

Policy Department External Policies

REGIONAL COOPERATION IN THE BLACK SEA AREA: ANALYSIS OF THE OPPORTUNITIES TO FOSTER SYNERGIES IN THE REGION

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Abstract

Following the Eastern EU enlargement and debates on the Constitutional Treaty, the Black Sea region has received increasing political, public and scholarly attention. This study examines the prospects for and the forms of economic, sectoral/thematic and political cooperation in the area from the perspective of the EU as well as of the local actors. The macroeconomic situation in the region is analysed as a major factor for commercial and economic cooperation. The complex networks of existing trade agreements is set in the context of national trade policies and the common commercial policy of the EU. Special attention is given to EU support for trade liberalization and regional economic integration around the Black Sea.

Three specific facets of regional cooperation are considered – transportation and infrastructure development, cooperation among local and regional authorities and the initiative of creating a Black Sea Euro-region, and the modalities of inter-parliamentary cooperation, with a particular emphasis on relations between the European Parliament and PABSEC.

The institutional and political formats of regional cooperation are studied in an evolutionary perspective. The EU's gradual opening to multilateralism in the Black Sea area has faced the dilemma of choosing between two models of EU involvement in the region – political umbrella and EU-BSEC inter-institutional relationship. The strengths and weaknesses of several “home-grown” formats of regional cooperation – BSEC and GUAM – are analysed as to their capacity of acting as the EU's main interlocutor. The paper examines also the degree of applicability in the case of Black Sea of previous experience in regional cooperation in the EU's periphery – the Northern Dimension.

Summary

The agenda of relations of the enlarged European Union (EU) with its Eastern neighbours gradually focuses on regional cooperation in the Black Sea area. The Union develops initiatives designed to produce synergies and to be complementary to its policies towards different groups of countries from the region, such as the strategic partnership with Russia, the pre-accession process with Turkey, Serbia and Albania (and other Western Balkan countries), and the European Neighbourhood Policy (ENP) with Moldova, Ukraine, Georgia, Armenia and Azerbaijan. The EU encounters several institutional frameworks of home-grown regional cooperation, such as the Black Sea Economic Cooperation Organisation (BSEC), the Organisation for Democracy and Economic development (GUAM), etc. Prospects for further cooperation are assessed while analyzing the interaction of EU policies towards countries in the region and genuine regional initiatives in various sectors (trade and economic cooperation, the development of transport and its economic impact), formats for cooperation at the level of overall political models and approaches (drawing lessons from the Northern Dimension), opportunities for cooperation at the level of local authorities, as well as the specific subject of inter-parliamentary cooperation.

Economically, the Black Sea region was a fast growing region in 2000-2006. However, especially the Black Sea countries of the former Soviet Union are still not active participants in the evolving international division of labour. The intra-regional trade in the Black Sea region remains relatively low. Two distinct trade blocks emerged in the Black Sea region: one is Euro-centric, comprising the EU member countries, Turkey and the Southeastern European countries and the other is Russia-centric, comprising the countries of the CIS.

Economic integration with the EU is not in contradiction with regional economic integration. It implies that trade liberalisation is a *sine qua non* for regional integration. The EU is the major economic partner of the Black Sea countries and carries the potential to boost trade liberalisation and regional integration in the region.

Free trade and preferential trade agreements are a major element in EU foreign policy and are at the forefront of EU policy towards neighbouring countries in Europe. Their added value is the extent to which they *deliver* improved market access and so contribute to the EUs foreign policy objectives. The format of contractual relations of Black Sea countries taking part in the ENP varies: Talks are under way on concluding a deep and comprehensive free trade area between the EU and Ukraine. Work to grant additional Autonomous Trade Preferences to Moldova is proceeding; and a feasibility study on possible FTAs with Armenia and Georgia has been launched. However, efficiency of the engagement strategy towards Russia will determine the prospects for deeper cooperation and integration of the Black Sea region.

Economic integration calls for the improvement of the transport links and trade facilitation measures. The Black Sea region offers big opportunities for the transport sector since it bridges sub-regions of Europe, Caucasus, Central Asia and the Middle East. BSEC has been working for the facilitation of road transport and the development of combined transportation by focusing mainly on trade facilitation measures. Its work in this field should be further supported by the EU initiatives.

The development of cross-border cooperation can tremendously contribute to trade facilitation and thereby to economic integration. The formation of a Black Sea Euro-region will be an important step ahead. The Council of Europe might facilitate a strengthened co-operation among local and regional authorities in the Black Sea area.

The EU has made a positive step towards introducing a regional cooperation component to its policy in the Eastern neighbourhood. The “Black Sea Synergy” is an initiative for enhancing regional cooperation in an effort to complement existing EU policies in the area (pre-accession, the ENP, the strategic partnership with Russia).

The EU’s views on the appropriate institutional and political format of cooperation have evolved. The “political umbrella” format has been tested in Romania’s initiative to create a Black Sea Forum for Dialogue and Partnership, and, after its cold reception, has been abandoned. The option of inter-institutional relations between the EU and the Black Sea Economic Cooperation Organisation (BSEC) is chosen as an option for cooperation. BSEC has evolved to become the EU’s primary – although not exclusive! – interlocutor in the region. The EU’s approach has shifted to a more technocratic, project-oriented sector-focused approach based on inclusiveness and envisaging the possibility for political level meetings only in the medium term.

BSEC has started to work towards meeting the challenge of becoming a central format for regional cooperation, but has not completed its reform. Its relatively unimpressive record until now makes it imperative for BSEC to enhance the efficiency of its decision making and the effectiveness of its policies and their implementation. Other home-grown regional organizations functioning in the Black sea area (e.g. GUAM) could be useful in certain policy fields – e.g. democracy promotion and human rights protection – but their potential is yet to be tested.

Further development of the format of Black Sea regional cooperation could profit, to a degree, from the experience of the Northern Dimension in applying the general approach (creating synergies without establishing a new policy) and in following compatible agendas (environmental, transformational, developmental, etc.). However, the structural symmetries between the two regions should not conceal substantive differences, such as the degree of homogeneity / disparities, the number of conflicting points in each region. Experience, models and approaches should be examined with prudence. Initiatives aiming at more intensive Baltic Sea – Black Sea cooperation should be encouraged, as they are of high relevance for the transformational agenda. The narrower, more focused and more motivated format 3+3 (Estonia, Latvia and Lithuania plus Georgia, Armenia, Azerbaijan) should be developed towards a “merge” of the two axes of cooperation across the Black Sea – with the Baltic states (North-South) and with Bulgaria and Romania (West-East), in order to secure support from a higher number of EU member states. The positive experience of the “New club of Friends of Georgia” should be developed further towards a higher degree of effectiveness and towards its possible extension to embrace other countries in the region.

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1. Introduction

Regional cooperation around the Black Sea is gradually gaining prominence on the agenda of relations of the enlarged European Union (EU) with its Eastern neighbours. The Union develops initiatives designed to be complementary to its policies towards different groups of countries from the region. In this context, the EU encounters the process of home-grown regional cooperation, which has established several institutional frameworks throughout the years, such as the Black Sea Economic Cooperation Organisation (BSEC), the Organisation for Democracy and Economic development (GUAM), etc. Prospects for further cooperation have to be assessed while analyzing the interaction of EU policies towards countries in the region and genuine regional initiatives in various sectors, as well as at the level of overall political models and approaches.

This paper deals with several specific fields – trade and economic cooperation, the development of transport and its impact on the economy,¹ opportunities for cooperation at the level of local authorities, as well as the specific subject of inter-parliamentary cooperation. Apart from that, it considers the evolution of models for the overall political and institutional format of the EU's relations with the Black Sea region, places it in the general context of the Union's approach to other countries and regions on the basis of multilateralism, and examines the relevance for the Black Sea of one specific area of regional cooperation in the EU neighbourhood – the Northern Dimension.

2. Trade and economic cooperation in the Black Sea region

2.1. The macro-economic situation in the Black Sea region

The dismantling of the Soviet bloc brought economic chaos and a collapse of trade flows that compelled countries in the Region to begin to reintegrate into the global economy. By the mid-1990s, the transition of an increasing number of countries to market economic systems began to take hold. After an initial shock of about 8% contraction rate per annum between 1991 and 1994, the growth rate in BSEC picked up. Still, BSEC economies shrank by 1% over the period 1993-1998 –with 661 billion\$ real GDP falling to 624 billion\$ in 1998; 1999-2005 BSEC countries grew by 5%: 630 billion\$ real GDP increased to 884 billion\$ in 2005².

In comparison with the rest of the world economy, the Black Sea Region was the third fastest growing region in the 2000-2006 period, exceeded only by the 8.2% annual

¹ Regional cooperation around the Black Sea in other sectors, such as energy, environment, justice and home affairs, etc., are not considered in this paper, as they are treated in separate briefing papers commissioned by the European Parliament.

² Source: World Development Indicators

average rate achieved by the developing countries of the East Asia and Pacific, and a shade under South Asia's 6.7%, which was led by India's impressive outturns.

The real economic growth observed in the Black Sea Region was more than triple the average annual rate of growth of the Eurozone 12 during the 2000-2006 period and almost double the rate of the world economy. It was also considerably higher than the average annual rate of 4.5% achieved by the Baltic states and the countries of Central and Eastern Europe which collectively comprise the eight so-called 'transition' states which joined the EU in 2004.

The sustained growth has translated into rapidly growing income levels. Per capita incomes have increased across the board, with the regional average having tripled in six years in dollar terms, from roughly USD 2,000 in 2000 to about USD 6,000 in 2006. Between 2000 and 2005, FDI levels increased from US\$ 2 billion to US\$ 47 billion³.

The trade pattern of Black Sea countries

The share in the world trade volume of the Black Sea countries (BSEC) in 2005 reached 4%⁴. The external trade volume of the BSEC countries was estimated in 2006 at USD 997, 21 billion.

In 2005, the EU-25 accounts for 48% of the total exports of BSEC countries and the EU-15 for 37% of the manufactured exports⁵.

However, the diversification of the exports of the Black Sea countries from the former Soviet Union remains quite low: the concentration of exports in primary commodities remains large and is increasing in the CIS countries, where the average share of ores, metals, and fuels (oil and natural gas) in total exports increased from 38 percent to 47 percent over the period 1996–2003. With the collapse of manufacturing exports following the breakup of the Union of Soviet Socialist Republics (USSR), most of these countries had shifted toward commodity exports. The result is that these countries are not active participants in the evolving international division of labor.

Two distinct trade blocks emerged in the Black Sea region: one is Euro-centric, comprising the EU member countries, Turkey and the Southeastern European countries and the other is Russia-centric, comprising the countries of the CIS. By attracting more foreign direct investments (FDI), countries can engage in network trade, capitalize on their comparative advantage, and proactively break out from their trade block. ¹ Interestingly, in 2005, the Russian Federation and Ukraine, with respectively 15, 151 and 7, 808 USD million FDI are at the first and third position ahead of Romania and Bulgaria, Turkey being at the third position of 9,808 USD million.

Indeed through FDI, multinational corporations have been key agents in this transformation, creating international production and distribution networks spanning the globe. In essence, network trade in parts and components, where countries

³ In 2005, the Black Sea countries which the highest level of FDI are (in million USD): Russian Federation (15, 151), Turkey (9, 805), Ukraine (7, 808), Romania (6, 630) and Bulgaria (2, 614). Source: World Development Indicators.

⁴ While the share of the EU-25 is 14,2%, the ASEAN 5,8% and the APEC 47,1%. Source: United Nations Commodity Trade Statistics Database.

⁵ Source: UN Commodity Trade Statistics Database.

complete different stages of final products, is the result of the internationalization of the manufacturing process⁶.

The issue of the WTO membership

In the Black Sea region, Turkey, Greece, Bulgaria, Romania, Moldova, Armenia, Georgia, Albania are WTO members. Others are knocking at the door: Azerbaijan, Serbia, Ukraine and Russia are in various stages of the WTO accession process. The WTO accession is considered within the region and by the EU as a critical policy objective for the Black Sea countries that are not yet members. Trade is indeed restricted by high average tariffs and nontariff barriers (NTBs) and there is still a large gap between “bound” and “applied” tariff rates. The WTO accession will furthermore allow the benefits of “most favored nation” (MFN) treatment and the abolition of the non-market designation. As a matter of fact, the EU granted market economy status to Ukraine only at the end of 2005.

Accession to the WTO has generally meant liberalized market access for the Region’s firms in global markets and, conversely, significant reductions in NTBs, as well as adherence to internationally accepted rules-based disciplines for dispute settlement regarding dumping, intellectual property protection, and government procurement, among others. There are serious market access problems in particular sectors stemming in part from extensive use of antidumping actions against transition economies, as well as developed countries’ protectionist agricultural policies. Some of these market access problems will be addressed by WTO accession and hopefully by progress achieved in the ongoing Doha Round of WTO negotiations. In that regard, WTO accession is important in order to improve and secure market access abroad.

2.2. Existing regional trade agreements in the Black Sea region

Intra-regional trade in the Black Sea region in 2006 represents 17,04% of the total external trade of the Black Sea countries, amounting to 170 billion USD.

	2003	2004	Annual growth rate	2005	Annual growth rate	2006	Annual growth rate
intra-regional trade *	77,15	107,94	39,91 %	135,71	25,72%	169,94	25,23%
Total external trade *	511,67	659,94	28,98%	805,63	22,08%	997,24	23,79%
World trade **	7682,34	9123,51	18,76%	10393	13,91%	12062	16,06%
Intra-regional/Total trade	15,08%	16,36%		16,84%		17,04%	
(in billion USD) * National statistics ** WTO, International trade statistics database							

⁶ The Czech Republic, Estonia, Hungary, Poland, the Slovak Republic, and Slovenia, for example, have become successful in network trade. During the initial phase of the transition, most of these countries relied on unskilled-labor-intensive exports associated with “buyer-driven” production chains in clothing and furniture. However, rising wages have prompted these countries to shift toward skilled-labor and capital-intensive exports conducted through “producer-driven” networks encompassing automotive and information technology industries. The sizeable FDI inflows to these countries have been instrumental in this shift.

BSEC

The rationale behind the BSEC, the most comprehensive regional group is economic by nature. The promotion of trade and economic cooperation is depicted as the major aim. However, BSEC is not based on any preferential regional trade agreement. It hasn't achieved a preferential trade liberalisation among its members. The BSEC agreement does not directly provide for any trade preferences for countries within the group. BSEC has not required strong commitments towards the harmonisation of commercial policies *vis-à-vis* third parties, or reductions in tariff or nontariff measures for trade between members. Nevertheless, a 'Declaration of Intent for the Establishment of a BSEC Free Trade Area' was signed in February 1997 as a further step in co-operation⁷. If the BSEC has been inefficient in liberalizing trade on a regional basis, it has however contributed to the development of the intra-regional trade with the lowering of structural barriers to trade, inherited from the Soviet period.

Regional Trade Agreements (RTAs) within the CIS

A myriad other regional free trade agreements (FTAs) or customs unions were forged within the CIS.

The Eurasian Economic Community (EEC) is an International Organization that has been created by five CIS countries (Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan) on October 10th, 2000, on the initiative of Kazakhstan. The EEC is the result of the transformation of the latest version of the CIS Customs Union set up in January 1995 (which had become the "Union of Five" in 1999 with the integration of Kyrgyzstan and Tajikistan) into an international Organization. Ukraine and Moldova have been granted the status of observers, but none of the two consider becoming members. The long-term objective is to promote the creation of a Customs Union (CU) and the Common Economic Space, as well as to ensure more effectively the execution of other objectives defined in the Customs Union agreement of January 1995, the Agreement on deepening of integration in the economic and humanitarian fields (March 1996) and the Agreement on Customs Union and the unified economic space (February 1999).

The Single Economic Space (SES) (sometimes denominated "Common Economic Space" or "Common Economic Area") was born on September 19th, 2003 during a CIS Summit in Yalta. SES is the latest of the initiatives set up within the CIS framework. Up to date, Belarus, Kazakhstan, Russia and Ukraine ("The Four") are members. Nonetheless, Ukraine introduced during the signing of the agreement a provision saying that the SES must adhere to the Ukrainian constitution and its strategic goal to integrate the European Union. Through the creation of the SES, the members are pursuing different objectives. Russia and Belarus were aiming at setting up a customs union and a monetary union based on the rouble. Ukraine rejects the idea of a monetary union, as being contradicting its strategic pro-European objective. Ukraine is thus wishing to limit its participation in the SES to taking part of the free trade area, the only objective considered compatible with its constitution. The Article 2 includes special commitments such as the creation of an FTA without exceptions and limitations, the harmonization of the legislation and the macroeconomic policies of the member states.

⁷ For the text of the 'Declaration of Intent', see PABSEC (1997): *PABSEC* (the Magazine of the Parliamentary Assembly of BSEC), Vol. 7 (June)

RTAs of the European economic sphere

EC Customs Union zone

After their accession to the EU, Bulgaria and Romania joined the EC Customs union. The free trade agreements which established a free trade area between Bulgaria and Romania in the 90's and remained in effect during the accession negotiation process, became caduc after their accession.

Turkey-EC Customs' union

The Turkey-EC Customs' union became effective 1st January 1996 in line with the requirements of the last stage of the Turkey-EU association agreement of 1964.

Arrangement foresees the establishment of a common external tariff on all trading sectors and all members, in addition to the elimination of barriers to trade between them. Furthermore, the EC-Turkey Customs' union pushed Turkey to liberalize its trade relations with the countries of the neighbourhood by harmonising its commercial policy with the EU. The signature of free trade agreements with the candidate countries in the 90's and the some countries of the Euro-Mediterranean partnership had led to a greater openness of the Turkish economy.

The customs union has also been advantageous for the removal of the norms and procedures of the rules of origin on products that come from third countries and are traded by the EU and Turkey. The scope of the customs union is restricted to the free movement of manufactured commodities only. The exclusion of such important areas as agriculture, services and public procurement undermines Turkey's position, hindering full access to the EU's Internal Market. Recently, Turkey started discussions about the possibility of an agreement on trade in services. This gave Turkey an impetus to introduce stronger competition, which led to the transformation of Turkish industry and the improvement of productivity. This, in turn, has contributed to the modernization of Turkey's economic legislation and, hence, the business environment.

Turkey's foreign trade with the BSEC countries has been developing steadily since the conclusion of the Turkey-EC Customs union. In 1996, the total trade volume of Turkey with the BSEC countries was estimated at 6, 823 million USD. In 2006, it reached 38, 307 million USD with 26, 651 million USD of imports and 11, 656 million USD of exports. Russia has become Turkey's second largest trade partner after Germany. Turkish FDI to the region increased. BSEC's share in Turkey's overall FDI increased tremendously in the period 2000-2006, catching the share of the EU. The share of the EU is 43%, whereas the share of BSEC is 44% in Turkey's total FDI⁸.

South Eastern Europe

At the EU's initiative, the countries of the region (including Romania and Bulgaria, with Moldova having joined unilaterally) signed in 2001 a "Memorandum of Understanding on Trade facilitation and liberalization", under the auspices of the Stability Pact for South Eastern Europe. In this Memorandum, the countries involved committed themselves to concluding, before end 2002, a network of bilateral free trade agreements. This network of more than 30 bilateral free trade agreements was transformed in late 2006 into one regional trade arrangement called Central European

⁸ Source: Foreign Trade Undersecretariat of Turkey.

Free Trade Agreement (CEFTA). Indeed, the CEFTA agreement was signed on 19 December 2006 in Bucharest (by all Balkan countries and territories plus Moldova) and should enter into force Mid-2007. Even though it is not a party to CEFTA, the EU has strongly supported this process, which it sees very much complementary to the Stabilisation and Association Process (SAP).

The newly enlarged and amended CEFTA came into force yesterday, 26 July 2007, for five parties in South Eastern Europe - Albania, the former Yugoslav Republic of Macedonia, Moldova, Montenegro and UNMIK/Kosovo. In addition to harmonising the trade regime among the parties, the agreement also includes new areas of trade policy such as government procurement and intellectual property.

2.3. EU support to trade liberalisation and regional integration in the Black Sea region

In the Communication of the Commission on “a single market for citizens” of 22 February 2007, the ideas of extending aspects of the Internal Market policy through the ENP, of increasing benchmarking of rules against practices in non-EU countries and of promoting European standards in ENP partner countries have already been evoked. The Commission proposed in its December 2006 Communication a series of deep free trade agreements, having a “beyond-the-border” impact on reform measures in the ENP partner countries themselves, as the most appropriate way forward. Thanks to increased regulatory convergence, such a network of FTAs would considerably facilitate the flow of goods, capital and services in the whole neighbourhood area.

Deeper economic integration is an essential building block of the strengthened ENP, to be achieved in particular by the progressive adoption of deep and comprehensive free trade agreements. The central platform for this increased economic integration is the adoption of bilateral deep free trade agreements. The opening of negotiations on such agreements will be preceded by the accession of partner countries to the WTO. The opening of negotiations on an Enhanced Agreement with Ukraine was seen as a first step.

Establishing a free trade area

Free trade and preferential trade agreements are a major element in EU foreign policy and are at the forefront of EU policy towards developing countries and neighbouring countries in Europe. A key element of the EU’s free trade and preferential trade agreements is the extent to which they *deliver* improved market access and so contribute to the EU’s foreign policy objectives towards developing countries and neighbouring countries in Europe. Free trade partners are often economically very small relative to the EU. For the EU, free trade agreements are a means of increasing economic integration through improved access to the EU market, which is seen as important in achieving other political, foreign policy and security objectives.

Deeper economic integration leading to a free trade area can only be reached through a lengthy process.

The legal basis for EU-CIS relations are the Partnership and Cooperation Agreements (PCA). The PCA provide a framework for cooperation in political, economic, social and other spheres. The PCAs with Russia and Ukraine will expire in spring 2008 and

discussion of a new cooperation model is overdue. These two PCAs envisaged the creation of a free trade area with the EU.

In their Chapters on “trade-related issues, market and regulatory reform”, all ENP Action Plans contain commitments to implement or support reform measures in many areas directly relevant to economic integration. Other chapters refer to equally important measures such as fighting corruption or money laundering and economic crime, judicial and legal reform, the functioning of the market economy, or the reform of flanking sectors – from transport to information society.

A deep and comprehensive FTA should cover substantially all trade in goods and services between the EU and ENP partners including those products of particular importance for the partners and should include strong legally-binding provisions on trade and economic regulatory issues. From the outset, a key premise of the ENP was that economic integration should go beyond free trade in goods and services to also include “behind the border” issues: addressing non-tariff barriers and progressively achieving comprehensive convergence in trade and regulatory areas, such as technical norms and standards, sanitary and phytosanitary rules, competition policy, enterprise competitiveness, innovation and industrial policy, research cooperation, intellectual property rights, trade facilitation customs measures.

The EU-Ukraine Action Plan aims to build a foundation for further economic integration, including a free trade area between the EU and Ukraine. The Action Plan consists of chapters on, for example, the political Copenhagen criteria, the Single Market *acquis*. In contrast to the lack of specifics in the PCA, the Action Plan contains prescriptions for harmonisation with EU norms and standards. This Agreement will include a deep and comprehensive FTA as a core element, to be negotiated as soon as Ukraine completes its WTO accession process. Work to grant additional Autonomous Trade Preferences to Moldova is proceeding; and a feasibility study on possible FTAs with Armenia and Georgia has been launched.

The promotion of the integration of Russia into a wider area of cooperation in Europe as well as through creating the necessary conditions for the future establishment of a free trade area between the European Community and Russia is equally important. The Union and Russia both have an interest in enabling Russia to integrate into a common economic and social space in Europe. The efficiency of the engagement strategy towards Russia will determine the prospects for deeper cooperation and integration of the Black Sea region.

The Russian Black Sea coast, mainly the Krasnodar region, is one of the richest and most resourceful areas in the Russian Federation and contributes substantially to the economy of the Black Sea region. The Krasnodar region, with a population of 5 million, is located approximately 1,000 miles south of Moscow and is bisected by the Kuban river. In addition to the capital Krasnodar, other well-known cities are Sochi and Novorossiysk. Krasnodar is the capital and largest city of Krasnodar Krai (region). The Krasnodar region has always been the principal “breadbasket” of the Russian Federation. It has 3% of all ploughed lands in Russia. It also has Russia’s only specialized agricultural university. The region produces approximately 6% of meat and dairy products, 10% of all-Russian grain, 30% of fruit production, 60% of oilseed production, 90% of rice production and 97% of wine production. On each agricultural indicator, it is always in the top few, often leading the pack. Given the strength of the prime agricultural sector of the Krasnodar regional economy, unsurprisingly over 43% of the food processing industry of the Russian Federation is

located in the region, linked to the primary producers. Food processing represents over 50% of the total industrial base of the region and is the largest employment sector of the regional economy. The Krasnodar region contains the only concentrated resort sector in the Russian Federation. The region is home to 25% of all registered hotels and resorts in Russia.

As a frontier and crossroads, Krasnodar Krai ports such as Novorossiysk and Tuapse account for nearly 70 percent of Russia's trade turnover, serving especially Black Sea countries. The Krasnodar region is the prime sea gateway to the Russian Federation. It is known as the "southern gateway" to Russia. Overall, the Krasnodar region provides some 40% of all Russian port cargo handling capacity. Krasnodar's regional trade turnover exceeds USD 1.5 billion, with imports amounting to less than two-thirds of exports. Foreign investment in Krasnodar Region ranks third after Moscow and St. Petersburg. There are several hundred registered joint ventures with foreign capital, most with Turkey (146). The United States has about 70. Multinational companies in the region include Cargill, Nestle, Chevron, Petrak, ConAgra, Monsanto, Tetra-Pak, Danone, Pepsi-Cola, Philip Morris, Troy, Bouyges, Radisson, and the Caspian Pipeline Consortium companies. Krasnodar Krai features more than 300 companies with foreign investment. The region is a base for small and medium-size manufacturing industries⁹.

After the construction of the Volga-Don navigation canal, Rostov became a five-sea port accessible from the Black Sea, the Sea of Azov, and the Baltic, White and Caspian seas. And the famous Russian river-to-sea-going motor vessels now make regular runs from Rostov to many Mediterranean ports.

The Union is already Russia's main trading partner and Russia itself provides a significant part of the Union's energy supplies. European undertakings have also made major investments in Russia. In this context, a strong support has to be given to Russia's efforts in meeting the requirements of WTO membership. It will also be important to examine how to create the necessary conditions, in addition to WTO accession, for the future establishment of an EU-Russia free trade area.

Rules of origin and intra-regional integration

Previous preferential trade schemes have been ineffective in delivering improved access to the EU market and had a negative effect on intra-regional integration dynamics. The main reason for this is probably the very restrictive rules of origin that the EU imposes, coupled with the costs of proving consistency with these rules. Consideration will have to be given to the conditions for the subsequent participation of ENP partners of the Black Sea in diagonal cumulation of origin. This is a key instrument in the aim to enhance intraregional integration and avoid complex system of "hub and spokes" trade agreements.

Rules of origin define the conditions that a product must satisfy to be deemed as originating in the country from which preferential access to the EU is being sought. The main justification for rules of origin is to prevent trade deflection, whereby products from non-participating countries destined for the EU market are redirected through free trade partners of the EU to avoid the payment of EU customs duties. However, rules of origin can be very restrictive, particularly when they define

⁹ Burcu Gültekin, "Developing a Turkish-Russian Cooperation in the Caucasus", *The Geographical Economic Journal*, Rostov State University, n°3, 2006, Rostov-on-Don

technical procedures that must be satisfied¹⁰. The costs of proving origin may be even higher, and possibly prohibitive, in countries where customs mechanisms are poorly developed. Thus, even if producers can satisfy the EU's rules of origin, in terms of meeting the technical requirements, they may not receive preferential access to the EU because the customs authorities do not accept their proof of origin or the costs of proving origin are high relative to the duty reduction that is available.

3. Transportation for enhancing cooperation and integration in the region: Overview of EU's Initiatives in the Black Sea

In trade-related transport, much of the Caucasus and most of the CIS countries confront poor quality of service and high costs. Many of these countries are landlocked, making it important to extend their transport infrastructure to neighboring countries. For the Caucasus war-damaged infrastructure and inoperable links from the transport network inherited from the Soviet period are especially problematic.

The most serious problem in customs – the incidence of unofficial payments needed to move goods across national borders – can be extraordinarily pernicious. This handicap compounds other customs impediments, such as the lack of coordination among border related agencies, the complexity of customs procedures, unclear customs codes and regulations, and the low utilization of IT in customs operations. Most importantly, some of these countries are still experiencing political tensions with neighboring countries, and therefore the level of regional cooperation in trade facilitation remains low. NEA Transport Research and Training prepared an assessment of the economic cost related to physical and non-physical barriers on the basis of experience of the Black Sea Ring Highway Caravan. The research provides an outlook of existing infrastructure, calculating the economic cost of border waiting times and non-physical barriers to road transport in the BSEC region. Based on the number of trips made in the region in 2006, total cost of border delays in the BSEC region are estimated at EUR 229 million¹¹.

Futhermore a well functioning transport system connecting the EU and the neighbouring Black Sea countries is essential for sustainable economic growth. Transport planning between the EU and in its neighbouring countries needs to be updated to better reflect that changes that have taken place in EU and to meet the needs of the growing trade and transport flows.

¹⁰ For example, in the clothing sector the EU rules of origin stipulate a double step processing requirement whereby clothing products must be made from domestically produced fabrics or fabric from EU countries. Clothing produced from fabric imported from third countries will not satisfy the EU rules of origin and will not receive preferential treatment.

¹¹ Direct costs of waiting at borders in the BSEC region: EUR 104 million; total costs of waiting time at borders in the BSEC region: EUR 208 million; direct costs of transport trip permits EUR 11 million; direct costs of visa for drivers EUR 10 million. The Black Sea Ring Highway Caravan, initiated by the BSEC Organisation, supported by the BSEC Member Governments and organised jointly by the International Road Transporters Union, IRU and BSEC-URTA, aimed at promoting road transport facilitation across the BSEC region, collecting en route data, such as border waiting times, procedures and charges as well as visa requirements in the BSEC region and examining infrastructure all along the official Black Sea Ring Highway routes. The Black Sea Ring Highway Caravan started its journey of some 7,500 km from Belgrade to Istanbul, through the 12 BSEC Member States around the Black Sea Basin. This international commercial truck caravan was composed of 12 vehicles from BSEC Members States.

In July 1996 the European Parliament and Council adopted the Decision on Community guidelines for the development of the trans-European transport network (TEN-T). These guidelines comprise roads, railways, inland waterways, airports, seaports, inland ports and traffic management systems, which serve the entire continent, carry the bulk of the the long distance traffic and bring the geographical and economic areas of the Union closer together. The legal basis for the TEN-T is provided in the Treaty on the European Union. Under the terms of Chapter XV of the Treaty (Articles 154, 155 and 156), the European Union must aim to promote the development of trans-European networks as a key element for the creation of the Internal Market and the reinforcement of Economic and Social Cohesion. This development includes the interconnection and interoperability of national networks as well as access to such networks. In accordance with these broad objectives, the Community developed the above mentioned guidelines, a general reference framework for the implementation of the network and identification of projects of common interest. The trans-European transport network (TEN) policy, revised in 2004, focuses investments on 30 priority transnational axes and projects. At the same time, it concentrates on the integration of the new Member States' networks. The trans-European axes aim to promote competitiveness and cohesion across the enlarged Union by better connecting its regions to the internal market.

The TEN policy does not, however, address transport connections between the EU and the neighbouring countries or other trade partners. Pan-European Corridors and Areas (PECA) were developed during two Ministerial Conferences in Crete (1994) and in Helsinki (1997) with the aim of connecting the EU-15 with the then neighbouring countries. Following the 2004 and 2007 enlargements, the Corridors are now mainly within the EU and thus part of the TEN network.

The European Commission has defined five major transnational axes aiming at fostering its logistical connection with the neighbouring countries. Among these, three axes are of interest for Black Sea countries: the *Motorways of the Seas*, the *Central Axis* and the *South-Eastern axis*.

- ***Motorways of the Seas***: linking the Baltic, Barents, Atlantic (including Outermost Regions), Mediterranean, Black and the Caspian Sea areas as well as the littoral countries within the sea areas and with an extension through the Suez Canal towards the Red Sea.
- ***Central axis***: to link the centre of the EU to Ukraine and Southern Russia and through an inland waterway connection to the Caspian Sea via the Russian Federation. Connections towards Central Asia and the Caucasus are also foreseen, as well as a direct connection to the Trans-Siberian railway and a link from the Don/Volga inland waterway to the Baltic Sea.
- ***South-Eastern axis***: to link the EU through the Balkans and Turkey to the Caucasus and the Caspian Sea as well as to Egypt and the Red Sea. Access links to the Balkan countries as well as connections towards Russia, Iran and Iraq and the Persian Gulf are also foreseen. Turkey and the South Caucasus Republics are will have a central role within this axis.

For Belarus, Moldova and Ukraine, the Pan-European Corridors remain the reference network.

Regarding Russia, cooperation in transport is established under the EU-Russia dialogue that was launched in 2005. Five expert working groups have been created, covering transport strategies, infrastructure and public-private partnership; transport

security; air transport; maritime, sea-river and inland waterway transport; road and rail transport.

Turkey is in the process of identifying a core network and a list of priority infrastructure projects as part of the accession negotiations. Turkey is involved in both the Pan-European Corridors and the *Transport Corridor Europe Caucasus Asia* (TRACECA)¹² corridor. The TRACECA corridor, launched in 1993 with the aim to connect Europe with Turkey and further with Armenia, Azerbaijan and Georgia in the Southern Caucasus until Central Asia. Cooperation is organised through a basic multilateral agreement signed by the countries concerned, which set up an Inter-Governmental Commission and a permanent Secretariat.

The Caspian and Black Sea cooperation is established as a follow-up to the EU Black Sea-Caspian Basin Transport Ministerial Conference in 2004 in Baku and it brings together the TRACECA countries, Russia and Belarus. As part of this “Baku process”, four expert working groups have been set up in transport, covering aviation, security, road and rail transport, and infrastructure. The objective is to strengthen cooperation between the EU and the partner States and, even more importantly, among the countries of the region.

The BSEC has been focusing also on the improvement of regional transportation links. New initiatives were launched recently.

The BSEC Memorandum of Understanding (MoU) on Facilitation of Road Transport of Goods entered into force on 20 July 2006. This MoU will be backbone of future efforts to reduce the non-physical barriers across 12 countries of the BSEC and to harmonize legislation and charges as well as to gradually integrate the BSEC road transport market. Indeed, the Black Sea region offers big opportunities for the transport sector since it bridges sub-regions of Europe, Caucasus, Central Asia and the Middle East.

The BSEC MoU Coordinated Development of the Black Sea Ring Highway, signed on 19 April 2007, is complementary to further facilitate movement of goods and people around the Black Sea basin.

The BSEC MoU on Motorways of the Black Sea will provide guidance to public and private partners in the BSEC region to increase efficiency and quality of the transport services by making use of the Black Sea.

The main joint action areas are defined as harmonisation of charges, simplification of visa for professional drivers, expansion of transport related United Nations Economic Commission for Europe (UNECE) conventions and multilateral agreements as well as the elimination of transit quotas by 2009 and bilateral quotas by 2012. The ultimate target is full liberalisation and integration of the BSEC road transport market by 2016. BSEC agreement on simplification of visa procedures for professional lorry drivers agreement is currently open to signature.

EU's Black Sea Strategy can provide a useful framework to enhance the efficiency of these regional transportation initiatives by linking them with EU's infrastructure development projects.

¹² <http://www.traceca-org.org/>

4. Cooperation at local level: the Black Sea Euro-Region

The Council of Europe and, in particular, of the Congress of the Local and Regional Authorities of the Council of Europe has made a significant contribution to the reinforcement of the regional co-operation in Europe by reaffirming the link existing between trans-national regional co-operation and the inter democratic stability and sustainable development. The European Outline Convention on Transfrontier Co-operation between Territorial Communities or Authorities” (Madrid, 1980) and its additional protocols; the draft “Convention on Euroregional Co-operation Groupings” of the Council of Europe and the “Regulation on a “European Grouping of Territorial Co-operation” of the European Union provide legal instruments for interregional cooperation.

A Euroregion is a form of transnational co-operation structure between two (or more) territories located in different European countries. Euroregions do not have political power and their work is limited to the competencies of the local and regional authorities which constitute them. They are usually arranged to promote common interests across the border and cooperate for the common good of the border populations.

Cross-border regions, straddling state borders, have grown in number and importance in Europe, initially with the encouragement of the Council of Europe, and more recently with the EU’s promotion of the Single Market. Cross-border regionalism has flourished over the past two decades, beginning in the heartlands along the western border of Germany, and taking a new step in the 1990’s when, in response to the opening of the Iron Curtain, Euroregions were set up from the Finno-Russian border down to Austria, Slovakia, Hungary and Slovenia. Euroregions involve concrete cooperation between regional and local authorities on both sides of the borders, which can in time lead to substantial and effective links across the borders. They can promote common interests and thus strengthen civil society and local democracy as well as having beneficial effects on the local economy.

Cross-border regionalism can be seen as part of a process of political regulation, operating at different spatial scales and describing a spatially integrated approach to problem-solving involving actors from local, regional and central levels. Cross border regionalism manifests itself not only as systems of governance but also as interests and development priorities articulated in the form of strategies that guide cooperative action. Basically, these strategies reflect local problems and development contexts as well as opportunistic behavior in securing support from European and national sources.

The Council of Europe put forward the proposal to create Euro-regions of the European seas. In February 2006, the first such region, the Adriatic Euro-region which brought together national, regional and local authorities of both EU and non-EU member states of the Adriatic, in particular from South-East Europe, was launched¹³. The process of launching the Black Sea Euro-region began in March 2006 while the proposal to establish the Baltic Sea Euro-region is in the pipeline.

¹³ The creation of the Adriatic Euro-region in Venice, on 6 February 2006

The Parliamentary Assembly of the Black Sea Economic Co-operation Organization (PABSEC) has been contributing marginally to the cooperation at local level via the association of Black Sea capital cities. Nevertheless, there is still a strong need for implementing initiatives at local and regional level. Local and regional authorities can contribute not only to economic co-operation, but also to multilateral initiatives in the environmental, social and cultural sectors. Bearing in mind that all Black Sea riparian States are members of the Council of Europe, the Council of Europe might facilitate a strengthened co-operation among local and regional authorities in the Black Sea area and thus substantially contribute to the common objective of building a Europe without dividing lines.

The Congress of the Local and Regional Authorities of the Council of Europe has been organizing conferences on interregional co-operation in the Black Sea Euro-Region with the participation of local and regional authorities of the Black Sea countries. The first took place in Constanța (Romania) on 30 March 2006, the second in Samsun (Turkey) on 3 November 2006 and the third in Odessa (Ukraine) on 27 June 2007. This process led to the adoption of the “Odessa Declaration on the Black Sea Euroregion” in which the countries committed themselves to join forces in order to agree upon a draft Statute of a Black Sea Euroregion, before 31 December 2007¹⁴. In parallel, The Congress of Local and Regional Authorities of the Council of Europe adopted on 1 June 2006 the Recommendation 199 (2006) on “Inter-regional co-operation in the Black Sea Basin”. The aim of the Black Sea Euro-Region will be to build bridges between the peoples living on the shores of this sea, between the countries, regions and municipalities of the Black Sea basin in the political, economic, social and cultural spheres. Indeed, the regional and local authorities in this area, while differing in their range of prerogatives and institutional organisation, are nevertheless capable of making a tangible and valuable contribution to European integration, by means of trans-border, trans-national and interregional co-operation emphasising the importance of applying the European experience of local administration as an important element contributing to building a Europe based on the principles of democracy, rule of law and human rights. A Euro-region along the lines of the Adriatic Euro-region, will provide the riparian countries of the Black Sea with an instrument establishing an effective dialogue and co-operation among the local and regional authorities, as well as concerted and integrated approaches to the region's problems.

The two Euroregions (Adriatic and Black Sea) will cooperate on practical issues such as transportation and environment. The Council of Europe Center on interregional and trans-border cooperation in St Petersburg, which will be created soon, is aiming to reinforce the cohesion and give support to these efforts and to the transfer of innovative practices between European regions.

¹⁴ The Final Declaration of the Conference on “Inter-regional co-operation in the Black Sea Area” held in Constanta (Romania) on 30 March 2006 and the Declaration of the Governmental Representatives attending that Conference, the Final Declaration of the Conference on “A Black Sea Euroregion” held in Samsun (Turkey) on 3 November 2006.

5. Institutional and political formats of EU involvement in Black Sea regional cooperation

5.1. The EU's opening to multilateralism in the Black Sea area

Driven by its own post-WWII example, the EU has professed multilateralism in its external relations at world level and as a general approach to foreign policy, as well as with regard to specific regions. The EU Security Strategy adopted in 2003 pictures the Union as promoter of multilateralism in international relations.¹⁵ Its “group-to-group dialogue” has become a trademark of EU foreign policy making ever since the first attempts of European Political Cooperation in the 1970s. The EU gained valuable experience in developing regional approaches and/or responding to regional cooperation initiative and practice in several areas in the world, of which East Asia and Latin America stand among the most elaborate.

Multilateral approaches and support for regional cooperation have been characteristic also for the EU's policy towards its neighbourhood since the 1990s. Different formats were applied almost simultaneously to its neighbours in the North (the Northern Dimension), in the South (the Barcelona Process / Euro-Mediterranean Partnership) and in the South East (The Stability Pact for South Eastern Europe). These three options of regional (and inter-regional) cooperation have particular relevance for the design of regional cooperation initiatives in the Black Sea area.

The EU's opening towards multilateralism and regional cooperation around the Black Sea came rather late. It became the last piece of the “puzzle” in the Union's arrangements with neighbouring regions in the follow-up to the Eastern EU enlargement of 2004-2007. In anticipation of this enlargement, the European Neighbourhood Policy (ENP) was created with the aim to offer a medium- to long-term perspective of relations between the EU-25/27 and countries on the Southern and Eastern coasts of the Mediterranean, in Eastern Europe (the European former Soviet republics) and later in the Caucasus. In the South, the ENP provided a framework for enhancing bilateral relations with the Arab countries in North Africa and the Middle East and with Israel, and it complemented and reinforced the Barcelona process. In the East, the ENP did not contain, until recently, any initiatives for regional cooperation.

Only in the context of EU-wide debates on the Constitutional Treaty and especially after the negative results of the referendums in France and the Netherlands did the EU start to think seriously about long-term arrangements for its relations with Eastern neighbours. In the words of Michael Emerson (2005), the Black Sea area became the epicenter of the earthquake of the two “no” votes in 2005. The development of a regional dimension of the EU's approach in Eastern Europe was a necessity both in structural terms and with a view to timing:

- Structurally, a regional dimension would “fill the gap” between:

¹⁵ The strategy stipulates the creation of “an international order based on effective multilateralism” (European Council, 2003: 10-11).

- the overarching framework of relations of the EU with its neighbourhood, which is the ENP, and
- the level of practical policy based on negotiated conditionality, which is applied by means of the bilateral ENP Action Plans
- As regards timing, a regional cooperation initiative was necessary in order to account for:
 - the European aspirations in most countries in Eastern Europe and the South Caucasus, which were encouraged by the 2004 enlargement and led to the “colour revolutions” and pro-European reorientation;
 - the completion of the Union’s Eastern enlargement with the accession of Bulgaria and Romania in 2007, which would make the EU a “Black Sea power”;
 - the initiative (launched in 2005) of the Black Sea states grouped in the BSEC to search for closer and more intensive links with “Brussels”;
 - the increased assertiveness of Russia in the second term of president Putin, which would require a new – regional – level playing field in order to mitigate possible tensions and/or clashes in bilateral EU-Russian relations.

The product of the EU’s evolving approach towards regionalism in its Eastern neighbourhood was a special text on supporting regional cooperation in the Commission’s paper aimed to strengthen the ENP (December 2006) and a separate paper “Black Sea Synergy” presented in April 2007.

5.2. The evolution of EU thinking on Black Sea regional cooperation

The “concentric circles” model complemented by the “Olympic circles” of regional cooperation

The proposals for enhancing the regional component in EU relations with countries around the Black Sea must be considered in the context of the general hierarchy of the Union’s external relations – with regard to both their economic content and political frameworks. The concept of “concentric circles” is usually used to describe the EU’s relationship with several groups of countries, whereby each group enjoys more favourable relations with the Union than the next. These are:

- the participants in the European Economic Area,
- the candidate countries and the other “stabilisation” countries in South Eastern Europe with a recognised “European vocation”,
- the countries in Eastern Europe that are eligible in principle for EU membership on the basis of the EU’s founding treaties,
- the EU’s Mediterranean partners.

Following this logic, the EU itself forms the centre of all these formats of relations and manages its periphery primarily by means of bilateral agreements (under international law), or sets of political instruments, such as the “accession partnerships” during the Eastern enlargement process, the “European partnerships” for the Western Balkan countries, or the ENP Action Plans today.

The model of concentric circles has been proposed as a possible way of engaging the Union’s neighbours in a long-term relationship specifically in the case of the Eastern ENP partner countries. Several forms of political institutionalisation of this relationship have been proposed in order to complement the economic concentric circles fixed in the international agreements regulating economic relations with these partners.

- **The European Conference** was designed at the launch of the Eastern accession process in 1996 in the context of planning the start of entry negotiations with two groups (6+6) of the candidate countries from Central Europe and the Mediterranean. It was meant as a framework for dialogue with Turkey, with which the Union did not want to negotiate but which it did not want to leave completely excluded either. This format was rejected by Turkey and was gradually emptied of meaning after EU-Turkish relations advanced to reach their current stage. Departing from the need to split up the ENP into its Eastern and Southern dimensions in order to obtain regional coherence, some observers see the utility of revitalising the European Conference today as an appropriate format for establishing a common platform with an “institutional *finalité*” for relations with “the Wider Europe” (Missiroli, 2007).
- A similar vision based on concentric circles stands behind the idea of creating a “**European Commonwealth of Nations**”, which would also target the EU’s Eastern neighbours (Minchev, 2005). This idea embraces proposals for democratic conditionality (promotion of shared values, fundamental freedoms, human and minority rights), the creation of a system for countering soft security threats, the opening of EU programmes for participation by all members of the “commonwealth”, etc. One of its key proposals (the creation of a customs union) builds the whole political edifice on a rather rigid commercial framework, which renders the application of the idea somewhat problematic.

The model of relations based on “concentric circles”, including its recent reformulations (“European Conference” or “European Commonwealth of Nations”), has a major shortcoming – its hidden unilateralism. Although the legal instruments of relations are applied between sovereign states and the political tools are said to be negotiated and mutually agreed, the uneven power of the partners, with the EU as the dominant partner, makes relations virtually unilateral. This turns the EU into a gravitation centre that is capable of influencing and transforming its periphery. Moreover, the stages of EU enlargement, of which the latest Eastern one is probably the most studied example, present the most successful EU strategy of transforming the neighbourhood – that of attracting it in a process of expansion and absorption. This double effect – EU-centrism and unilateralism – is unsustainable in situations where the EU cannot / does not want to exercise its power of attraction and hold out the promise of accession to neighbouring countries.

The various options for regional cooperation on the EU’s periphery (North, Balkans, Mediterranean) serve to complement the general “concentric circles” model by a set of “**Olympic circles**” – frameworks for regional cooperation with a clear

geographical focus, different policy scope and varying degree of institutionalisation – and to mitigate its shortcomings (Vahl, 2005). The launching of a regional cooperation initiative for the Black Sea area should be regarded as a step in the direction of completing the EU’s engagement with the neighbourhood.

A choice of institutional and political options

When the debate on designing a format for the EU’s involvement in regional cooperation around the Black Sea grew in intensity after the blockage of ratification of the Constitutional Treaty, several possible options were considered (Emerson, 2005; Tassinari, 2005):

- strengthening and upgrading EU relations with BSEC, as a genuine home-grown organization of regional cooperation of countries in the Wider Black Sea area;
- focusing on GUAM as a re-born organization of the most dynamic segment in the neighbourhood – the reforming CIS countries Georgia, Ukraine, Azerbaijan and Moldova;
- creating a new “EU – Black Sea dimension” on the initiative of the Union itself;
- supporting the creation of a “NATO – Black Sea dimension”, which would anchor the Eastern EU neighbourhood.

The inter-institutional option: Two attempts at fostering EU-BSEC relations

The process of fostering closer cooperation between the EU and the Black Sea Economic Cooperation (BSEC) knew two peeks – one in the 1990s, and the second under way today. One feature they have in common is that both of them, as well as the period of relative stalemate in-between, were directly linked to successive developments in the process of the Eastern EU enlargement. Another common characteristic is the activism displayed on the part of BSEC member states and institutions vis-a-vis the EU on both occasions, as well as the prudence of the latter.

The first phase of BSEC attempts at establishing more intensive relations with the EU followed immediately (in October 1996) the publication of the “Agenda 2000” strategic package by the Commission, where it outlined its vision about the accession process. It came to a standstill towards the year 2000 when most of the Black Sea littoral states entered a new stage of their bilateral relations with the EU (Bulgaria and Romania started accession negotiations, while Turkey was granted the status of a candidate country) and were much more preoccupied, therefore, with the complex requirements these bilateral processes imposed on them and lacked the motivation and capacity to push forward the intensification of the group-to-group relationship. Although the BSEC itself admits the “inconclusive results” of this attempt (BSEC, 2007a: 1), both sides produced policy papers – the conceptual “peeks” of interaction – that contained their visions on the possible policy content and institutional framework of relations (Commission, 1997; BSEC, 1999). These documents serve as benchmarks of progress (or lack of it) in inter-regional relations in historical perspective.

The second phase started in the autumn of 2004 following the Eastern EU enlargement proper. In substantive terms, the novelty was introduced by the new self-reflection of the BSEC after 9/11, which broadened its policy scope towards issues of soft security. In terms of process, this phase was much more pragmatic, with more

intensive deliberation at diplomatic and administrative level, which underpinned dialogue at political level. The role of Greece for promoting the BSEC from within the EU was crucial throughout 2005-2006. This phase coincided with the EU's own raising awareness of the need to introduce a regional dimension in its ENP and with the search by the Union of an appropriate option for engaging in regional cooperation. The BSEC-EU dialogue significantly influenced the choice of such an option. Its cornerstone documents are the Commission's paper on strengthening the ENP (Commission, 2006), the BSEC Working Paper on EU-BSEC interaction (BSEC, 2007a), as well as the most recent paper on Black Sea Synergy (Commission, 2007b).

The “political umbrella” option

The establishment of a new political format of relations, a sort of a “political umbrella” – a Black Sea Forum – was promoted mostly in the academic debate for several reasons:

- It would follow the experience of the EU in other world regions where such frameworks have been created.

This model is applied in the EU's relations with other regions in the world – for example, with Latin America and Asia. The Union is engaged both in relations with (a) the home-grown regional cooperation organizations, such as ASEAN (Association of South East Asian Nations) – in Asia, or the Mercosur (comprising Argentina, Brasil, Paraguay and Uruguay) and the Andean Community (which includes Bolivia, Colombia, Ecuador and Peru) – in Latin America, and (b) forums for political dialogue, such as ASEM (Asia-Europe meeting) and the Rio Group (reuniting all Latin American countries). There are several distinctions between the two formats. First, ASEAN, Mercosur and the Andean Community have the status of international organizations, while ASEM and the Rio Group are informal. Therefore, the EU's relations with the former category have a clear legal basis (the Cooperation Agreements of 1980 – with ASEAN, of 1995 – with Mercosur and of 2003 – with the Andean Community), while those with ASEM and the Rio Group are guided by political documents. Second, the geographical coverage of ASEM and the Rio Group is much broader than that of ASEAN, Mercosur and the Andean Community in their respective continent. Third, the EU's dialogue with ASEM and the Rio Group is much more multi-dimensional. It covers a wide range of political, economic and cultural issues. On the other hand, the primary focus of EU-ASEAN, EU-Mercosur and EU-Andean Community relations is economic, in spite of the presence of a political dialogue dimension. ASEM and the Rio Group perform the role of “political umbrellas” that give strategic impetus to inter-regional (inter-continental) relations.

- It would take account of the great number of existing formats for sectoral cooperation around the Black Sea, it would assume a coordinating role at the cross-section of specialized networks, and it would give overall impetus to the process.

The coordinating role of a “political umbrella” forum, which would involve both countries of the Wider Black Sea region and the EU, is justified by the multiplicity of existing formats of sectoral cooperation – in such fields as environment, energy, transport infrastructure, soft security, democracy promotion, etc. They have varying membership and geographical coverage (often extended beyond the Black Sea region proper), and different degrees and specific options for institutionalization. These

features will necessitate that the coordinating forum builds upon a complex overlapping “Olympic circles” applying the principles of variable geometry. In addition to that, the proposed (by Tassinari, 2006) Black Sea forum will profit from “driving forces” – leading cooperation structures, be they institutionalised as international organizations (BSEC) or not – that have proven themselves as most effective in each respective field of action. Following this logic, each cooperation field will have its separate “driver”, which would be one of the existing structures of cooperation, and which will be actively supported by the European Commission (especially the more technocratic fields, such as environment, energy, transport) and the littoral Black Sea countries. According to Tassinari (2006), the hierarchy of this model will look like this:

BLACK SEA FORUM				
Environment	Energy	Transport	Soft security	Democracy
DABLAS (+ European commission)	Baku process (+ European commission)	Baku process (+ European commission)	BSEC (+ littoral countries)	Community of Democratic Choice (+ littoral countries)

In view of the discussion about EU-BSEC relations above and below, it is worth noting here that this model envisages BSEC to be a leading counterpart of the EU only in one area of cooperation – soft security – which is relatively new for BSEC and for the region as a whole.

- While remaining a non-formal political platform, without legal base, this forum would be free of institutional constraints making it capable of flexibly responding to the strategic needs of the moment.

For this forum to be successful, it would have to be designed in the most inclusive manner possible, involving all countries in the region. Its creation would have to be initiated by “old” and new EU member states (Greece, Bulgaria, Romania) and would have to be (at least) supported by regional powers (Russia, Turkey).

Romania’s initiative – the Black Sea Forum for Dialogue and Partnership

This Romanian initiative became a test for the concept of a political umbrella gathering all stakeholders at highest political level with a view to discuss issues of common interest, set joint agendas, probe new ideas, coordinate thematic cooperation projects, communicate with external players, etc. The idea was the product of European intellectual input and US political and financial support.

The original Romanian vision for the Forum was to hold annual summits, with the venues rotating among participant countries, and thematic or sectoral cooperation meetings during those annual intervals. The Forum was not meant to create permanent regional institutions but to become a regular consultative process between countries of the region and between them and international organizations, such as the EU.

The initiative met varying reception in different Black Sea countries. The level of attendance of the inaugural meeting of the **Black Sea Forum for Dialogue and Partnership** held in Bucharest on 5 June 2006 was telling. While the hosts (Romania) and all littoral countries that were the EU’s partner countries under the ENP (Moldova, Ukraine, Armenia, Azerbaijan and Georgia) sent their heads of state, Bulgaria sent a vice-premier (himself also foreign minister), Greece and Turkey sent

junior ministers, and Russia sent no one.¹⁶ Moscow's "dismissive attitude towards the forum" (Socor, 2006) was displayed on the eve of the event by several gestures¹⁷ and an explicit warning against new initiatives, which emphasized the self-sufficient role of existing formats of regional cooperation – BSEC and Blackseafor. On a more general level, such attitude was aimed at discouraging smaller players in the region from undertaking initiatives, which had not been coordinated with Russia from the outset, and at sending a signal to bigger players, such as the EU or the US, that only a Russia-inclusive project for regional cooperation could succeed on the Black Sea. While insufficient coordination was, indeed, a problem for the organizers, the more serious reason for its limited success was the general impression it left of being a too much pro-Western, and even pro-Atlantic undertaking.¹⁸ That was proved by the parallel initiative of the German Marshall Fund of the US to set up a "Black Sea Trust for Democracy" as a major instrument for promoting freedom, democracy and human rights in the region.¹⁹

The lack of preliminary coordination with other stakeholders in the region placed this initiative in competition with a parallel undertaking, which was launched by all countries from the region within the BSEC structures (Council of Foreign Ministers' decision of 2005). It was BSEC's attempt to renew its dialogue with the EU²⁰ with the goal of entering into more substantive and far-reaching relationship.

The idea to have such forums on an annual basis did not bear fruit. While Romanian efforts to promote and assert the new cooperation format – also within the EU Council hierarchy²¹ – continued well into 2007, later such activism subsided. In the Commission's "Black Sea Synergy" communication this initiative is quoted as an appropriate format for dialogue with civil society (Commission, 2007b: 9).

A double shift in the EU's vision on engaging in Black Sea regional cooperation

The last 12 months have been the time of shifting the EU's vision on how to engage in Black Sea regional cooperation in a double sense:

- shift from an "umbrella" format to inter-institutional EU-BSEC relationship;
- shift from a political (high-politics) to a technocratic (low-politics) approach to regional cooperation.

The boycott of the Black Sea Forum in Bucharest (June 2006) by Russia and the timid support offered by Greece and Turkey was followed by continuous efforts to promote BSEC case as a major – if not exclusive – format for relations with the EU. This should be regarded as a continuation of the efforts by BSEC member states (mainly

¹⁶ Only the Russian ambassador in Bucharest Nikolai Tolkach attended the forum without making any contribution.

¹⁷ Russian Foreign Minister Sergey Lavrov visited Ankara at the end of May 2006 to show a consolidated stance of the two regional leaders, and later he sent a special congratulatory telegram to the session of BSEC's Parliamentary Assembly (PABSEC) that was held in Yerevan.

¹⁸ The EU's level of attendance demonstrated caution. The Union was not represented by the rotating presidency of the Council (Austria) or the Commission, but by Peter Semneby, EU Special Representative for South Caucasus.

¹⁹ It was modeled on the "Balkan Trust for Democracy", which had been operational several years earlier. Later this initiative had to be renamed to "Black Sea Trust for Regional Cooperation". Its first call for proposals was launched in the summer of 2007.

²⁰ Following a first stage of such dialogue in 1996-1998, which led to a Communication from the Commission but did not deliver any tangible result.

²¹ Interviews at the Bulgarian Permanent Representation to the EU, August 2007, Brussels.

Greece) and institutions (mainly PERMIS, the Permanent International Secretariat based in Istanbul) that started already in 2005. Following discussions in the COEST working party of the EU Council of Ministers and at the higher levels (including a special discussion in the Council in September 2006), the EU's focus on BSEC resulted in a promising reference in the Commission's communication on strengthening the ENP of December 2006 (Commission, 2006). This trend was continued at the stage of preparation of the "Black Sea Synergy" paper of the Commission of April 2007 (Commission, 2007b), although not to the degree that would have been desired by BSEC.

The second aspect of this shift concerns not so much the institutional framework of EU involvement in Black Sea regional cooperation, but rather its general vision of the approach to cooperation, which would be appropriate for local realities. It combines the EU's / Commission's self-restraint not to emphasise political aspects of the relationship and, by contrast, to place priority on sectoral or even sub-sectoral initiatives. Such a new orientation was facilitated by:

- the decision not to develop a new policy for the Black Sea region, which would be seen as competing with the existing bilateral formats, but to emphasise the coordination of current policies, which the EU had developed for various groups of countries in the region (the strategic partnership with Russia, the accession process with Turkey, the stabilisation process with Serbia and Albania, as well as the ENP Action Plans for the other partners);
- the "project-oriented approach" of BSEC, which has been claimed by this organization to be its specific asset, especially after it undertook some internal institutional and procedural reforms aimed at more efficient and effective decision making, increasing follow-up control on the implementation of decisions, etc.
- the importance of the principle of inclusiveness, which had become essential after the problematic acceptance of the Bucharest forum;
- the "comparative advantage" that such an approach would give the Commission sitting in the seat of the competent technocrat able to offer its expertise and guidance on policy design, funding and implementation.

The technocratic, non-political, project-oriented approach to future regional cooperation was seen as more appropriate for delivering concrete results that would be mutually beneficial. As one longtime observer pointed out, "it is important to show especially to Russia that the EU is not coming to the Black Sea with zero-sum intentions" (Aydin, 2005: 72).

The "Black Sea Synergy" communication

The Commission's communication "Black Sea Synergy" (April 2007) was elaborated as a result of intensive discussions with the German presidency and the EU member states, especially with Greece and the two new EU members that board on the Black Sea – Bulgaria and Romania. The other Black Sea countries appear not to have been consulted on the content of the paper, although they are the EU's partners under the

ENP. Some of them, such as Moldova, complained about having been left outside the elaboration of the document.²² It has the following major characteristics:

- It explicitly refuses to build up new superimposing institutional frameworks for the EU's involvement in regional cooperation, and it stresses the coordinating character of this regional approach.
- It strongly emphasizes inclusiveness as an essential principle of future relations.
- It focuses mostly on beneficial options for sectoral cooperation in such spheres of activity as: infrastructure (transport, energy, communications), environment, "the human dimension", soft security issues, etc.
- It defines BSEC as its main – but not exclusive! – partner in regional cooperation and, in this way, encourages the home grown structures, which is in line with its general reliance on "joint ownership" in the ENP. It mentions the Romanian initiative (the Forum for Dialogue and Partnership) as a suitable format for engaging civil society in the process of cooperation. The paper is silent, however, on the possibility of involving other existing inter-governmental formats of cooperation in the region (e.g. GUAM).
- It does not forget the strategic EU approach to neighbourhood, which is based on its transformative power, and it places cooperation aiming at good governance, democracy and human rights at the top of the list of fields of activity.
- It admits the possibility (and makes suggestions) about elevating regional cooperation in the EU-BSEC format to political level.

At the same time, the paper can be seen critically from two perspectives:

- Taking into account the previous attempt at rapprochement between the EU and BSEC in the mid-1990s, the 2007 paper illustrates lack of progress in the EU-BSEC relationship during the past ten years.

In its communication of 1997, while recognizing the growing strategic significance of the Black Sea area for the EU, the Commission stated "its intentions to develop a new regional cooperation strategy". When focusing on the sectors that could be the object of cooperation, it mentioned transport, energy and telecommunications networks, trade, ecologically sustainable development, and JHA (Commission, 1997). This is virtually the same package as the one proposed today.

- The proposals are too cautious in designing major initiatives or concrete projects.

Some analysts regard the Synergy paper rather critically and point out that "the initiative appears more reactive than strategic" (Di Pippo, 2007) with the argument that the Commission has refrained from anticipating change in the region and has contented itself with reflecting on pre-existing realities. Moreover, the measures proposed in a number of cases are either too soft (e.g. dialogue, exchange of information, exchange of good practices, etc.) or lack concreteness despite the paper's claim in that sense ("support regional initiatives through sharing experience",

²² Interviews at Moldova's mission to the EU, Brussels, September 2007.

“channeling experience from other similar initiatives in South-Eastern Europe and the Baltic area”, “encourage significant investments”, etc.) (Commission, 2007b: 3, 4, 5).

EU-BSEC dialogue at political level

The Commission is quite cautious in proposing political formats of group-to-group dialogue and envisages regular ministerial meetings to be considered only “in the light of tangible progress” of cooperation (Commission, 2007b: 9). By contrast, BSEC leaders, while reaffirming the project-oriented approach as the basis of BSEC cooperation, aim at a “strategic relationship” with the EU and find it necessary to have its political legitimation by means of a ministerial EU-BSEC meeting to “mark the official start of the Black Sea synergy process” (BSEC, 2007b). A more realistic objective of forthcoming BSEC chairmanships²³ would be to aim at regular “troika” meetings, of which the first was held on the occasion of the 15th anniversary summit of the organization (Erler, 2007).

The diverging views on planning EU-BSEC dialogue at political level illustrate the Commission’s desire not to close all its other options of engagement in the region. The period between the two Commission papers (December 2006 and April 2007) demonstrated the reluctance of “Brussels” to go all the way to “embracing” BSEC as its sole interlocutor in the Black Sea, which caused certain dissatisfaction in BSEC circles.

Structural and organizational capacities of BSEC

Although BSEC has developed as a full-fledged international organization for the 15 years of its existence, it has a double political-administrative problem, which may risk the successful development of EU-BSEC relations in the future.

BSEC member states are aware of the gradual over-bureaucratization of the organization, which considerably diminishes the efficiency and effectiveness of its activities. Since the Bucharest Statement of 2006 (BSEC, 2006), organizational reform of BSEC has envisaged several sets of measures aimed at improving administrative procedures and ensuring higher level of accountability of decision making. Attempts at reform, however, have not touched upon the consensus principle of decision making, which allows each member state to veto unacceptable proposals, empties BSEC of the dynamism needed for effective policy and impedes achieving more ambitious goals. Top BSEC administrators (Japaridze, 2006) have been recommending for a long time the abandoning of unanimity decisions, but any official proposal in this direction is met with staunch opposition from BSEC member states expressed at the highest level.²⁴ The creation of a “fast-track model in BSEC” has been aired by Turkey as an alternative method of dynamising the organization. This proposal, together with the possibility for observer states to take part, together with BSEC members, in “the elaboration and implementation of certain projects” (BSEC, 2006), is a clear guidance of the option that is envisaged to overcome the obstacle of unanimous decision making – cooperation in “variable geometry” formats. It remains to be seen, however, if and how “focus on smaller, targeted projects that the willing

²³ This would be a goal for the Ukrainian chairmanship of the BSEC in 2008. (Interviews at the Ukrainian mission to the EU, Brussels, September 2007.)

²⁴ See, for example, the speech of Bulgarian president Georgi Parvanov at the BSEC 15th anniversary summit (Parvanov, 2007).

states will desire to pursue” (Bezhuashvili, 2007) will be smoothly combined with the principle of inclusiveness, which has been emphasized as BSEC’s major asset so far.

A forgotten interlocutor – can GUAM be useful?

The Organisation for Democracy and Economic Development (GUAM) including Georgia, Ukraine, Azerbaijan and Moldova is left outside Commission visions about the EU’s possible involvement in Black Sea regional cooperation – a lacuna that has been criticized by representatives of the four states participating in it at all official levels.²⁵ Apart from the obvious geographical focus of this organization (its members are all participants in the BSEC), there are several other arguments put forward by the four GUAM member states in order to justify their “eligibility” for being the EU’s interlocutor in the process of regional cooperation around the Black Sea. The first concerns the nature of GUAM – an “inside-out” organization created by the free will of like-minded political elites in four independent states. It is, therefore, another *home-grown body* enjoying the legitimacy of several peoples and societies in the area. The second argument focuses on the strategic objectives of GUAM – to promote democracy and economic development. This is among the few international organizations in the EU’s neighbourhood (probably alongside the Community of Democratic Choice – another format in which these four countries cooperate), which explicitly state their *common commitment to European values*. With democracy promotion and human rights protection as a major focus, GUAM is seen by its participating states as a suitable format for assisting the transformative efforts of the EU. A third argument in favour of GUAM is put forward on the basis of these countries’ common developmental agenda. They see their cooperation in the field of *modernizing energy infrastructure* as a backbone for enhancing both regional cooperation in this sphere and for supporting the EU’s quest for diversification of energy sources.

There are equally important features of GUAM and its member states that place the organization at a disadvantage with regard to its possible “promotion” to an institutional partner of the EU in the Black Sea region. First comes GUAM’s composition. Comprising four countries that share a pro-Western orientation of their internal transformation and foreign and security policies, this body is seen as an attempt to fence out Russian influence in the region. Moscow has not forgotten that the initial motivation of the founders of this organization (in its original format GUUAM, including Uzbekistan) of the mid-1990s was to offer a model of economic cooperation that would be alternative to Russian proposals for a tighter integration within the Commonwealth of Independent States. With such institutional history behind today’s GUAM, the EU will find it impossible to justify its claim for *inclusiveness* as a basic approach to Black Sea regional cooperation initiatives. The second argument raising doubts about the appropriateness of GUAM’s upgrade as a partner to the EU is *the fragile commitment to democracy in some of its member states*. Declaratory politics notwithstanding, the democratic development of Ukraine and Azerbaijan has not yet reached the point of irreversibility. The fact that the Ukrainian government’s practical commitment to democracy depends on the outcome of parliamentary elections (as those in 2006) shows that shared European values are not sufficiently entrenched in Ukrainian society. The fact that the ENP Action Plan negotiations between the Commission and Azerbaijan resulted in watering down the

²⁵ Interviews at the Missions of Georgia, Ukraine, Azerbaijan and Moldova to the EU, Brussels, September 2007.

provisions on political conditionality shows the lack of genuine motivation in this country's political leadership to pursue democratic transformation of society. In the end, *cooperation in the field of energy infrastructure development is not necessarily done better in the framework of GUAM* than in another regional cooperation format, such as BSEC.

GUAM's major asset is the motivation of its member states and their capacity for political mobilization. The opportunities for enhancing the EU's efforts to practice political conditionality by means of establishing priority relations with GUAM are available, but their effectiveness will have to be tested in the future. However, the arguments putting GUAM at a disadvantage appear to outweigh its perceived assets. This organization should not disappear from the political horizon of the EU as an appropriate framework for some cooperation in the field of democracy promotion, but it does not bring sufficient added value, which would make it possible for the EU to elevate it as a major partner in Black Sea regional cooperation.

5.3. Applicability of the Northern Dimension model of regional cooperation in the Black Sea area

The question of the applicability of the Northern Dimension model of regional cooperation in the case of the Black Sea area is being raised numerous times both in academic and in political debates. Determining how appropriate the Northern Dimension would be as a model for Black Sea cooperation should be done after consideration of both the similarities and the differences between the two formats. Analysis below is focused on the original philosophy of the Northern Dimension, as it was designed and implemented in the second half of the 1990s. Explicit reference is made in the occasions where comparisons are drawn between Black Sea regional cooperation and the current, new phase of cooperation under the Northern Dimension in the second half of the 2000s.

Similarities between the Northern Dimension and Black Sea regional cooperation

The Northern Dimension and the (prospective) Black Sea regional cooperation share several similarities:

- ***Both initiatives are backup/complementary formats for major EU policies in the respective regions – enlargement in the North in the mid-1990s, and the ENP in the Black Sea area today.*** Although the self-interest of the new EU member states in Northern Europe and their desire to play a more significant role in EU policy making from the start of their membership, the impact that enhanced regional cooperation would have on the accession prospects of the associated countries from the Baltics – Poland, Lithuania, Latvia and Estonia – was definitively an argument in favour of the initiative, although not always standing in the foreground. Many politicians of the day from Scandinavian countries saw Baltic cooperation as the new *raison d'être* of the decades-old Nordic cooperation and the way to revitalize the latter. The Northern Dimension became thus compatible with and complementary to the enlargement process. As for the Black Sea regional cooperation initiatives, it is explicitly declared to be complementary to existing EU policies – mainly the ENP, but also the pre-accession process for

some members of the BSEC. Both formats, therefore, enrich and provide new opportunities for ongoing bilateral interaction between the EU and countries in the respective region.

- ***Geopolitical aspects:***

- *Actor involvement:* Both initiatives offer a productive format (level playing field) for involving Russia, which is particularly useful at the current stage of strained EU-Russian relations. In the case of the Northern Dimension, the participation of Russia's North-Western provinces became a focus of both programmes of cooperation in the fields of environment and of social affairs. With the advancement of the accession process, the Northern Dimension became ever more focused on Russia and was sometimes characterized as a "regional aspect" of bilateral EU-Russian relations. The limits of applying such win-win scenarios were tested in the case of the Kaliningrad transit crisis. There, the Northern Dimension was instrumental in putting the problem on the agenda of bilateral relations, but was insufficiently adequate for solving it and avoiding the big crisis on Kaliningrad of 2002 (Vahl, 2005). In the Black Sea case it is yet too early to observe developments, as cooperation is only at its start. However, suffice it to say that Russia's negative attitude to Romania's Black Sea Forum of 2006 has apparently convinced the Commission to refocus its attention towards all-inclusive formats, such as BSEC, when determining the principal interlocutor of the EU in the region. The potential for such regional formats to build trust is something very valuable at this stage of bilateral EU-Russian relations.

- *Geopolitical agenda:* Geopolitical issues (especially energy security) are important in the Black Sea region. Existing projects and proposals for future action have long since convinced both the Commission and littoral countries in the centrality of this field of cooperation. With regard to Europe's North, the original rationale of the Northern Dimension of the second half of the 1990s did not have a strong geo-political underpinning. However, as the geopolitical focus of Northern Dimension in the second half of the 2000s shifts northwards, to the Arctic, the geopolitical agenda and discourse (natural resources – supply and transportation, etc.) comes more ostensibly to the forefront in both regions.

- In addition to that, the Northern dimension in its original design of the mid-1990s and Black Sea Synergy have ***compatible agendas:***

- *transformational agenda* (democracy, the rule of law, civil society building, good governance);

- *environmental agenda* (environment protection, energy security, civil emergencies and natural disasters, maritime policy);

- *developmental agenda* (economic and social development, the human dimension – people-to-people contacts, education and science, RTD, etc.)

- Both initiatives have applied (or are likely to apply) a *compatible approach*: They emphasise on coordinating existing forms of cooperation, without allocating additional funds or creating new institutions. This pragmatic and technocratic approach was a “second-best choice” for the Northern Dimension, since the initial vision about it argued in favour of a “comprehensive strategy, an institutional framework and adequate financial arrangements” (Lipponen, 1997). By the time the first practical actions under the Northern Dimension were implemented at the end of the 1990s, the technocratic, functional approach took the upper hand. Today, this approach is the only realistic one proposed in the “Black Sea Synergy” paper of the Commission.

Differences between the Northern Dimension and Black Sea regional cooperation

In parallel to the above commonalities, the two formats of regional cooperation are characterized by a number of differences:

Analysts often point at the structural symmetry between the Baltic Sea region in the mid-1990s, at the launch of the Northern cooperation, and the Black Sea area today – each region is composed of “old” and new EU member states, countries aspiring EU integration, and Russia as partner (Raik & Gromadzki, 2006: 17; Emerson, 2005: 6).

Countries	Northern/Baltic cooperation (mid-1990s)	Black Sea cooperation (mid-2000s)
EU member states	Germany, Denmark	Greece
Acceding states	Finland, Sweden	Bulgaria, Romania
Countries with EU aspirations	Estonia, Latvia, Lithuania, Poland	Turkey (cand.), Ukraine, Moldova, Georgia
Non-EU partner	Russia	Russia
<i>Source: Raik & Gromadzki</i>		

However, such *structural similarity is accompanied by a significant motivational difference*. Although the Northern dimension was correctly seen as a channel of promoting national interests within the EU, its general context and strongest strategic motivation was EU enlargement. As regards Black Sea cooperation, the process of communicating, understanding and accepting motivations is not so unequivocal.

- On one hand, regional cooperation around the Black Sea, especially through the establishment of BSEC, has had a European vocation from the outset. The role of “Europe” as an external mobilizing agent and pole of attraction has been interpreted two-fold: Positively, cooperation within BSEC has been seen as “preparation ground for integration with a larger Europe [and as way to] promote suitable means for the dissemination to and adoption by its members of certain norms, standards and practices as well as principles and policies of the EU” (Ozer, 1997: 109). On a more critical note, some experts point at the limited expressions of a regional identity and conclude that cooperation processes in the Black Sea area “can be considered as a side-effect of European integration, rather than region building in itself” (Aydin, 2005: 59).
- On the other hand, however, despite such positive set of arguments in the motivational toolbox of most of the Black Sea countries, they are not shared by “Europe”. The prospect of EU membership is absent from the agenda of relations among Black Sea countries, be it in a regional format or bilaterally, under the ENP. The absence of this major mutual objective makes it difficult to mobilize support for Europeanisation-driven reforms in Black Sea countries and, therefore,

makes the transfer of policy models, and of the whole Baltic Sea cooperation model, more difficult and with less chances for effective application.

Northern cooperation displays a significant institutional variety – it involves several overlapping regional organizations with a different scope and varying duration of cooperation of experience (Council of Baltic Sea States, Nordic Council of Ministers, Barents Euro-Arctic Council, Arctic Council). Nonetheless, *the Baltic region is much more homogeneous than the Black Sea area*. Analysts point at the wide discrepancies that exist among Black Sea countries in economic, political, social and cultural aspects. (Aydin, 2005: 59)

The number of “trouble spots” is much bigger and of a much more complex character in the Black Sea area than in the North. The tension (or the crisis, as some call it) between the EU and its member states with Russia on Kaliningrad is not comparable to the “frozen conflicts” in four out of five ENP partner countries in the Black Sea area – Moldova (Trans-dnistria), Georgia (Abkhazia, South Ossetia), Armenia and Azerbaijan (Nagorno-Karabakh).

If one common feature of the two regions that was mentioned above – the direct involvement of Russia in the projects of regional cooperation – is placed in the perspective of time, a non-negligible difference will be detected. *Yeltsin’s Russia of the mid-1990s is not the same as Putin’s Russia today*. The self-assertiveness and the confrontational rhetoric of Moscow today will make it more difficult for the EU to obtain its positive involvement in regional cooperation schemes with the expectation to compensate for the direct clashes with Brussels and some other EU capitals on essential issues of bilateral relations.

Baltic Sea – Black Sea cooperation

Cooperation between Baltic Sea and Black Sea countries is a key aspect of the Northern Dimension’s experience that is relevant for the Black Sea area. This framework usually includes the new EU member states around the Baltic – Estonia, Latvia, Lithuania and Poland – and the former countries from the Soviet Union, which are in the Black Sea region – Moldova, Ukraine, Georgia, Armenia and Azerbaijan. Among the latter, Ukraine and Moldova have their close relations with individual new EU members – Poland and Romania. That is why the discourse on inter-regional cooperation (Baltic Sea – Black Sea) usually focuses on the opportunities for involving the three Baltic states and the three states in the South Caucasus. This **3+3 group** has formed a strong nucleus engaged in intensive cooperation and has achieved progress in assisting the transition efforts of the Caucasian countries in a number of fields. The main prerequisite favouring such cooperation is the communist experience these six countries shared in the Soviet system. This means thorough understanding for each other’s problems of transition as well as the capacity to effectively communicate (also in the direct sense of the word, by speaking Russian to each other). In addition to that, the three Baltic countries have already passed through the same process of modernization and Europeanisation and claim to have successfully met the challenges of transition. Their political and public debate and analytical expertise focuses on their preparation for abandoning the role of regime-importers and adopting the role of regime exporters. (Kasekamp & Paabo, 2006) Such experience is an asset in the process of policy transfer and policy learning, which inter-regional cooperation would entail.

A step towards broadening the base of inter-regional cooperation is the establishment of the “*New group of friends of Georgia*”.²⁶ This is an informal gathering of ministers of foreign affairs of Georgia, Estonia, Latvia, Lithuania, Romania and Bulgaria, which holds annual meetings in the capitals of the participating countries on a rotation basis. Its added value is in the attempt to merge the two axes of cooperation aimed to assist transition – the Baltic Sea – Black Sea axis (involving the three Baltic states) and the Black Sea – Black Sea axis (involving Bulgaria and Romania).²⁷ This is a useful attempt to replace a possible rivalry between new EU member states for the “patronage” of Georgia into cooperation between all interested new EU member states. This positive experience should be developed in two directions – to intensify cooperation efforts so as to produce visible results (success stories), and to consider the possibilities for expanding this format to embrace other countries from the area. It cannot replace, however, broader and more inclusive formats for regional cooperation.

6. Inter-parliamentary cooperation

The PABSEC bodies

The General Assembly is composed of 70 parliamentarians from 11 BSEC Members States and has 2 ordinary plenary sessions a year.

The three Committees are: 1/ the Economic, Commercial, Technological and Environmental Affairs Committee; the Legal and Political Affairs Committee and the Cultural, Educational and Social Affairs Committee. Each committee meets twice a year.

The International Secretariat is located in Istanbul.

Eight months after the adoption of the Bosphorus Declaration establishing the BSEC, on 26 February 1993, in Istanbul, the Speakers of the Parliaments of nine countries – Albania, Armenia, Azerbaijan, Georgia, Moldova, Romania, the Russian Federation, Turkey and Ukraine – adopted the Declaration on the Establishment of the Parliamentary Assembly of the Black Sea Economic Cooperation (PABSEC). In 1995, Greece joined the Assembly and Bulgaria became the 11th full-fledged member in 1997. The speaker of the Parliament of Turkey was actively promoting the idea, he was supported particularly by Russia and Ukraine. The Declaration couldn't go further than setting some very flexible structures for interparliamentary cooperation. In 1993 regional and bilateral tensions were very high, some countries were still at war. Bulgaria and Greece, which joined the organization later, were initially reluctant, motivated by mistrust towards Turkey. The PABSEC, which is going to celebrate its 15th anniversary, by producing a wide range of documents and providing the regional platform for open discussion, overcame the lack of confidence in the parliamentary dimension, widespread in the region.

PABSEC has produced some 100 recommendations. Its area of coverage is wider than that of the BSEC. The scope of the inter-parliamentary cooperation has been extended to culture, education, and to political affairs, with a particular emphasis on soft security issues. Soft security is perceived as a more promising area for regional cooperation than trade. PABSEC has adopted recommendations on combating

²⁶ The “new” group of friends is to be distinguished from the first such group comprising big EU member states, which was emptied of its meaning after Russia joined it.

²⁷ The Czech Republic joined the group at its 2007 session.

organized crime and terrorism, drug trafficking, corruption, money laundering, migrant smuggling and human trafficking.

Cooperation among parliaments has also contributed in appeasing tensions affecting bilateral relations in the 90's (ie bilateral tensions between Turkey and Greece, between Russia and Ukraine, or concerning the navigation regime).

Prevailing unstable political climate, unresolved conflicts, declining living standards and massive numbers of refugees and IDPs prevent the region from achieving its economic potential. The parliamentary cooperation has increased regional interactions and consultation mechanisms and has been generating ideas to be picked up and further developed. Interaction among the national parliaments paves the way towards rapprochement, reinforces parliamentary diplomacy and gradually creates a climate of reconciliation, trust and stability in the region.

In the area of cultural affairs, the priority was given to the ratification and implementation of the Black Sea Convention in the fields of culture, education, science and information, to the protection of the cultural heritage, to youth cooperation and to research on the history of the Black Sea basin.

PABSEC has a regular but unofficial dialogue with the EP. The accession of Bulgaria and Romania has opened new bridges to the EU. The fact that Greece has lost its monopoly in bridging to Black Sea region to the EU is perceived as a positive evolution.

The EP has unilaterally been granted an observer status within the PABSEC. PABSEC has advocated for the inclusion of the South Caucasus Republics into the ENP, and is being consulted on the issues of energy, frozen conflicts, good governance, democratic reforms and security.

Regular contacts at executive and working level could be encouraged between the BSEC Related Bodies and their counterparts in the EU system. Given the potential impact of inter-parliamentary cooperation, especially in fields such as legislative reform and good governance, a structured and regular relationship between the European Parliament and the Parliamentary Assembly of the Black Sea Economic Cooperation (PABSEC) and their respective specialized Committees would add a strong parliamentary pillar to meaningful BSEC–EU interaction.

Proposed modalities include the establishment of compact delegations for parliamentary dialogue, extending Observer status with the European Parliament to the PABSEC, and acceptance by the European Parliament of the standing invitation of the PABSEC to participate in its meetings as an Observer, which will:

- facilitate effective exercise of mutually complementary activities through participation of the representatives of the two structures to each others' meetings
- secure constructive cooperation at the level of the counterpart committees of the two organizations
- pursue regular consultations and initiate joint projects and programmes *especially on matters related to soft security issues, culture and education*
- establish more effective working contacts between the secretariats of the two organizations through arranging exchange of information and documentation

Furthermore, the PABSEC can benefit of the experience of the EP on working with national parliaments in enacting and upgrading legislation facilitating cooperation in

the region as part of the European integration process. On a more practical level, study visits for parliamentarians to the EP and traineeship programs for PABSEC Secretariat staff and staff from the national parliaments of the PABSEC member countries can be organized.

7. Conclusions

In comparison with the rest of the world economy, the Black Sea Region was the third fastest growing region in the 2000-2006 period. The external trade volume of the BSEC countries was estimated in 2006 at USD 997,21 billion. However, especially the Black Sea countries of the former Soviet Union are still not active participants in the evolving international division of labour. Turkey, Greece, Bulgaria, Romania, Moldova, Armenia, Georgia, Albania are WTO members. Azerbaijan, Serbia, Ukraine and Russia are in various stages of the WTO accession process. The intra-regional trade in the Black Sea region remains relatively low. In 2006 it represents 17,04% of the total external trade of the Black Sea countries, amounting at 170 billion USD. Two distinct trade blocks emerged in the Black Sea region: one is Euro-centric, comprising the EU member countries, Turkey and the Southeastern European countries and the other is Russia-centric, comprising the countries of the CIS.

The EU is the major economic partner of the Black Sea countries and carries the potential to boost trade liberalisation and regional integration in the region. In 2005, the EU-25 accounted for 48% of the total exports of BSEC countries and the EU-15 for 37% of the manufactured exports.

Economic integration with the EU is not in contradiction with regional economic integration as shown by the Turkish case. Turkey's foreign trade and investments with/in the Black Sea countries have been developing steadily since the conclusion of the Turkey-EC Customs union. On the contrary, economic integration with the EU, that implies trade liberalization, is a *sine qua non* for regional integration. BSEC, having contributed to the development of the intra-regional trade with the lowering of structural barriers to trade, couldn't achieve the liberalisation of trade on a regional preferential basis.

Free trade and preferential trade agreements are a major element in EU foreign policy and are at the forefront of EU policy towards developing countries and neighbouring countries in Europe. A key element of the EU's free trade and preferential trade agreements is the extent to which they *deliver* improved market access and so contribute to the EU's foreign policy objectives towards developing countries and neighbouring countries in Europe. Free trade partners are often economically very small relative to the EU. For the Union, free trade agreements are a means of increasing economic integration through improved access to the EU market, which is seen as important in achieving other political, foreign policy and security objectives.

The EU-Ukraine Action Plan aims to build a foundation for further economic integration, including a deep and comprehensive free trade area between the EU and Ukraine. Work to grant additional Autonomous Trade Preferences to Moldova is proceeding; and a feasibility study on possible FTAs with Armenia and Georgia has been launched. The Union is already Russia's main trading partner and Russia itself provides a significant part of the Union's energy supplies. European undertakings have also made major investments in Russia. In this context, a strong support has to

be given to Russia's efforts in meeting the requirements of WTO membership. It will also examine how to create the necessary conditions, in addition to WTO accession, for the future establishment of an EU-Russia free trade area. The regional dimension of trade liberalization (concerning Southern Russia) will have a major impact on the Black Sea region.

Previous preferential trade schemes have been ineffective in delivering improved access to the EU market and have had a negative effect on intra-regional integration dynamics. The main reason for this is probably the very restrictive rules of origin that the EU imposes, coupled with the costs of proving consistency with these rules. Consideration will have to be given to the conditions for the subsequent participation of ENP partners of the Black Sea in diagonal cumulation of origin. Any preferential free trade agreement needs rules of origin defining which products will benefit from the preferences. Cumulation allows products that have obtained originating status in one partner country to be further processed or added to products originating in another country as if they originated in that latter country. For a system of diagonal cumulation to work, it requires that all partners have Free Trade Agreements with the same rules of origin amongst each other. This is a key instrument in the aim to enhance intraregional integration and avoid complex system of "hub and spokes" trade agreements.

Economic integration calls for the improvement of the transport links and trade facilitation measures. Indeed, the Black Sea region offers big opportunities for the transport sector since it bridges sub-regions of Europe, Caucasus, Central Asia and the Middle East. However in trade-related transport, much of the Caucasus and most of the CIS countries confront poor quality of service and high costs. For the Caucasus war-damaged infrastructure and inoperable links from the transport network inherited from the Soviet period are especially problematic. BSEC has been working for the facilitation of road transport and the development of combined transportation by focusing mainly on trade facilitation measures. EU's Black Sea Strategy can provide a useful framework to enhance the efficiency of these regional transportation initiatives by linking them with EU's infrastructure development projects.

The development of cross-border cooperation can tremendously contribute to trade facilitation and thereby to economic integration. The formation of a Black Sea Euro-region will be an important step ahead. Local and regional authorities can contribute not only to economic co-operation, but also to multilateral initiatives in the environmental, social and cultural sectors. Bearing in mind that all Black Sea riparian States are members of the Council of Europe, the Council of Europe might facilitate a strengthened co-operation among local and regional authorities in the Black Sea area and thus substantially contribute to the common objective of building a Europe without dividing lines.

The EU has made a positive step towards introducing a regional cooperation component to its policy in the Eastern neighbourhood. The "Black Sea Synergy" is an initiative for enhancing regional cooperation in an effort to complement existing EU policies in the area (pre-accession, the ENP, the strategic partnership with Russia).

In search for the appropriate institutional and political format of cooperation, the EU has passed through a double evolution:

- The "political umbrella" format has been tested in Romania's initiative to create a Black Sea Forum for Dialogue and Partnership, and, after its cold reception, has

been abandoned. The option of inter-institutional relations between the EU and the Black Sea Economic Cooperation Organisation (BSEC) is chosen as an option for cooperation. BSEC has evolved to become the EU's primary – although not exclusive! – interlocutor in the region.

- The EU's general approach to regional cooperation around the Black Sea has shifted from political towards a more technocratic, project-oriented sector-focused approach based on inclusiveness and envisaging the possibility for political level meetings only "in the light of tangible results".

BSEC has started to work towards meeting the challenge of becoming a central format for regional cooperation, but has not completed its reform. Its relatively unimpressive record until now necessitates further efforts to enhance the efficiency of BSEC decision making and the effectiveness of its policies and their implementation.

Apart from BSEC, other home-grown regional organizations functioning in the Black sea area, such as GUAM, could be useful in certain policy fields – e.g. democracy promotion and human rights protection – but their potential is yet to be tested.

Further development of the format of Black Sea regional cooperation could profit, to a degree, from the experience of the Northern Dimension. The general approach of creating synergies without establishing a new policy could be useful, as well as the partially compatible agendas in both regions (environmental, transformational, developmental aspects of their agendas). However, the structural symmetries between the two regions should not conceal substantive differences, such as the degree of homogeneity in the North versus political, economic, social and cultural disparities around the Black Sea, the number of conflicting points in each region (resp. Kaliningrad in the North and several "frozen conflicts" around the Black Sea). Experience, models and approaches should, therefore, be examined with prudence.

Initiatives aiming at more intensive Baltic Sea – Black Sea cooperation should be encouraged, as they are of high relevance for the transformational agenda and are potentially useful in the narrower, more focused and more motivated format 3+3 (Estonia, Latvia and Lithuania plus Georgia, Armenia, Azerbaijan). This format for cooperation should be continued by a "merge" of the two axes of cooperation across the Black Sea – with the Baltic states (North-South) and with Bulgaria and Romania (West-East), in the effort to secure support from a higher number of EU member states. The positive experience of the "New club of Friends of Georgia" should be developed further towards a higher degree of effectiveness and towards its possible extension to embrace other countries in the region.

List of abbreviations

BSEC	Organisation for Black Sea Economic Cooperation
BSEC-URTA	Union of Road Transport Associations in the BSEC region
CEFTA	<i>Central European Free Trade Agreement</i>
CIS	<i>Commonwealth of Independent States</i>
CU	<i>Customs Union</i>
EEC	<i>Eurasian Economic Community</i>
EC	<i>European Community</i>
ENP	European Neighbourhood Policy
EP	European Parliament
EU	European Union
FDI	<i>Foreign Direct Investment</i>
FTA	<i>Free Trade Agreement</i>
GDP	<i>Gross Domestic Product</i>
GUAM	Organisation for Democracy and Economic Development (comprising Georgia, Ukraine, Azerbaijan and Moldova)
MoU	<i>Momentum of Understanding</i>
MFN	<i>Most Favored Nation</i>
NTB	<i>Non Tariff Barriers</i>
PEC	<i>Pan-European Corridors and Areas</i>
PABSEC	<i>Parliamentary Assembly of the Black Sea Economic Co-operation</i>
PCA	<i>Partnership and Cooperation Agreement</i>
RTA	<i>Regional Trade Agreement</i>
SES	<i>Single Economic Space</i>
SAP	<i>Stabilisation and Association Process</i>
TEN-T	<i>Trans-European Transport Network</i>
TRACECA	<i>Transport Corridor Europe Caucasus Asia</i>
USSR	<i>Union of Soviet Socialist Republics</i>
UNECE	<i>United Nations Economic Commission for Europe</i>
UNMIK	<i>United Nations Mission in Kosovo</i>
WTO	<i>World Trade Organization</i>

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