

The Black Sea Region in 2020

– a place for the EU?

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Abstract

This report presents an analysis of the current stage and worst/best case scenarios for the development of the Black Sea region. This report was prepared within the framework of the Black Sea Young Reformers Fellowship (BSYRF) project in 2011, by experts from Azerbaijan, Bulgaria and Ukraine. The authors project possible trajectories for political, economic and civil society development, as well as conflict resolution, between now and 2020, emphasizing that the ideal scenario will not be achieved without increased involvement on the part of the European Union in regional affairs.

* This report was prepared within the framework of the Black Sea Young Reformers Fellowship (BSYRF) project in 2011, by Hanna Shelest, Zaur Shiriyev, Kaloyan Simenov and Natig Jafarov.

I. Introduction

The Black Sea (BS) region¹ has attained new significance in the wake of the accession of Romania and Bulgaria to the EU in 2007. Despite the numerous territorial disputes and historical mutual distrust, and regardless of the ongoing conflicts among the states, the region has managed to sustain a limbo of “not-war and not-peace”, and to initiate a number of projects that have had a significant influence on the development of the region itself, as well as on the European Union’s local policy. Central and Eastern Europe rapidly integrated into the EU, and now improvements implemented within the BS states have led policy makers to declare that the time has come for the EU to engage more deeply in the Black Sea area. In less than two decades, the European Union has pushed its eastern frontier from Berlin to the Black Sea, and this geopolitical shift has opened up new opportunities as well as new challenges. However, from the current standpoint, it is easier to identify the weaknesses than the significant achievements of the EU’s policy towards the BS area. Nevertheless, the prospect

of European integration or closer relations with the EU served as leverage for the internal development of many BS countries.

At the same time, following the break-up of the Soviet Union, the European Union did not formulate a strategic vision or take political responsibility in the developments in the Black Sea region. From both the political and economic perspective, the EU still has a relatively divergent policy towards the countries in the region. Three EU Member States, namely Greece, Bulgaria and Romania participate fully in the EU Internal Market and EU common policies. Another key player in the region, Turkey, has acquired Candidate Country status, and from 1995 has had a Customs Union with the EU.² Five countries from the region, namely Ukraine, Moldova, Georgia, Armenia and Azerbaijan, belong to the European Neighbourhood Policy, which again has both political and economic dimensions, and Ukraine is close to signing an Association Agreement. Last but not least, the EU has a strategic partnership with Russia.

In addition to the European Union direction, the Black Sea countries

1 The Black Sea region is defined as the area covered by the twelve states participating in the Black Sea Economic Cooperation Organisation – Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, the Russian Federation, Serbia, Turkey and Ukraine. In this paper we exclude Albania and Serbia as more related to the process of Western Balkans integration to the European Union than to the processes in the Black Sea region.

2 The scope of the Customs Union between the EU and Turkey covers trade in manufactured products between Turkey and the EU. It also entails alignment by Turkey with certain EU policies, such as technical regulation of products, competition, and Intellectual Property Law. Trade between the EU and Turkey in agriculture and steel products is regulated by separate preferential agreements (see: <http://ec.europa.eu/enlargement/>).

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have always been active in terms of regional cooperation: together they have created organizations and coalitions including the Black Sea Economic Cooperation, Organization for Economic Development, GUAM Organization for Democracy and Economic Development, and the Black Sea Naval Task Force, in addition to initiatives such as the Black Sea Forum and Commonwealth of Democratic Choice. Despite their relatively modest outputs, these programs have fostered and affirmed a sense of political identity for the Black Sea region, and stimulated the desire for cooperation and transformation of the region. Close cooperation with the EU has been on the agenda for all of these organizations.

From the other side, the European Union has decided to launch the Black Sea Synergy, as an expression of the EU’s commitment to the region. The impact of this initiative so far has been fairly small, but has been perceived more as a symbol of the EU’s intent, and its appreciation of the regional affairs.

In this research paper, we attempt to present the best and worst potential scenarios for development in the Black Sea region up until 2020, and to describe the possible role of the EU in this process. The projections of each scenario will examine the following perspectives: political developments, conflict resolution, economic developments and civil society. At the end of the paper, some conclusions and recommendations will be provided. Will the EU become “closer” to the Black Sea region and vice versa? Will Black Sea countries cooperate more at a regional level and with the EU, exploring the new windows of opportunities?

II. From the Placebo of the 1990’s to the Strategic Approach of the New Millennium

After several decades where the Black Sea region existed as a ‘Soviet lake’, or a buffer zone between Warsaw Pact and NATO, the dissolution of the Soviet Union opened up the area to external influences. However, the large littoral states, notably Russia, Turkey and Ukraine, are still in the process of defining their roles and searching for strategic alliances, as none of them alone can sustain the role of the regional leader.

Regional cooperation was not high on the agendas of the Black Sea countries, due to the ongoing interstate conflicts, particularly within

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and beyond the South Caucasus countries. The transformation of the European Union from an economic community to one that also engaged in political affairs more or less coincided with the inception of the conflicts in the Black Sea countries. The institutionally weak EU was not ready to respond to the challenges. During the first decade following the collapse of the Soviet Union, the EU was confronted with extremely high expectations in terms of its capacities; there was a gap between what these countries were hoping for and what the EU or its member countries could provide. The EU strategy towards the region and the regional states was not based on a unified approach agreed amongst member states.

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region” as the gateway to Europe, but they were not considered to be part of it. During this time, despite heightened interest in the area, its real priorities and needs were in fact largely ignored by the EU, owing to its lack of institutional capacity. Thus the region’s security issues and the attendant conflict resolution processes were mainly handled by the OSCE (in the case of the Armenia-Azerbaijan Nagorno-Karabakh, Transnistrian and South Ossetian conflicts) and the United Nations (the Abkhazian conflict).

It is necessary to mention that until 2005, the European Union had not taken any position regarding the settlement of the conflicts in the Black Sea region, except the general statements concerning peace methods of their resolution. The EU’s first involvement was connected with Moldova’s Transnistrian conflict. In 2005 in Chisinau, GUAM states under a Ukrainian initiative invited the European Union to help manage the Transnistrian conflict, an invitation that was accepted. The initiative had a positive impact, following the work of the EUBAM (European Union Border Assistance Mission).

The South Caucasus’ situation was from the very beginning more complicated than Moldova’s. Only in 2004, when the European Union appointed its Special Representative to the Caucasus, did the first

situation assessments for Brussels take place. In 2006 the mandate of the EU Special Representative was enlarged to encompass facilitation of conflict resolution. However, the contradiction in terms has meant that the extended mandate does not actually entail direct involvement in the negotiation process.

Particularly in the aftermath of Peter Semneby's term as European Union special representative (EUSR) for the South Caucasus (February 2011), the EU was subject to a barrage of local criticism. Local analysts are unhappy about the perceived contradiction between the launch of increasingly larger-scale programs on the one hand and what was essentially a curtailing of the EU Special Representative's mandate on the other. Following this criticism, experienced diplomat Philippe Lefort replaced Semneby as the EUSR for the South Caucasus and the crisis in Georgia, upon the recommendation of the High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton. Lefort's term is from Sept. 1, 2011, until June 30, 2012. During his first visit to the South Caucasus, the new EUSR promised to pay close attention to conflict resolution. He repeats his predecessors in this promise. In an in-depth and wide-ranging interview with Mediamax on March 11, 2006, Semneby said emphatically, "[My] top priority is the resolution of frozen

conflicts in the region."

Until 2008, most believed that the EU was capable of preventing any further conflicts in the Caucasus, but the August War 2008 exposed the EU's lack of policy instruments. The European Union was the first to start mediation between the conflict parties. At that point, we could identify positive changes and concrete improvements regarding the EU's policy towards the region; for the first time statements were made on behalf of the EU rather than coming from separate member states. The positions of individual members were in alignment with the common EU standpoint. Negotiations have started with Russia but not with the South Ossetian authorities (the parties to the conflict were thus defined). The territorial integrity of Georgia has been confirmed, as well as the EU's readiness to send peacekeepers.

At the same time, the traditional weak points of the EU remain, seen in the inability to issue any sanctions against Russia following the violation of the first peace agreement in August, the too-hasty announcement that negotiations with Russia on the EU-Russia agreement could be reopened as early as October 2012, when it was not clear whether the Russian army would withdraw from Georgian territory. Furthermore, negotiations of the deployment of EU peacekeepers in South Ossetia and Abkhazia

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failed. Nor were any propositions concerning future management of the conflict presented.

The Six Points Agreement of August 2008 de facto designated the EU as the guarantor of peace in Georgia. With this agreement, the EU for the first time started to act as an official mediator between Tbilisi and Moscow, Tskhinvali and Sukhumi. However, in the preparatory phase, the EU decided to limit its meditation to issues related to conflict management, as opposed to conflict resolution, a move that decreased its chances of success.

The main feature of the EU involvement in Black Sea conflict resolution is that it is positively perceived by all parties to the conflicts, and considered a more or less neutral mediator. Most countries in the region see the EU as a more acceptable peacekeeper than the USA, because it encounters less opposition from the Russian Federation.

EU involvement is appropriate not only for conflict resolution but also within the political and economic

spheres. Compared with the United States and Russia, Europe has a key advantage: the countries from the region identify more closely with Europe. Taking into account that Europe does not have the traditional interests of a superpower, the EU could become actively involved in regional cooperative projects without being perceived as seeking a zone of influence. After the collapse of the Soviet Union, the idea was to support the newly independent states – and so the EU implemented institutional and administrative reforms, a food security program, regional infrastructure programs like TRACECA and INOGATE, the Partnership and Cooperation Agreements with the Black Sea Economic Cooperation countries. The problem, however, is that the EU has not appeared to have performed any kind of ongoing evaluation of these initiatives, nor of its strategy as a whole.

In the second decade following the dissolution of the Soviet Union, the EU's approach towards the Black Sea has expanded. The global security challenges have played a decisive role here. With its increasing role in the transportation of energy resources to Europe (for example, the Baku – Tbilisi - Ceyhan pipeline), and as an increasingly attractive economic space, the Black Sea region has gradually evolved into a zone of geopolitical significance. For these

reasons, the *European Security Strategy* adopted in December 2003 called on the EU to “take a stronger and more active interest in the problems in the Southern Caucasus”.³ This strategic impulse brought the South Caucasus onto the EU’s agenda, and the Southern Caucasus countries were accepted into its Neighbourhood Policy (ENP) in 2004. In the context of the ENP, the EU intended to contribute to peace and development by focusing on priorities such as the promotion of good governance and democracy.

The accession of Romania and Bulgaria to the EU in 2007 led to increased EU involvement in the Black Sea area. This was based on the ENP, the EU’s basic blueprint for its activity in the region, and the Black Sea Synergy document, which in 2007 became the most concrete indicator of the EU’s interest in the area. However, slow development by partner states and failure on the part of some countries to achieve ENP objectives frustrated the EU, a situation that brought about the understanding that EU membership was not something to which the Black Sea states tended to aspire.

Furthermore, some countries, including Ukraine and Moldova, initially opposed participation in the Neighbourhood Policy. Their main argument was

that the EU was putting countries with EU integration aspirations, and shared values, in the same basket as Northern African states.

In 2009, the European Union launched a new initiative for some of the Black Sea region countries – the Eastern Partnership⁴. According to the EU, the Eastern Partnership seeks to improve the EU’s relations with these countries, while the Black Sea Synergy aims to developing regional cooperation around the Black Sea.

According to the European Commission Communication on the Black Sea Synergy⁵, it is not the Commission’s intention to propose an independent Black Sea strategy. The Commission has rather been supporting the largely bilateral (i.e. between the EU and each specific BS country) implementation of the policies will continue to determine the EU’s strategic framework. Nevertheless, the Black Sea Synergy defines some of the key economic issues that will be targeted under regional cooperation: energy, transport, maritime policy, environment, fisheries, trade, regional

4 The Eastern Partnership comprises 6 countries: Armenia, Azerbaijan, Georgia, Moldova, Ukraine and Belarus. Of these six, only Belarus is not part of the BS region. The European Commission put forward concrete ideas for enhancing its relationship with these countries, particularly in the economic sphere, including deep and comprehensive free trade agreements with those countries willing and able to enter into a greater engagement and gradual integration into the EU economy.

5 Commission of the European Communities, Communication from the Commission to the Council and the European Parliament: “Black Sea Synergy – a New Regional Cooperation Initiative”, COM (2007) 160 final, Brussels, 11.04.2007.

3 *A Secure Europe in a Better World. European Security Strategy*, European Council, Brussels, December 12, 2003, p.8.

development and others.

In a press release on the Black Sea Synergy, the European Commission makes it clear that it recognizes that the center of gravity for the initiative is the Black Sea region, and not Brussels. However, it is difficult to locate this anchor given that the countries of the region are so different and diverse. The figures provided in the Annex illustrate these divergences.

It is also worth noting that this

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economic disparity has not decreased over the last two decades. The size of the Black Sea countries' economies, measured by the Gross Domestic Product (GDP) in Purchasing Power Parity, have also diverged in the last decade. Despite their geographical proximity, these countries do not always face the same economic challenges. For example, 2010 marked a year of significant economic growth for some countries: Turkey (8.2%), Moldova (6.9%) and Georgia (6.4%), while others experienced a significant recession and economic slowdown with GDP decline like Romania (-1.3%).

If there were to be a measure of similarity among the Black Sea states, the most accurate means would be the comparison of living standards and national wealth measured in terms of GDP per capita – i.e. the value of all final goods and services produced within a country in a given period divided by the average population for the same period. None of the countries in the region are among the richest in the world, but in the main nor are they among the poorest. However, the disparity remains, Greece holding 47th place, Russia currently at 71st, and Moldova at 176th.

The Black Sea countries are also very different in terms of the structure of their national economies. Some countries like Armenia still have very large agricultural sector that comprises almost one-fifth of its GDP. Other countries with the notable example of Azerbaijan have very large industrial sectors, two-thirds of GDP. The majority of the Black Sea countries have a dominant services sector but the relative size of this sector varies. Levels of unemployment, poverty, investments and public debt are also very divergent. However, the great transit potential, as well as natural resources, tourism possibilities, agriculture etc. allows for positive forecasts regarding future development in the region.

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One sector of particular interest to the European Union is civil society development. The situation in this sector is still somewhat ambiguous. There are countries that have come a long way, while others still have numerous problems. One of the main issues is that many of the European values and standards are perceived in the Black Sea states as very blurred.

Countries such as Turkey, Georgia, Ukraine, to a variable but large degree, have taken the right path towards civil society development. This does not mean that these countries do not have problems, but the general direction and trends of development are cause for optimism. In these countries, the development of civil society is dynamic; there is cooperation between the civil sector and the state in many ways, through mechanisms that are largely sponsored by the EU and separate national institution. However, in countries such as Russia, Azerbaijan, and Armenia, the development of civil society is cause for concern.

One of the serious problems affecting the development of the NGO sector in the Black Sea states is poor coordination between donors, which often leads to inefficient use

of resources. Another problem is that international donors sometimes provide substantial resources to government institutions, aiming to improve their performance, but thereby limiting their financial contribution to the NGO sector. Taking into account the problems of the political system, the impact of these government projects is very low.

In light of this summary of the EU's activity in the region and the current economic trends in the BS region, it is possible to project both a “pessimistic” and an “optimistic” vision for 2020.

III. A worst-case scenario 2020

1. A pessimistic scenario of political developments

The worst-case scenario can also be defined as “the status quo” scenario, where existing conflicts remain in stasis, and countries are motivated by the logic of zero-sum games. This “no war no peace” situation represents additional problems for the transformation of the Eastern borders of the Black Sea area - the South Caucasus - in a volatile and unstable region; the 2008 August War showed once more how the intractable and fragile “status quo” has many friends. In this case, only enemies of the “status quo” situation can be winners of a game that is still

being played on the basis of zero-sum principles.

This worst-case scenario sees external actors increasing their stake in the control of the region. In this scenario, the EU and NATO are losing their appeal, especially in young independent countries like Georgia, for whom the post-2008 “not stopping Russia” policy seriously damaged the standing of the EU. In addition, under this scenario, the internal political process in Ukraine leads to the rejection of an Association Agreement. As a result, the Black Sea area is starting to become a playground for Russia. With its illegal recognition of Abkhazia’s independence and the Sevastopol agreement in Ukraine, Moscow sees the Black Sea region as a post-Soviet, new-Russia space. Indeed, in this case the real losers are the ordinary people of the region, who are unable to reap the economic and political benefits that the region holds. At this point, it is important to mention the power dynamic that has developed through regional conflicts. The 2008 Russian-Georgian war showed that “frozen conflicts” have become a power struggle between Moscow and the West, rather than a regional conflict between the countries directly involved. Thus, the battle to gain control of this strategically important region paves the way to war in South Ossetia, by increasing Western influence in Georgia and

attempting to counterbalance the resurgence of Russian power.

Key political issues in the worst-case scenario:

1. Threat to democratic political transition process

Ukraine and Georgia, countries that transitioned from autocratic regimes to democratic ones through peaceful revolutions, are now experiencing a reversal of democratic reforms, along within the entire Post-Soviet area and the Black Sea region. The combination of the “hard power” dynamic, the failure of democracy, increased militarization of states, and disrespect for human rights have created an environment conducive to the genesis of new conflicts.

Russia develops more leverage in the neighborhood via political and economic mechanisms that enable it to consolidate control over the region, namely through diplomatic measures (unilateral recognition of self-proclaimed states) and military action (Russian-Georgian conflict). The “reset” policy between Russia and the US, and the “special relationship” with Germany has also shaped this vision. Additionally, the counter ideology of Islamic fundamentalism present in the North Caucasus has spill-over effects across the entire Black Sea region, contributing to conditions for increased instability

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and fundamentalism in the South Caucasus.

Turkey has sought to become an emerging regional power. It becomes inward-looking and re-orient its national policies, forging partnerships in the East (Russia, Iran). In this respect, Turkish accession to the EU seems important; yet in some ways Turkey remains involved in other states' foreign policies, with the EU demanding further reforms with little prospect of short-term progress on Turkish membership. In addition, Turkey's dependence on Russian energy limits its room to maneuver in the Black Sea region. The reluctance of the EU leaders to support Turkish accession and the EU's involvement in regional matters compounds Turkish acrimony toward the West.

At the regional level, the increasingly non-democratic attitudes and the geopolitical situation create conditions conducive to the development of this worst-case scenario, which sees countries locked in zero-sum logic dynamics, preventing

regional development. The increased militarization of states contributes to a security crisis at the regional level, and external actors drastically limit the possibilities of democratic development. Engaging with the Black Sea as a region – as opposed to engaging only with specific countries – is nevertheless problematic for the EU, as the soft power tools it favors are ineffective in a region where 'hard security' is preferable.

One factor limiting effective cooperation in the region is the constant competition between the states for a regional leader; Russia, Turkey, Romania, sometimes Ukraine, all implement policies which are not directed towards general cooperation but rather contradict one to another and only satisfy national interests.

2. A pessimistic scenario regarding conflict resolution

There are two options for the development of the worst-case scenario in the Black Sea region in the sphere of conflict resolution. One option is the securing of the *status quo*, which mostly entails a move from frozen conflicts to a frozen solution, where none of the parties is ready to take responsibility and to go beyond the current framework of negotiations. Some regional and external actors are interested in the development of this scenario as it

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provides them with an opportunity to influence the parties to the conflict as well as to secure their own image as neutral mediators, hoping that after the stalemate the parties will find a solution themselves. The focus of the European Union and the US on the current events in North Africa and the Middle East increases the probability of this scenario.

In the Black Sea region, conflict resolution is hampered by unwillingness to engage constructively in a meaningful peace-building process. While there are official structures for conflict settlement (OSCE Minsk Group, UN, etc.), they provide empty promises in these drawn out and futile negotiating processes. However, in the long run, if this “no war, no peace” situation in the region is maintained with neither bilateral/multilateral peace agreements nor a negotiated settlement, then the relative stability and the fragile cease-fires between Armenia and Azerbaijan on one hand, and Georgia and Russia on the other, are at risk. There is less risk of this happening in Transnistria.

However, the protection of status

quo is counter to EU interests, as it would reduce its regional visibility and influence.

At the same time Moldova will be prevented from further integration with Europe, and stability and security on the EU borders will not be guaranteed, especially in areas such as smuggling and illegal trafficking.

The second option is the absolute worst scenario whereby *conflict zones hostilities are resumed and develop into ‘hot conflicts’*. This also jeopardizes the regional energy infrastructure and security that is crucial to the EU’s future development plans.

In the case of *Georgia*, the worst scenario starts with more countries to recognizing the independence of Abkhazia and South Ossetia. The most likely country to do so is Belarus, due to the pressure from the Russian Federation in the energy and economic sectors. At the same time Russia, can play the card of consistent recognition of the former Georgian republics in order to secure its personal influence and leverages towards Abkhazia and South Ossetia.

At the same time *North Ossetia* can destabilize the region by urging separation from Russia and joining South Ossetia in a single state. This variant is the least likely, due to the power centralization in Russia, and

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the low level of socio-economic development in North and South Ossetia – hence the Ossetian state would be unable to self-finance. Moreover, this “hot” scenario is possible only after the Sochi Olympic Games, prior to which Russia will avoid shaking things up.

In *Nagorno-Karabakh* the worst scenario is undoubtedly the melting of the frozen conflict and transformation of military rhetoric into military action, which could happen on both sides. Under this scenario, military efforts around the NK conflict could lead to war. Skirmishes around Nagorno-Karabakh have recently intensified, and risk spiraling out of control - at the very heart of a key energy transit region. However, there are also clear disadvantages for Azerbaijan in the resumption of war. New military operations could disrupt investment in the Azerbaijani economy and slow down successful economic development. In addition, a new war may create serious problems for pipeline politics. Besides dealing a blow to energy projects, a war in the region could also seriously damage

the region's capacity to provide transit support for the continuing operations in Afghanistan, which are unlikely to see conclusion in the near future.

For *Moldova*, the worst-case scenario is the banning of the Communist Party and the artificially changing the dynamics of the population, via a referendum on joining Romania - which can help halt the negotiations on a peace settlement with Transnistria. The next development is that Moldova waives its neutrality and applies for NATO membership. This will attract criticism from Russia and Transnistria. The situation escalates further, leading to Transnistria proclaiming independence, this time with solid Russian support including military assistance. The European Union and Ukraine have the opportunity to intervene as mediators. At the same time it is unlikely that EU peacekeepers will be deployed in the region, and the situation with failed peacekeeping in the Georgian case is repeated.

3. A pessimistic scenario regarding economic developments

The worst-case scenario regarding economic development in the Black Sea region between now until 2020 has several notable characteristics:

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current global *economic and financial crisis* affects the Black Sea region over the next decade. These economic challenges are present to a varying degree across the BS countries but their main characteristics are: slow economic growth or even economic recession, lack of foreign and local investments; lack of export potential of nationally produced goods; significant unemployment and inflation, increase of the public and private debt; further drop in living standards.

The Black Sea Economic Cooperation Organization objectives and goals are limited to written aims and official political declarations. Under this pessimistic scenario, the BSEC does not have any real impact on regional economic development; common projects of mutual interest cease; national interests and economic protectionism prevail in bilateral and regional relations.

This scenario is also linked to the *weak influence and reduced role of the EU* as an economic anchor and partner to the region. There is little or no further integration of the Black

Sea countries with the EU economy. The accession process of Turkey and Ukraine is blocked or slow-moving, preventing further integration into the EU Internal Market and common policies. The association agreements between the EU and the Eastern Partnership countries are not signed, or not properly implemented by 2020. The strategic partnership between the EU and Russia also faces substantial problems.

Under this scenario, it is possible that not only the Black Sea region and its relations with the EU remain underdeveloped, but the European Union itself continues to face serious economic troubles, including debt crises, financial market crises, and general economic crises that create problems for both the EU Internal Market and the Eurozone.

4. A pessimistic scenario regarding civil society developments

This scenario envisages the creation of the quasi-civil society under the control of governmental authorities, or existence of the weak NGOs, mostly sponsored by the international community with declared goals and but no concrete actions. It is characterized by vague and hard-to-measure missions, without real promotion of peace and democracy, governmental control and confidence-building. This situation can result from either strict governmental

regulation, or lack of control on the part of donors regarding income and outputs. This scenario can be caused by too much donor support being given to governmental bodies, or local authorities hindering access by small NGOs to grants from the European Union and other donors.

IV. A best-case scenario for the Black Sea region and EU involvement

1. An optimistic scenario for political developments

The best-case scenario is an integrated Black Sea region with strong and effective linkages with the EU. Key regional actors, such as Russia and Turkey (as an EU member or very close to membership – an important assumption for this scenario), participate fully and constructively in regional cooperation. These national developments facilitate the gradual integration between the countries in the area, and at the same time support increased inclusion in the common European space. A key external stabilizing factor is the role of the EU and its ability to take decisive leadership in terms of its foreign policy toward the Black Sea region. EU and NATO memberships, or a clear path leading to future memberships, are offered to interested and qualifying ENP countries in the region.

The dimension of the Black Sea

region within the EU's neighborhood policies fills an obvious gap in the EU's vision for wider Europe. The EU is moving towards a degree of commonality in its approaches to each of the three enclosed seas of its periphery — the Baltic, the Mediterranean and now the Black Sea. While the political profiles of these maritime regions are of course very different, they give rise to many similar policy challenges. In this sense, the Black Sea could fit broadly into the pattern of the EU's regionalism already established in successful cases (Mediterranean, Western Balkans). However it still has to be determined whether to play the whole EU initiative through the pre-existing BSEC organization, and how agreements might be reached with Russia and Turkey as the major players. In light of the Arab Spring, the strategic importance of the Black Sea to the U.S. has grown in relation to challenges in the broader Middle East. This could give new impetus to EU-U.S. common policies in the region.

It may be that Turkey's role is important in developing the EU's regional strategy. Since Turkey is a pivotal actor in the Black Sea zone, future relations with Turkey are strongly connected to the region's future. Ankara's views on broader regional cooperation will have a powerful impact on the EU perspectives, but the EU leaders

must explain to their countries just how important Turkey's accession to the EU is. Without a clear promise to Ankara, the EU's game-playing will damage and limit its potential role in the Black Sea region.

In the best-case scenario, Ukraine, following democratic elections and pressure from the European community on the fulfillment of its obligations in the sphere of the judicial system reform and free participation of opposition parties in elections, will sign an Association Agreement (AG) with the EU. Some BS countries, namely Azerbaijan and Armenia, need to move more rapidly on AG negotiations, while Georgia rapidly gained a DCFTA agreement and is closer to signing an AG.

2. An optimistic scenario regarding conflict resolution

One of the options for the best-case scenario is that the Georgian conflicts are settled on the basis of a comprehensive Russian-Georgian-Abkhazian-South Ossetian agreement during the Olympic Games of 2014, according to which South Ossetia will become a part of Russian Federation and Abkhazia will join Georgia in a single state modeled on the principles of the Swiss cantons or Belgian provinces. The EU can act as a mediator in such negotiations. It would have a positive impact on both Ukraine's domestic situation and

the wider regional environment if Ukraine joins these efforts by the EU.

Clearly the Georgian government has only one chance to re-take its territories using the "State Strategy on Occupied Territories: Engagement through Cooperation,"⁶ which has full support from the West. Moscow might pressure Sukhumi to ignore Western overtures, given that increased engagement could reduce Russia's influence in the region. If Russia took this approach, it would lead to greater tension in the Russian—Abkhaz relationship, as Russia would be preventing Abkhazia from pursuing a policy that would look very appealing to the Abkhaz. Georgia's "Action Plan" has the best possible chance for solving conflicts. Georgia's commitment is positive and sounds convincing, but will the occupiers and the separatist regimes commit themselves to these proposals, or will they seek to hinder them? Indeed, the very designation of the two regions as "occupied territories" is likely to trigger anger and resentment insofar as it implicitly denies that the local populations have any say over how, and by whom, the regions are administered. For that very reason, the strategy is hardly conducive to promoting "engagement through cooperation" with "populations that have differing perceptions of the

6 Georgian government approves state strategy on occupied territories, Rustavi 2, Available from: http://www.rustavi2.com.ge/news/news_text.php?id_news=35397&pg=1&im=main&ct=0&wth [Accessed 21 September 2010]

conflict” in any sphere of activity, whether it is the economy, health, education, promoting freedom of movement, or “preserving cultural heritage and identity.”

This kind of situation development is more likely, due to the close relations between Russia and South Ossetia, where South Ossetia is totally financially dependent on Moscow. Moreover, the South Ossetian authorities have declared their desire to join the Russian Federation. At the same time, Abkhazia has never expressed such a wish and despite the close military and economic cooperation with Russia it has always been more aligned with the notion of independence. Abkhazia could also be attracted by opportunities for foreign investment and closer cooperation with the EU, which is possible through Georgia.

Under this scenario, the EU will become more active in the final settlement of the Transnistrian conflict. Not only will separate states, such as Germany and Romania, participate in the process, but the European Union will be eager to take on the role of mediator, and maybe as an additional peace guarantor. The possibility of deploying EU peacekeepers and observers instead of the Russian military will be supported by most conflicting parties, and this civil-military mission will be responsible largely for monitoring

and institutional capacity building, together with border control and confidence-building measures. Such functions are determined by the challenges and threats that still exist in the region.

Under the best case scenario for the resolution of Nagorno-Karabakh conflict, diplomatic efforts around conflict resolution could lead to the signing - as soon as possible - of a Declaration of Basic Principles of Conflict Resolution, followed by a Political Settlement Agreement in the future. For the successful implementation of this scenario, it is important that a consensus be reached between the key players in global politics – the U.S., EU and Russia, who act as principal mediators in the Karabakh resolution process (EU as represented by France), with Turkey’s involvement in the process as a regional power. Under this scenario, the Armenian community of NK would be granted a high degree of autonomy with de facto absolute economic self-sufficiency and political self-government; the only caveat would be that it could not conduct its own foreign policy. In addition to these investments, NK would receive substantial subsidies from Azerbaijan’s state budget.

3. An optimistic scenario on economic developments

The optimistic scenario for the Black

Sea region's economic development by 2020 is once again contingent on the potential role of the European Union as an anchor for economic cooperation and thus prosperity in the region. The optimistic scenario assumes both further regional economic cooperation among the Black Sea countries and at the same time increased integration of these countries towards the EU.

Greater integration towards the EU will most likely happen on a bilateral basis between the EU and the individual BS country. However, in some cases and especially in some sectors, EU integration may be based on a multilateral platform.

The possible nuances of this optimistic economic scenario for the Black Sea region in 2020 are as follows:

Greater trade integration to the EU: Trade integration has always been one of the EU's key instruments for greater integration and economic cooperation with third parties. The Black Sea region is not an exception. The ENP Action Plans contain trade and economic measures that aim to enforce bilateral trade relations with the EU. The possible association agreements with five Black Sea countries from the Eastern Partnership initiative (except Belarus) are likely to include even deeper and detailed trade rules, and create bilateral Free

Trade Areas between these countries and the EU.

Of course, it is also likely that as a further step, a *regional Free Trade Agreement* is established, similar to the CEFTA agreement.⁷ Such an agreement will exclude the current EU Member States and Turkey.

In an even more optimistic scenario, the majority of the Black Sea countries sign and join the *European Economic Area Agreement (EEA Agreement)*. The countries that join this agreement will achieve far greater economic integration than through trade agreements alone. Nowadays such accession to the EEA Agreement is not on the agenda of the non-EU Black Sea states but that may change by 2020.

Greater Black Sea economic cooperation and integration with the EU and within the region may be achieved by 2020 on the basis of *several key sector policies and strategies*. A brief outline of, just a few of the important policies and actions follows:

- Energy policy is undoubtedly one of the policies where the EU has an important stake in the Black Sea

7 CEFTA is the Central European Free Trade Agreement. Currently CEFTA comprises the following members: Croatia, Macedonia, Albania, Serbia, Montenegro, Bosnia and Herzegovina, Moldova, and Kosovo.

region. The main objectives of this policy will be to provide a clear, transparent and non-discriminatory legal framework, in line with what the EU accords - for energy production, transport and transit, as well as energy security efficiency.

- In the area of *transport policy* further development of transport axes between the EU and the BS region will be a priority. Projects such as the Black Sea highway circle will be implemented.
- The EU also recognizes that in the *area of environment*, BS countries tend to lag in terms of implementing environmental standards. Under the optimistic scenario, the Black Sea countries will support the implementation of multilateral environmental agreements and establish a more strategic environmental cooperation system across the region.
- The Black Sea also applies a more integrated *maritime policy*, including the improvement of cooperation and integration in relation to maritime surveillance. An optimistic scenario for 2020 also covers a more integrated *fishery policy* in the region, promoting sustainable development through fisheries, management research, data collection and stock assessment in the Black Sea.

The optimistic scenario also entails a much more integrated and well-coordinated approach on the part of the EU and other international donors in providing *financial resources* for mutually beneficial projects in the region. This affects the European Neighbourhood and Partnership Instrument (ENPI), Neighbourhood Investment Facility (again under the ENP), the Instrument for Pre-Accession available to EU candidate and potential candidate countries, EU funds for cross-border cooperation, as well as financing through the European Investment Bank and the European Bank for Reconstruction and Development. According to this optimistic scenario, the Black Sea Trade and Development Bank will achieve better performance in terms of its tasks and objectives by 2020.

Under the best-case scenario, more Black Sea countries and/or countries from the region will support the EU economy, through policies and standards.

4. An optimistic scenario regarding civil society development

Under this scenario, the EU will enhance the level and quality of cooperation with NGOs from the region, which will help in solving regional conflicts and boosting political and economic development. In this regard, civil society will develop its untapped potential. The

NGO sector can become a platform for engagement in constructive dialogue and cooperation between conflicting parties. In the best-case scenario, the EU will direct its efforts at improving the competitive environment among the applicants of grants to attract the maximum number of NGOs.

V. Conclusion/Findings:

These scenarios leave ample space for interpretation and allow for some out-of-the-box thinking.

- The EU is faced with a growing dilemma: how to engage with the Black Sea region and pursue its security interests without simultaneously challenging those of Russia, especially considering the direction Russia's policies toward the region have taken over the last few years.

- Furthermore, the Eastern Partnership does not promise to change EU-Russia relations. The Eastern Partnership was met with relative indifference by Russia, which has been excluded from the initiative, even though the proposal emphasized the potential need for third party involvement, supposedly meaning Russia. However, it is not clear how the EU envisions Russian involvement.

- The Black Sea region has unique potential to become an area of prosperity and stability, but many

The EU is not always ready to speak in one voice, given the varying positions across its member states.

economic, transport, political, energy projects are stonewalled by existing conflicts on the territory of its members.

- The instability that has appeared as a result of the conflicts creates a climate conducive to criminal activity, terrorism and illegal migration. Political stability in the region cannot be guaranteed while these conflicts remain open. Moreover, they damage socio-economic development and trade links. These problems are challenges not only for the direct parties to the conflicts, but also to European security and that of neighboring states.

- The EU's engagement in the Black Sea region with regard to boosting energy security cannot be separated from the resolution of the region's conflicts; conflict resolution constitutes a key precondition for the consolidation of stability and sound state-building processes. These processes are in turn linked to a further challenge to Russian interests, namely the integration of the Black Sea states within European and Transatlantic institutions.

- The EU is not always ready to speak in one voice, given the varying

positions across its member states. For example, some states (France, Germany, Italy) are not ready for a bigger confrontation with Russia, while others (Poland, Baltic States, the UK) would like the EU to take a stronger position in guaranteeing interests of the newly independent states.

- As a mediator, the EU is not ready to act against Russia or to deploy its diplomatic sanctions. The EU is generally more comfortable with a post-conflict rehabilitation and peace-building role, and it is afraid of getting directly involved in conflict resolution.

- The second weak point of the EU as a mediator is the issue of maintaining a balance between the national interests of the member-states and the general mission of the organization.

- EU engagement in and around conflicts is best described as negotiation-cum-mediation.⁸ The EU negotiates with conflicting parties independently of their bilateral agendas with the EU and separately with conflicting regions. The EU's strength is in its multiple roles, mandates and engagement across different levels – although the EU has not always been able to capitalize on this.

⁸ Frichova Grono M. *Georgia's Conflicts: What Role for the EU as Mediator?* // IJP Mediation Cluster, International Alert, March 2010, p. 20

- The resolution of regional conflicts gives a powerful impetus to the development of the region and intensifies the integration processes and collaborative discussion. It strengthens the argument for the necessity of integration into Euro-Atlantic structures.

- One of the undeniable facts is that the EU's leverage is limited by the fact that there is no common view within the organization on the security problems of the South Caucasus and the entire Black Sea region. Peace processes in the South Caucasus need more active EU engagement. For example, in the Balkans, the peace process and implementation of peace agreements were significantly enhanced by the prospect of the EU membership. It is therefore important to develop a similar strategic vision for the Black Sea countries, especially for the South Caucasus. This would make it easier for their leaders to persuade the public of the need to compromise.

- The long-term strategy of the European Union's Black Sea policy is what is most significant, in the light of the potential expansion of this great power towards the south and the east. If the EU is able to tempt Ukraine and neighboring Moldova into its ever-widening borders, then added to Romania's and Bulgaria's existing EU memberships, this would give the EU possession of the

Integration towards the EU and enhanced regional cooperation may be realized firstly through more liberal trade arrangements in the region.

whole of the western and much of the northern shores of the Black Sea. This would pave the way for further eastward progression into Georgia and Azerbaijan, and from there to the strategic Caspian Sea, bordering Iran.

- Integration towards the EU and enhanced regional cooperation may be realized firstly through more liberal trade arrangements in the region. Another approach is to work towards greater integration and even a degree of regulatory harmonization of national rules in the Black Sea countries towards the EU standards in strategic sectors such as energy, transport, environment, fisheries, etc.
- Economic integration may be achieved through stronger regional cooperation among the BS countries as well as through simultaneous rapprochement and integration of the individual BS countries towards the EU Internal Market and common policy rules. In order to achieve the best results from the 2020 perspective, it is advisable that the region take a more integrated approach with regard to EU relations. Nevertheless, bilateral EU – BS country relations shall also continue

to play an important role.

The Black Sea region has come to a crossroads in relation to its internal development and external orientation. In the meantime, after some active involvement, the European Union has reached a point of uncertainty in regard to how far it is ready to be involved in the Black Sea process and the challenges entailed.

While the current situation does not promise a bright future, everything depends on an effective strategy and its implementation. Either the region will begin to integrate into Europe by developing effective strategies against the proliferation of terrorism, extremism, drug trafficking and organized crime, or security levels will deteriorate and Europe will see a new gateway to ethnic conflict, terrorism and insecurity. Any broad strategy must take into account a number of issues relating to the dynamics of the wider Black Sea.

At the same time the Black Sea countries must produce achievable goals that the EU can support financially and politically. Taking into account the democratic development of the states, the EU should understand that enhancing closer cooperation with the states from the region and signing Association agreements will give it more leverage to influence the current development and to secure future positions in that region.

More active involvement in the conflict-resolution process will also have direct and indirect benefits for the European Union's security and stability. In addition to the normalization of the general security situation and possibility of necessary financing for economic development, conflict resolution will have a tremendous effect on transport and energy spheres development, including the opening of trade routes from Asia to Europe.

Nonetheless, it remains a realistic aspiration that by 2020, the region could be more united, more prosperous, more democratic, more secure and more integrated into the EU. It is also important to note that the scenarios described above represent a common understanding of the present situation and of the factors that could determine change in both positive and negative directions.

Table: Main indicators for the BSEC countries

Source: Central Intelligence Agency, “the World Factbook”.

Indicators: Area (sq km); *comparison* = country comparison to the world in relation to the indicator above; Population (million inhabitants); Gross Domestic Product for 2010 estimated in billion US Dollars (Purchasing Power Parity); GDP growth – GDP real growth rate for 2010 estimated; GDP per capita in US dollars for 2010 estimated (in Purchasing Power Parity); Agriculture, Industry and Services – composition of GDP by sector in % for 2010 estimated (Agriculture + Industry + Services = 100%); Unemployment – rate of unemployment for 2010 estimated; Poverty – Population below poverty line; Investment – percent of GDP estimated for 2010; Public debt – percent of GDP estimated for 2010.

	Armenia	Azerbaijan	Bulgaria	Georgia	Greece	Moldova	Romania	Russia	Turkey	Ukraine
General indicators										
Area	29 743	86 600	110 870	69 700	131 957	33 851	238 391	17 098 242	783 562	603 550
comparison	143	113	105	121	97	140	83	1	37	46
Population	2 967	8 372	7 300	4 585	10 760	4 314	21 905	138 739	78 785	45 134
comparison	138	91	100	122	76	125	54	9	17	28
Economic indicators										
GDP (PPP)	16.86\$	90.79\$	96.78\$	22.44\$	318.10\$	10.99\$	254.20\$	2 223.0\$	960.15\$	305.20\$
comparison	133	73	72	121	39	149	48	7	17	40
GDP growth	2.6%	5%	0.2%	6.4%	-4.5%	6.9%	-1.3%	4%	8.2%	4.2%
GDP per capita	5 700\$	10 900\$	13 500\$	4 900\$	29 600\$	2 500\$	11 600\$	15 900\$	12 300\$	6 700\$
comparison	140	100	89	149	47	176	96	71	94	133
Agriculture	18.9%	5.2%	5.3%	10.4%	3.3%	16.2%	12.2%	4.1%	9.6%	9.4%
Industry	48.4%	62.0%	30.1%	28.7%	17.9%	20.0%	37.6%	36.8%	26.6%	33.6%
Services	32.7%	32.8%	64.6%	60.9%	78.8%	63.8%	50.2%	59.1%	63.8%	57.0%
Unemployment	7.1%	0.9%	9.5%	16.4%	12.5%	7.5%	6.9%	7.6%	12%	8.1%
Poverty	26.5%	11%	21.8%	31%	20.0%	26.3%	25%	13.1%	17.1%	35%
Investment	33.6%	16.9%	23.5%	15.4%	14.8%	22.7%	22.7%	21.9%	18.7%	19.1%
comparison	12	124	54	132	136	58	59	71	108	103
Public debt	16%	4.6%	16.2%	43%	142.8%	21.3%	30.8%	9.0%	42.8%	40.1%