *Regional Center for Combating Transborder Crime* can be a model to follow on how to handle such weaknesses. This initiative plays the role of a clearinghouse for cooperation and intelligence sharing among law enforcement agencies in Southeastern Europe. It facilitates direct cooperation between police and customs thus enhancing the states capacity to promptly prevent, react and fight against transborder criminality. The SECI Center already borne out very good results and should be taken into consideration as a pattern worth being followed in other parts of the Black Sea region, too.

Mechanisms of early warning, conflict prevention and crisis management are either *insufficient* or not well adapted to the new security environment. A possible resorting to force to settle problems or old grievances in the region could lead to expanded conflicts and could destabilize the whole region with repercussions on the whole continental Europe. Therefore, a deeper involvement of the international organizations (OSCE, NATO, EU) that can reinforce regional frameworks of cooperation and even develop new ones when necessary would alleviate the overall security situation.

Border disputes between countries in the region (such as those between Russia-Ukraine and Ukraine-Romania) and other contentious issues can provide a source of risk to national and regional security. There are two territorial disputes between Russia and Ukraine:

1. The *main obstacle known as Azov Sea problem* lies within the demarcation of water borders, which will separate the two countries. One positive step was the agreement signed in 1998 between Leonid Kuchima and Boris Yeltsin, which considered the Azov Sea as internal water of Ukraine and Russian Federation. From 1998 until present the Bilateral Commission created to reach the consensus concerning border delimitation did not progress at all. *Ukraine's proposal for the division of Azov Sea is to draw border along the middle line.* The UN Sea Law Convention envisages that only a 12-mile zone represents internal

waters of a state and that the waters situated beyond this distance must be considered international. This situation disadvantages Russia, which doesn't want any foreign presence in the Azov Sea. The situation is worsened if Ukraine is to become NATO member and hypothetically permit military ships to enter the Azov Sea.

Russian proposal is to divide the whole seabed and not have international waters, something similar to the Caspian Sea solution they proposed on multilateral talks.

If the Ukrainian solution is accepted, then Russia will receive a smaller territory. The last Commission meeting on July 2003 came up with no result.

2. *Another territorial issue, generating uneasiness in the bilateral relations, represents Kerchy Strait, which connects Black and Azov Seas and separates at the same time Crimea from the Russian Tamansky Peninsula.* The most recent scandal around Tuzla Island, situated between Crimea and Tamansky Peninsula, has proved that geopolitical interests are at stakes (Tuzla Island allows the control of the military and commercial ships in their transit between the Black Sea and Azov Sea). Invoking ecological concerns, the authorities of Krasnodarsky Kray launched on September 2003 a dam building project to restore damaged seaboard of Tamansky Peninsula, intentionally omitting to say that such a move can incorporate Tuzla Island into the Russian Federation's territory. The order was given from Kremlin when somebody explained to the president Putin that until 1925 there was no island, but only the Tamansky Peninsula. Therefore, in order to restore historical justice and to accompany their intention of building a new base in Novorossiysk, local authorities began their work. Russia considers Kerchy Strait common territorial waters, a move that will further allow incorporating the island under its administration.

The Ukrainian authorities responded with the dispatch of a military troops on Tuzla Island and most extremist in Ukrainian Rada proposed not to ratify the recently signed Agreement on Common Economic Space so praised by Russian president.

Border dispute between Ukraine and Romania is somehow different having economic implications. The discovery in the mid-1990s of 17 major oil and gas deposits in the Serpents Island region started the dispute between Ukraine and Romania.

Although Romania and Ukraine successfully demarcated their land borders, by 1995 the Romanian-Ukrainian dispute over this maritime region flared up anew as Romania sought to appeal to the International Court of Justice. In response to Romania's intention, Ukraine built up military installations on Serpents Island, although the 1997 basic treaty forbade Ukraine from placing "offensive weapons" there. Ukraine built a modern wharf, seismic station, wind-and-diesel power station, modernized military barracks, and a telephone communications network. In May 2002, the Ukrainian government earmarked \$32 million to expand infrastructure, communications, and economic activities on Serpents Island, as well as to demilitarize it.

Even though a basic treaty had been signed by Romania and Ukraine in 1997, problems pending to maritime border delimitation were postponed until June 2003 when a border treaty was signed with the provision that the maritime border in the *Serpents Island* region will be decided after new talks (bilateral talks started in July 2004). Indecision over the exclusive economic zones and the Serpents Island dispute strained somehow the relations between the two countries.

To this dispute another one was added, when Ukrainian authorities decided the controversial construction of Bastroe Channel a huge new navigable waterway for seagoing vessels in the Ukrainian section of the Danube River. The illicit excavation and planned damming of the mouth of the Bastroe Channel of the Danube has alarmed not only the ecologists, who fear it will drain the estuary and put out of action the present navigable Sulina waterway but also has upset Romania, the principal custodian of the Danube's Black Sea flood plains. The motive for Ukraine's action appears to be its determination to avoid paying transit fees for its ships using the Sulina channel on the Romanian side of the Danube Delta.

Negative international perception of the region as a potential source of insecurity and instability that can easily widespread across Europe, although is not a security challenge *per se*, impacts mostly on the flows of funds and foreign investment.

The Black Sea region countries are subjected to the new **defense-military challenges** that appeared in this area as a consequence of the bipolar system's dismantling and they are correlated with the newly emerged asymmetric threats.³ In the absence of the established European security order in the region, the spread of military threats found fertile ground.⁴

Russian security policy still follows the pattern of spheres of influence and it identifies itself and acts as a Eurasian state (in geopolitical and security terms).⁵ Therefore, chances to form a unified European space are not foreseeable in the near future. Most probably there will be *two separated security region* (one within the framework of the EU and/or NATO and the other one within Commonwealth of Independent States). The prospect of creating new dividing lines that intersect the Black Sea region is real. On the one hand Turkey, Romania, Bulgaria, Georgia and even Ukraine are associated in one form on another to the Euro-Atlantic military alliance (some of them are NATO members, some will become very soon, some declared their intention to join NATO). On the other hand, Russia founded on 28th of April 2003 a military initiative called "The Collective Security Treaty Organization" (CSTO-members Russia, Armenia, Belarus, Kazakhstan, Kirghistan, Tajikistan) just to show on the one hand that it is at least a regional power whose sensitivities should be taken into consideration and on the other hand to minimize NATO's enlargement to its former area of political influence.

Military security in the Black Sea region could be jeopardized by the Russian's ambitions to develop a powerful naval force. The paradox is that the naval force is not complemented by a developed system of naval bases. Although the Russian naval forces were granted the right to use until 2017 Sevastopol naval base (according to a deal struck in 1997 between the two presidents Kuchima and Yeltsin for 10 years period of time), divergent Russian-Ukrainian interests compelled the former to build up a new one in Novorossiysk (surrounded by a belt of ethnic instability), starting 2005.

Small arms and light weapons (SALW) are perfect means to catalyze and boost the magnitude of armed violence, posing a new layer of threat to security through armed criminality and even terrorist activities. There is no news that a huge amount of weapons had been spread out

throughout the Black Sea region either as a result of the dismantling of the USSR or as a result of conflicts; furthermore, loose control over the weapons' stocks placed on the territory of Georgia, Ukraine and Moldova made them easy targets for "freedom fighters" who purchased or looted the much needed arms. In an effort to contain further unexpected consequences, NATO through its Partnership for Peace Trust Fund created special programs designed to destroy obsolete/excess weapons.

A vicious circle appears because the widespread arms accessibility is promoting criminality, fueling existing conflicts or catalyzing new ones. Arms availability stimulates illegal activities, organized crime and the creation of *illegal armed groups* inflicting upon state authority, sometimes touching critical aspects of state's survival.

Full accountability of the armed forces and genuine democratic and civil oversight of the military in the Black Sea region have a different degree of applicability. Champions in this field are both Romania and Bulgaria that started an unprecedented reform of their security sector allowing for a concrete implementation of durable civil-military relations. Turkey has its own specificity registering notable progress especially in respect of possibly becoming a EU member. In Russia, Ukraine and Georgia civil-military relations are only incipient but there are hopes that incentives of future NATO membership for Georgia and Ukraine would make state authorities more committed to develop such values, a true barometer of democracy.

Defense reform in all Black Sea's riparian states is both a politically sensitive and resource demanding issue. Defense reform is a necessity especially in those countries aspiring to NATO status and has its own set of challenges. Therefore, the armed forces have to undergo a process of deep transformation starting with their structure, missions, doctrine, and modernization.

Romania and Bulgaria have successfully transformed their armed forces, increasing their professionalism and preparing them for a full range of missions from collective defense to peace support operations.

Georgia was benefiting from GTEP (*Georgia Train and Equip Program*) launched by U.S. in May 2002. Under the GTEP, U.S. special forces

instructed every level of the Georgian military, from its top leaders – equivalent to the U.S. Joint Chiefs of Staff and Department of the Army – to officers and enlisted soldiers in line units. The graduates will in turn train other Georgian soldiers (*train the trainers*). As part of the training program, the U.S. supplied small arms, ammunition, uniforms, communication equipment, and other gear. Turkey also granted Georgia in 2003, USD 2.8 million for upgrading its military. The Turkish grant was intended to help Georgia refurbish the Marneuli military air base and to improve the infrastructure of the military base at Vaziani, the headquarters of the elite 11th Army Brigade, which is being brought up to NATO standards.

In the process of defense reform Ukraine is receiving support and assistance through NATO-Ukraine Commission. Thus, a *Joint Working Group on Defense Reform* had been created providing a forum in which NATO and Ukraine are able to exchange views and expertise on a broad range of defense issues, including the revision of national security concepts, military doctrine, force planning, budgeting, military downsizing and the transition of personnel from the military to the civilian sectors.⁶

As part of the defense reform, states in the region also started a process of downsizing of their forces. This is a serious challenge that needs an appropriate approach, that is a balance between the speeds with which it must proceed, the number of personnel that must be reduced and the need to alleviate the economic consequences for the people involved. The downsizing process must be managed carefully not to create negative reactions that may have an undesirable influence on the whole defense reform process.

In addition to the armed forces' reform, society as a whole is challenged by the need to reform the entire range of security agencies (*security sector reform*) that comprise the police, interior troops and security/intelligence services and significant changes in the security sector require not only financial resources but also a transformation of mentality.

As for the **economic** field, the Black Sea region is characterized not only by **challenges** but also by **opportunities**.

Given the region's strategic position as a natural link between Europe and Asia and between Central Asia and the Middle East, the

Black Sea region is a vital trade route as well as an important area of economic transit. Located at the crossroad of existing or potential routes of energy transportation from Asia to Europe, the Black Sea region is becoming a focal point of the grand "geopolitics of oil". Consequently, instability and conflict potential that might inflict on the region energy resources and economic prospects can produce damaging effects at continental level.

Energy transportation in the Black Sea region has potential to become either an aspect contributing to the consolidation of the regional security or a source of regional conflict and rivalry (as it is today) engendering energy and pipeline security and destabilizing regional cooperation.

Many analysts consider the wider Black Sea region as the third source of oil and gas in the world after the Persian Gulf and Western Siberia resources.⁷ This region is also rich in minerals, has a favorable climate for agriculture and a well-educated labor force. However, the successor states of the former Soviet Union do not have the necessary means to exploit these resources. Therefore, enormous investments to develop the redundant, obsolete transportation system and infrastructure are required.

The European Commission has developed several multilateral infrastructure programs for the wider Black Sea region. Five Central Asian and three South Caucasus countries together with the EU launched the transport corridor Europe-Caucasus-Asia (*TRACECA* Transport Corridor Europe Caucasus Asia) program in 1993, as a re-emergence of the "Silk Road". This consists of EU-funded technical assistance and catalytic investment support (so far almost 110 million euros) to develop a transport corridor on an East-West axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia building on the Trans European Networks on EU territory, the Pan European Transport Corridors in Europe, especially the Black Sea Pan European Transport Area and the *TRACECA* route to Asia.⁸

The technical assistance provided through the *TRACECA* program has helped to attract large investments from the international financial institutions, in particular EBRD (European Bank for Reconstruction and Development) and the World Bank. The *TRACECA* process led to the signing of the "Basic Multilateral Agreement on International Transport for the Development of

TRACECA" in 1998 by 12 countries from Eastern Europe to Central Asia, among them all BSEC member states except Albania, Greece and Russia. Moreover, the initiative on the Multilateral Agreement on Transport extended the scope to all Black Sea littoral states (including Romania and Bulgaria) and to all regional actors: Russia applied in April 2000 to adhere to the agreement and Iran has been an observer since September 1998.

The Partnership and Co-operation Agreements set the parameters for EU-Newly Independent States relations in almost all of these countries. Of particular relevance to the *TRACECA* program is the fact that, in each of these agreements on transport, they include an article, which commits the parties involved to strengthening cooperation in the field of transport policy in order to modernize and develop transport systems and networks throughout the region with a final aim to achieve a more global transport system. Furthermore, both Common Strategies adopted by the Council for Russia and Ukraine make specific references to the *TRACECA* program.

Specific projects supported under *TRACECA* included the modernization of the Georgian port of Poti, the Azeri port of Baku, and the development of ferry connections between Georgia and Ukraine. These projects are designed to promote the economic development of countries involved, reduce their economic dependence on Russia and former Soviet transport links, and encourage sub-regional cooperation. *TRACECA* also illustrates why sub-regional cooperation, especially in relation to economics, energy corridors, transport links and pipelines cannot be separated from the wider international politics of the region.

The Interstate Oil and Gas Transport to Europe (*INOGATE*) is also an EU-funded regional program of technical assistance and modest investment support for oil and gas infrastructure in the wider Black Sea region and was launched in 1995. *INOGATE* program has the following main objectives:

- Rehabilitation, rationalization and modernization of the regional oil and gas networks
- Assessments of alternative or complementary oil and gas routes from the Caspian and Central Asian regions to European and Western markets
- Improvement of regional trade of energy products.

A treaty setting out an institutional system aimed at facilitating the development of oil and gas transportation networks, was signed in July 1999 and entered into force in 2001, opening up for the participation in INOGATE of countries not covered by the Commission's TACIS program. Nowadays, this agreement comprises 50 participants, including all BSEC member states except Russia.⁹

The European Union has strategic interests in the oil and gas of the region. Agenda 2000 confirms the importance of the Black Sea as a future external border of the EU, establishing a direct link with the hydrocarbon resources of the Caspian basin, Central Asia and Russia. The latest communication of the Commission on the energy balance shows not only that the EU energy demand will increase during the next ten years, but also that the share of natural gas will go up drastically. It is therefore important for the EU to be able to benefit from new sources of supplies, such as the Caspian Sea, Northwestern Russia, Central Asia, Middle East and North Africa.¹⁰ The most natural market for this potential is continental Europe.

INOGATE is focusing not only on the rehabilitation and reactivation of existing energy routes but also on the development of new strategic pipeline network.

Regarding the gas network, the activities will concentrate on the development of regional markets in Central Asia and Eastern Europe. A special effort will be made to include Russia and to re-open cooperation with Kazakhstan. Regarding Eastern Europe, consolidation of the transit to Ukraine through Belarus from Russia and Central Asia will be a major task, as well as the consolidation of the interconnections with candidate countries and the new member states. In addition, the security of Caucasus' gas supplies will be subject to particular attention in the context of a possible settlement of the Nagorno-Karabakh issue, as well as the need for energy supplies to Armenia to substitute for Medzamor Nuclear Power Plant (NPP). As far as oil is concerned, rehabilitation and improved efficacy of the existing network from Kazakhstan to Central Europe through Russia and Ukraine will be followed. In Eastern Europe, cross border infrastructure between Ukraine and Belarus with the Baltic States, Poland, Slovakia, Hungary and Romania will be taken into consideration.

The latest developments in the Caspian region may prefigure the following oil routes.

The *Caspian Pipeline Consortium (CPC)* project connects Kazakhstan's Caspian Sea area oil deposits with Russia's Black Sea port of Novorossiysk. Although the pipeline transverses Russia and was developed in conjunction with the Russian government, development of the CPC has, for the first time, given the Caspian Sea region a viable alternative to the Russian dominated northern export routes (namely Atyrau-Samara). The pipeline's first crude oil was loaded at Novorossiysk on October 15, 2001, and the pipeline was officially opened on November 27, 2001. Most of the oil routed through CPC comes from Kazakhstan's Tengiz field, however, several other Kazakh fields will be contribute to oil transportation through this pipeline. These new connections are expected to increase the output (415,000 bbl/d at the end of 2003). Additional Caspian oil exports through the CPC pipeline will increase congestion in Turkey's Bosphorus Straits, which connect the Black Sea to the Mediterranean. Turkey has raised concerns about the ability of the Bosphorus Straits already (a major checkpoint for oil tankers) to cope with increased traffic. Turkey has stated its environmental concerns about a possible collision (and ensuing oil spill) in the Straits as a result of increased tanker traffic from the launch of the CPC's pipeline. As a result, there are a number of options under consideration for oil transiting the Black Sea to bypass the Bosphorus Straits.¹¹

Azeri oil already reaches the Black Sea port of Supsa (Georgia), supplying the countries of Central and Eastern Europe.¹²

As regards the Azeri-Georgian-Turkish pipeline (*Baku-Tbilisi-Ceyhan-BTC*), it remains up to the private sector to follow up with investments (U.S. is one of the major investors).¹³ Support may be provided to the development of a multi-modal oil transport system from Central Asia through Caucasus to the Georgian ports in the Black Sea, in the framework of the INOGATE Agreement. For Eastern Europe, support may be provided through the INOGATE agreement, to Ukraine, for the achievement of the Odessa-Gdansk project. Given Russian participation, support for the upgrading of the Kazakh-Russian export network may be considered.

Baku-Tbilisi-Ceyhan pipeline will export Azeri (and quite possibly Kazakh) oil along a 1,040-mile route from Baku, Azerbaijan via Georgia to the Turkish Mediterranean port of Ceyhan, allowing oil to bypass the Bosphorus Straits. This pipeline is scheduled to be completed in 2004, with oil to begin flowing in 2005. The BTC project has faced numerous challenges during its initial phases. After allaying initial fears that the pipeline was technically infeasible given its considerable distance from oil fields, the projects developers now faced also criticism from local and international non-governmental organizations, which consider the project to be environmentally hazardous, threatening regional archeological sites, and in violation of international human rights. In spite of all these complains, plans are still on schedule for completion during the fourth quarter of 2004¹⁴ and they have received the operational go-ahead from the major and they investors.¹⁵

As regards gas, the strategic elements to be taken into consideration are:

➤The need to satisfy the northern market (Baltic gas ring) and the substitution of power from Ignalina Nuclear Power Plant. The potential of gas deposits in northwestern Russia (both onshore and offshore) should be thoroughly investigated as a strategic option.

➤The supply of Ukraine and South Eastern Europe in the context of ongoing bypassing projects implemented by Russia: "Yamal" (Russia-Belarus-Poland-Germany) and "Blue stream" (Russia-Turkey) crossing the Black Sea with a positive impact on Chernobyl and Kozlodui NPPs issues.

➤The need to satisfy the growing Turkish market and need to transit gas to the Balkans by the development of the southern corridor (gas pipelines linking Caspian and Iranian gas to the Turkish and the South East European grids). The most important natural gas pipeline, known as the "South Caucasus Pipeline," "**Baku-Tbilisi-Erzurum**", or "BTE", will run parallel to the Baku-Tbilisi-Ceyhan oil pipeline for most of its route before connecting to the Turkish infrastructure near the town of Erzurum. The South Caucasus pipeline is designed to carry natural gas from Azerbaijan's Shah Deniz field. The project is scheduled to be completed in time for the Shah Deniz project's first contracted exports to Turkey in 2006.

➤The security of gas supplies to the Caucasus in the perspective of conflict resolution (Nagorno-Karabakh) and the security of supplies of Armenia in the framework of the closure of Medzamor NPP.

The energy-related geopolitical interests projected the wider Black Sea region in the attention of some major international players. Thus, through the initiatives and the programs launched, the EU have a major, long-term interest in being connected to the vast resources and opportunities for trade and investment in the emerging markets of the Black Sea region's countries.

The Russian Federation is also a key player in the energy equation especially that its economic recovery and further improvement are based on oil and gas resources. Until now, Russia had a say in vital matters such as pricing policies and pipeline routes or outlets. Moreover, Russia always used the energy policy as a strategic tool, as a pressure instrument to achieve its political and military goals. Needless to say that besides the fact that the transportation capacities are not sufficient they are mostly controlled by the Russian Federation.

The United States has also a vital interest to ensure supplies of energy and to increase energy security by diversifying the sources of energy to the U.S. and world markets.¹⁶ Moreover, the U.S. is primarily concerned with its geo-political interests and strives for the lessening of Russian influence in the region as well as the attenuation of the market power of OPEC.

In economic terms some observers believe that a new dividing line had emerged in the region: when the United States, Turkey, Azerbaijan and Georgia support a project, both Russia and Iran object, since they perceive any project backed by the U.S. as negative for political reasons. From Turkey's perspective, the United States has the potential to play a positive, constructive role as a counterweight to the ambitions of Russia and Iran. These projects could change the geo-politics of Caspian oil and gas. Russia and Turkey would be entering into contracts of symmetrical mutual dependence for gas supplies and oil exports, and a new strategic partnership instead of geo-political competition over the Black Sea will emerge. Energy-oriented cooperation between Turkey and Russia may play a crucial role in regional security arrangements.

Russia is cautious of TRACECA because the program will have a tendency to reduce the Southern Newly Independent States' dependence on it and thus weaken its political influence in the region. While TRACECA provides a debatable positive example of regional cooperation it also reveals that such cooperation has the potential to exacerbate existing competitive power dynamics in the wider Black Sea region. The same dynamics exist with regard to the debate over possible pipeline routes for gas and oil from the southern NIS: particular routes will encourage cooperation between certain groups of states but they will also exclude or reduce the influence of other state.

Another geo-economical aspect that was insufficiently publicized and should be taken into consideration is the transportation water-channel Rhine-Danube-the Black Sea that can be further connected to the "Silk Road". This project will have social, political and economical implications meant to give an impulse to the stability process not only in the wider Black Sea region but also in the Danube's riparian states.

Questions are raised about the wisdom of Black Sea nations and other major players acting in the region in adopting a new model of consensual geo-strategy instead of the old paradigm of confrontational geopolitics.

Healthy and sustainable economic development is a pre-requisite for the stability of the Black Sea region. Indicators that characterize this type of economy such as low level of inflation, positive trade balances, public spending and sustainable growth should thus ensure the long-term stability of the region.

Difficulties in attracting foreign investments are sometimes a consequence of the perception that states in the region are not reliable partners or that the security environment does not allow for long-term benefits. In some Black Sea riparian countries the necessary conditions for attracting foreign investments are not settled or are not rightly applied sending a signal of inconsistency and therefore creating a fuzzy climate.

High unemployment rates and lack of labor force mobility and flexibility hinder the process of transition from the command economy to the market economy and put a pressure on the efforts that need to be taken by the state authorities in restructuring certain economic sectors.

Dependency on vital external resources (such as oil and gas) could affect not only the economic development but can also subjectively induce a certain behavior to be followed satisfying that country which owe these crucial resources.

NOTES:

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⁵ Idem, p. 45.

⁶ <http://www.nato.int/docu/facts/2000/nato-ukr.htm>

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