2018
Program Outcome

SBSR

**SECURITY IN THE BLACK SEA REGION.
SHARED CHALLENGES, SUSTAINABLE FUTURE PROGRAM**

SHAPING THE FUTURE OF THE BLACK SEA REGION:
GAMECHANGERS AND PREDICTORS

BUCHAREST, ROMANIA

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PART I – BACKGROUND PAPER

The Issue

An important crossroads of cultures and civilizations throughout history and a strategic intersection for Europe and Asia as a gateway through which Caspian and Central Asian energy sources reach Europe, the Black Sea region has become in the last years one of the top priorities for regional powers and reappeared on the global policymakers' radar. As a result of the recent evolutions in the area, a more articulated regional approach is necessary as actors understand that common problems need to be addressed in a joint manner. However, cooperation efforts boosted by regional or global actors are hampered by uneven economic and political development within and among countries in the Black Sea region, or longstanding animosities between key players.

The new security paradigm which has gained momentum since the end of the Cold War highlighted a slow shift in the Western European and trans-Atlantic security agendas, from focusing on Central Europe to wrestling with the threats stemming from the geographical area ranging from North Africa to Central and South Asia. Recent evolutions in the region as well as its characteristic shaping factors, interrelated with the strategic geographic position are undoubtedly demanding the attention of global actors like the United States, NATO, EU, the Russian Federation or China. The state of play also demands global actors and international entities to shift their attention toward the Black Sea region, understand the geopolitical security situation and objectively assess the area's strategic significance. The current state of play calls for increasing emphasis on the Black Sea region on part of security institutions and organisations. In this context, it is imperative for all the actors to foster sound policies aimed at strengthening dialogue and cooperation between the riparian states so as to contain and ultimately resolve conflicts with peaceful means.

The 2018 edition of the Program **- Shaping the future of the Black Sea Region – game changers and predictors -** *was focused on identifying the best ways to address the threats faced by the countries in the region and capitalize on opportunities through partnerships.*

The main goal of the 2018 edition was to foster and enhance strategic thinking, foresight and policy planning in order to identify means and tools to turn the Black Sea from an area of confrontation to one of cooperation. The social, economic, security, cultural and identity issues at stake for resilient sustainable partnerships in the region have also been brought into focus.

I. The State of Play in the Region

Social & Cultural Issues

Contested borders, mixed national and ethnic groups, economic and social challenges, migration and competing foreign influences continue to pose a risk for the regional security around the Black Sea. The domestic environment in the region is mostly determined by Soviet and post-Soviet path dependencies. Nevertheless, change is possible, but it depends on windows of opportunity and a receptive climate for new ideas, which is why slow rather than quick transformations are to be expected.

Most of the countries in the Black Sea region have passed legislation that permits citizen participation to democratic processes and outlines at least basic civil actions. The actions of the civil society are currently scarce, hampered by indistinct democratic practices, and often face substantial resistance from the state. In some cases, government control of the media in general and of the electronic media in particular makes it difficult to discuss and spread different political opinions, whereas the print media rely on populism and low journalistic standards in order to survive economically.

2017 World Press Freedom Index[1]		
46.	Romania	24.46
64.	Georgia	27.76
79.	Armenia	30.38
80.	Moldova	30.41
102.	Ukraine	33.19
109.	Bulgaria	35.01
148.	Russia	49.45
155.	Turkey	52.98
162.	Azerbaijan	56.40

Unsolved ethnic issues or a high influx of refugees undermine pro-democratic reforms as well, contributing to social unrest and challenging regime credibility in some countries. Common consent among states in the region is necessary to reach a balanced approach of minority rights, which is an essential element for the future stabilization of the Black Sea societies, since nearly all the countries in the region are confronted with various ethnic minority conflicts. In some cases, they are generated by the fact that the policies pursued by the mother nation can exacerbate the tensions in the host country.

The Black Sea countries are characterized by a high level of education of their workforce overall, although there are great regional disparities. Human capital therefore appears as a strong asset in the region, though education systems are still struggling to cope with the imperative of adapting to the needs of the labour force market. The Black Sea area has a
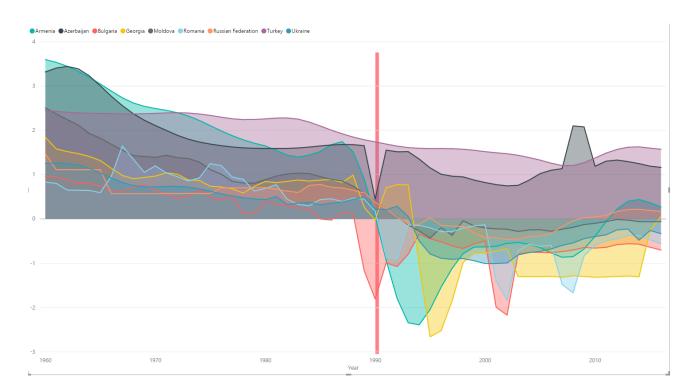
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[1] Compiled and published by *Reporters without Borders*, based upon the organisation's own assessment of the countries' press freedom records in the previous year, available at https://rsf.org/en/ranking.

rich scientific potential, taking into consideration the large numbers of universities and research centres, even though it faces difficulties in fostering research and innovation and keeping up with the pace of technological progress.

A persistent brain drain continues to limit the speed with which social change occurs. The transformation from centrally planned socialist economies with stable and secure jobs to market economies which are forced to keep up with international competition has led to significant rates of unemployment. And although such domestic pressure can be alleviated by temporary migrants who work abroad and can help support the economy by sending money back to the home country, a significant problem has risen in regard to emigrants with higher education qualifications who often remain in the diaspora, resulting in the loss of the home country's investment in their education.

However, a new generation of technocrats educated in Western universities seems to be gaining access to the political stage, and the widespread use of social networks for taking political stands indicates that more young people are getting involved in politics and civic movements.

Despite the differences among countries in terms of size, economic structure or levels of development, there are still a few challenges that affect the region as a whole. They include long term demographic trends and the threats they pose for the quality and quantity of the workforce, the social security system or the business environment. While the effects of the demographic trends in most of the countries are wide ranging, reforms in the areas of competitiveness and productivity remain the solution to reducing the impact of these transformations.

Population growth (annual) - 1960-2016
Data source: The World Bank (https://data.worldbank.org)

Economic situation

The Black Sea region in the Cold War era was characterized by centrally planned economies, while the end of that era brought into attention the possibility to shift towards market economies.

Countries in the region recorded a steady economic growth at the beginning of the 21st century as a result of the enlargement of the EU and of foreign direct investments, increases in domestic demand, credit growth and in particular due to a considerable growth of exports to the EU. The global financial crisis (2008) hit severely the economies in the region, but shortly after (2012), strong signs of economic recovery emerged. However, the figures of GDP per capita reflect significant wealth disparities, mostly due to the different growth rates but also, to a lesser extent, to the disparate demographic trends.

The structure of the economy in the region is based on the agricultural and industrial sectors. On the other hand the countries experienced an augmentation of the service sector, and rapid growth of the private sector. In particular, countries like Armenia and Moldova rely on the agricultural sectors, Ukraine is still dependent on low value added heavy industry, while Russia and Azerbaijan rely on energy exports to fuel their growth.

The Black Sea region derives much of its strategic relevance from its role as the host of major energy producers and an "energy corridor" between the Caspian Sea and the world markets. Therefore, it has to deal with the strategic challenge represented by the security of energy supplies and routes.

According to a Special Report drafted by NATO Parliamentary Assembly, "the Black Sea is of particular geopolitical significance as an energy transit hub from the oil- and gas-rich Caspian region and Russia to Europe. It is also estimated that the Black Sea itself could hold significant oil and gas reserves."[2]

Energy interdependence has already taken the form of a "pipeline arms race" which has forced other regional stakeholders to take sides in the competition.

> Russia is the dominant energy player in the Black Sea region. There is, however, the pipeline that runs from Baku to the Georgian port of Supsa. Also, Azerbaijani energy supplies reach outside markets through the Mediterranean route – the pipelines that run from Baku to Tbilisi and on to Turkey's Mediterranean port of Ceyhan.

> The EU has taken steps towards reducing Europe's high dependence on Russian energy resources.[3]

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[2] Ulla SCHMIDT, Special Rapporteur, *Advancing Security in the Black Sea Region - Special Report*, NATO Parliamentary Assembly, Committee on the Civil Dimension of Security, 7 October 2017, available at https://www.nato-pa.int/download-file?filename=sites/default/files/2017-11/2017-159 CDS 17 E rev.1 - BLACK SEA -SCHMIDT REPORT.pdf.

[3] Ulla SCHMIDT, Special Rapporteur, *Advancing Security in the Black Sea Region - Special Report*, NATO Parliamentary Assembly, Committee on the Civil Dimension of Security, 7 October 2017, available at https://www.nato-pa.int/download-file?filename=sites/default/files/2017-11/2017-159 CDS 17 E rev.1 - BLACK SEA -SCHMIDT REPORT.pdf.

Status quo affects the goal of diversification of the energy resources and transforms it into a highly competitive and expensive game for all the actors involved. The energy security differences between producers and consumers will never be 'solved' purely through legal and commercial means, but rather by a larger political partnership.

The potential for renewable energy is significant. Hydropower is the most widespread such source of energy, while the exploitation of other renewable sources is still in its early stages, but on a growing path. The massive increase in wind power seen globally is beginning to make itself felt in the region. The Black Sea potential for marine renewable energy has not been fully investigated yet. In the Black Sea area tides are insignificant for energy extraction, but the offshore wind and wave power potential could be further assessed.

Regional trade and investment flows have deepened, as a result both of policy and market driven processes. Policy led integration refers to a large number of regional and bilateral trade agreements that have built up in the last decade. Market driven integration in the Black Sea area was led by investment and trade primarily in the energy sector, but also in services and manufacturing. The most important engine of growth and stimulus of intra-regional transactions among the countries is their domestic market. What becomes important as a driver of growth is the acceleration of private consumption, the increased public and private financial inflows, including the workers' remittances.

> According to IMF's April 2018 *World Economic Outlook*, growth in emerging and developing Europe is estimated at close to 6 percent (5.8) in 2017 and is projected to moderate to a still-robust 4.3 percent in 2018 and soften further to 3.7 percent in 2019, "supported by a favorable external environment with easy financial conditions and stronger demand from the euro area". Turkey's economy is projected to grow above potential, due to improved external demand conditions and supportive policies on multiple fronts (state loan guarantees, an accommodative monetary stance, etc.).
>
> Growth for the Commonwealth of Independent States is expected to inch up from 2.1 percent in 2017 to 2.2 percent in 2018 and stabilize around that level thereafter. Russsia's return to growth in 2017 was supported by improved oil export revenue, stronger business confidence, and looser monetary policy. According to IMF, Russsia's emergence from recession has helped other countries in the region through trade and remittance flows.[4]

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[4] ***, *World Economic Outlook: Cyclical Upswing, Structural Change*, April 2018, International Monetary Fund, available at https://www.imf.org.

Annex Table 1.1.1. European Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment
(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices[1]			Current Account Balance[2]			Unemployment[3]		
		Projections			Projections			Projections			Projections	
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Europe												
Emerging and Developing Europe[6]	5.8	4.3	3.7	6.2	6.8	6.3	−2.6	−2.9	−2.7	...	...	...
Turkey	7.0	4.4	4.0	11.1	11.4	10.5	−5.5	−5.4	−4.8	11.0	10.7	10.7
Bulgaria	3.6	3.8	3.1	1.2	2.0	2.1	4.5	3.0	2.3	6.2	6.0	5.8
Romania	7.0	5.1	3.5	1.3	4.7	3.1	−3.5	−3.7	−3.7	5.0	4.6	4.6

Annex Table 1.1.4. Commonwealth of Independent States Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment
(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices[1]			Current Account Balance[2]			Unemployment[3]		
		Projections			Projections			Projections			Projections	
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Commonwealth of Independent States[4]	2.1	2.2	2.1	5.5	4.6	4.8	1.3	2.8	2.3	...	...	...
Russia	1.5	1.7	1.5	3.7	2.8	3.7	2.6	4.5	3.8	5.2	5.5	5.5
Azerbaijan	0.1	2.0	3.9	13.0	7.0	6.0	3.5	5.6	7.0	5.0	5.0	5.0
Ukraine	2.5	3.2	3.3	14.4	11.0	8.0	−3.7	−3.7	−3.5	9.4	9.2	8.8
Georgia	4.8	4.5	4.8	6.0	3.6	3.0	−9.3	−10.5	−9.5	...	...	...
Armenia	7.5	3.4	3.5	0.9	3.5	4.0	−2.6	−2.8	−2.8	18.9	18.9	18.6
Moldova	4.0	3.5	3.8	6.6	4.7	5.1	−4.7	−3.7	−4.7	4.2	4.2	4.1

Source: World Economic Outlook: Cyclical Upswing, Structural Change, April 2018, International Monetary Fund, available at https://www.imf.org
Note: According to the IMF, Georgia and Ukraine, which are not members of the Commonwealth of Independent States, are included in this group for reasons of geography and similarity in economic structure

Migration within the region itself has become an important issue with economic and social effects. The reason for this high immigration rate among Black Sea countries is of course related to the geographic proximity and prevalent ties from the Soviet Union era, but it might also be related to the need for cheap labour, the visa free movement existing in the CIS region inherited from past times, and current visa facilitation regimes.

The Black Sea area's favourable climate and outstanding natural features have made the region an important destination for recreational and health tourism, with high potential of further development.

Regional actors are not the only ones shaping the economic situation in the area. The EU is a critical market for the Black Sea countries and its main source of financing, lending and official assistance, while the US, China, the Middle Eastern and Central Asian countries have also economic interests that influence the dynamics of the economy in the Black Sea region.

Political dimension

The Black Sea region has become a new strategic frontier in terms of energy security, frozen or smouldering conflicts, trade routes, migration and other key policy areas. Although all the states which can be deemed to belong to the Black Sea region have adopted democracy and the rule of law, the reality of the region amounts to a spectrum of diverse political systems.

> On March 2, 2018, Armenia's Parliament chose Armen Sarkissian, a former prime minister and former ambassador to Great Britain, as the country's new president for a seven-year term. The terms of the

constitution approved in a referendum in 2015 changed the country from having a semi-presidential system to being a parliamentary republic; the parliament can elect a president with a three-quarters majority. On April 17, the former president Serzh Sargsyan was elected by members of Parliament to serve as prime minister, but he resigned on April 23, in what media called a concession to the country's opposition, after days of mass demonstrations, as people had demanded his exit.[5]

President Ilham Aliyev won a landslide victory in the April 11, 2018 presidential elections held in Azerbaijan. He was re-elected for a seven-year term with 86% of the votes. According to the Central Election Commission in Azerbaijan, 383 international observers have been accredited for the April 11 2018 presidential election, representing 37 international organizations and 49 countries.[6]

In the last 15 years Georgia has gone through a profound programme of national transformation. In October 2017, Georgian President signed into law a new constitution.[7] The changes imply introduction of a fully proportional electoral system and scrapping of direct presidential elections from 2024.[8]

The election of Igor Dodon as president of the Republic of Moldova in 2016 marked the first time in 16 years that the head of state was chosen directly by the people and not by the parliament.[9]

Russia's image as an emerging democracy continued to deteriorate under Vladimir Putin's leadership.[10] In the March 2018 presidential elections, Vladimir Putin was re-elected with 76.69 percent of the votes (surpassing the 2012 results - almost 64 percent).[11]

The coup attempt in Turkey had a profound impact on Turkish society and was followed by strict security measures undertaken by the government. 51.41% of Turkish citizens voted in favour of sweeping powers to the president in the April 2017 constitutional referendum.[12] On May 3, 2018, Turkey's ruling Justice and Development Party officially nominated President Recep Tayyip Erdoğan for a second term. Both presidential and parliamentary elections are scheduled on June 24, 2018. Should the president win the June election, Recep Tayyip Erdoğan would be Turkey's first leader under the presidential system.[13]

In the last seven years "Ukraine's path towards becoming a fully-fledged European democracy has been beset with setbacks", yet it has developed an impressive record of holding elections that generally meet international standards and the political scene is competitive and diverse. Corruption and the lack of rule of law in the occupied territories of Donbas and Crimea are among the most acute problems.[14]

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[5] https://armenpress.am.

[6] https://azertag.az, https://www.azernews.az.

[7] Ulla SCHMIDT, Special Rapporteur, *Advancing Security in the Black Sea Region - Special Report*, NATO Parliamentary Assembly, Committee on the Civil Dimension of Security, 7 October 2017, available at https://www.nato-pa.int/download-file?filename=sites/default/files/2017-11/2017-159 CDS 17 E rev.1 - BLACK SEA -SCHMIDT REPORT.pdf.

[8] http://georgiatoday.ge.

[9] http://www.presedinte.md.

[10] Ulla SCHMIDT, Special Rapporteur, *Advancing Security in the Black Sea Region - Special Report*, NATO Parliamentary Assembly, Committee on the Civil Dimension of Security, 7 October 2017, available at https://www.nato-pa.int/download-file?filename=sites/default/files/2017-11/2017-159 CDS 17 E rev.1 - BLACK SEA -SCHMIDT REPORT.pdf.

[11] Central Election Commission of the Russian Federation/ http://www.cikrf.ru.

[12] Ulla SCHMIDT, Special Rapporteur, *Advancing Security in the Black Sea Region - Special Report*, NATO Parliamentary Assembly, Committee on the Civil Dimension of Security, 7 October 2017, available at https://www.nato-pa.int/download-file?filename=sites/default/files/2017-11/2017-159 CDS 17 E rev.1 - BLACK SEA -SCHMIDT REPORT.pdf.

[13] https://www.aa.com.tr.

[14] Ulla SCHMIDT, Special Rapporteur, *Advancing Security in the Black Sea Region - Special Report*, NATO Parliamentary Assembly, Committee on the Civil Dimension of Security, 7 October 2017, available at

According to NATO Parliamentary Assembly, EU and NATO member states Bulgaria and Romania have a positive assessment by international human rights watchdogs. The Euro-Atlantic integration process enabled reforms in the two countries, which have competitive political systems and free, albeit polarised, media.[15]

In some parts of the Black Sea region, the state of the rule of law, human rights and the fight against corruption are under intense international scrutiny and have consequences for regional stability and cooperation.

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
46	Georgia	56	57	52	52	49	52	Europe and Central Asia
59	Romania	48	48	46	43	43	44	Europe and Central Asia
71	Bulgaria	43	41	41	43	41	41	Europe and Central Asia
81	Turkey	40	41	42	45	50	49	Europe and Central Asia
107	Armenia	35	33	35	37	36	34	Europe and Central Asia
122	Azerbaijan	31	30	29	29	28	27	Europe and Central Asia
122	Moldova	31	30	33	35	35	36	Europe and Central Asia
130	Ukraine	30	29	27	26	25	26	Europe and Central Asia
135	Russia	29	29	29	27	28	28	Europe and Central Asia

Source: Transparency International's Corruption Perceptions Index 2017, available at https://www.transparency.org/news/feature/corruption_perceptions_index_2017

Future political strategies for the Black Sea should include common projects aimed at enhancing democratic values, institutional transparency, rule of law, media freedom and anti-corruption initiatives.

FRAGILE STATES INDEX: STATE FRAGILITY IN 2017

STABLE	ELEVATED WARNING	HIGH WARNING
50.9 Romania (136) ▲	71.0 Armenia (102) ▼	80.8 Turkey (64) ▼
53.7 Bulgaria (132) =	72.0 Moldova (98) ▲	
	74.0 Ukraine (90) ▲	
	76.3 Azerbaijan (81) =	
	76.5 Georgia (79) ▲	
	79.2 Russia (67) ▲	

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https://www.nato-pa.int/download-file?filename=sites/default/files/2017-11/2017-159 CDS 17 E rev.1 - BLACK SEA -SCHMIDT REPORT.pdf.

[15] Ulla SCHMIDT, Special Rapporteur, *Advancing Security in the Black Sea Region - Special Report*, NATO Parliamentary Assembly, Committee on the Civil Dimension of Security, 7 October 2017, available at https://www.nato-pa.int/download-file?filename=sites/default/files/2017-11/2017-159 CDS 17 E rev.1 - BLACK SEA -SCHMIDT REPORT.pdf.

Security issues

The Black Sea region still plays an important strategic role, as the geopolitical realities highlight that establishing control over principal trade routes crossing the Black Sea has always been the interest of regional or even global powers. In this logic, access to the Black Sea is vital for all littoral or neighbouring states, and greatly enhances the possibility of projecting the power into further regions.

From a military perspective of the concept of security, the Black Sea region is shaped by the Montreaux Convention, which is designed to regulate access[16] for the military presence through the Bosphorus and Dardanelles on the one side, and highlights the difference between the Black Sea riparian states and other countries.

Following Russia's annexation of Crimea, the Black Sea region has been subject to a constant and accelerated militarization. The increase in the quantity and complexity of the military capabilities concentrated in the region represents a matter of real concern for the regional and global actors. Under these circumstances, states in the region feel the need to invest in technological innovation or military acquisition in order to pursue extensive modernization.

Another source of risk to the security environment in the Black Sea region is the existence of long frozen conflicts. Some of them were triggered by the power vacuum installed at the end of the Cold War and affected areas or states like the Republic of Moldova, Ukraine's Crimean peninsula, and the Donbas region, Nagorno-Karabakh or South Ossetia and Abkhazia. All these conflicts attract a large number of regional or extra-regional actors which affect the security environment of the Black Sea region by pulling the geopolitical options in different directions.

The protracted existence of stalemated conflicts impedes nation-building and the quest for state identity by maintaining an aggressive discourse of national unity and allowing political elites to postpone necessary reforms. The situation requires an open and effective dialogue regarding democracy and the potential path to good governance. Although they are primarily internal issues, the aforementioned set of frozen conflicts and connected unresolved disputes influence relations with neighbouring states and jeopardize long-term stability in the entire region.

The Russian Federation is seeking the consolidation of its power in its near abroad and states like Ukraine, Georgia or the Republic of Moldova have become the object of continuous containment. EU's and NATO's approach for the region, through their enlargement policy, the Partnership for Peace Program or even the Membership Action Plans have intensified Russia's perception of insecurity. It has also contributed to the consolidation of the narratives that picture the Russian Federation as a victim of the Western aggression which has no other alternative than the increase of its military

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[16] It limits the time spent in the Black Sea by all the ships from non-riparian states and the tonnage of the ships; it allows other countries military ships up to 21 days, while aircraft carriers and submarines are prohibited.

presence in areas it considers to be part of its sphere of influence. Countries in the Black Sea region have been subject to coordinated non-military actions – intensive disinformation campaigns, economic pressures, cyber operations, cultural and ethnic leverages – meant to shape their orientation in the East-West confrontation.

On the other hand the area's status as a point of intersection and an important transit corridor emphasize the vulnerabilities and risks generated by the migratory flows fleeing the regions affected by conflicts or natural calamities. The Black Sea route is not a favoured option for refugees and migrants and illegal border-crossings are still at a low level comparing to other migratory routes, but on a growing trend. However, routes for smuggling in illegal substances, trafficking of persons or drugs usually overlap, which facilitates the development of the array of criminal activities of regional organised crime networks.

Terrorism in the region is supported by factors such as: increased actions of certain ethnic-separatist and Islamic-fundamentalist groups, the presence on the local states' territory of ex-combatants from Afghan and MENA Jihadist theatres, the exponential development of radicalization and propaganda and the connections between terrorist and organized crime entities.

Another type of vulnerability in the Black Sea region is represented by the threats to biodiversity and pollution control. Even though since 1992 all the riparian states ratified the Bucharest Convention on the Protection of the Black Sea against Pollution, and later, in 2002, the Black Sea Biodiversity and Landscape Conservation Protocol,[17] protection of the ecosystem, resources and maritime environments in the region still needs adjustments.

The threats and vulnerabilities to the security of the Black Sea area are diverse and multiple. Main security threats of the region are represented by the geographical factors (proximity to frozen conflicts, porous borders), ethnic and nationalistic tensions, or transnational criminal organizations and terrorist/extremism groups, all of these representing serious threats to the riparian states, as well as to the fundamental rights of the citizens. As a consequence, the real challenge is how to enhance cooperation in order to improve the security realities and tackle the threats.

II. Regional Challenges - Interests of main stakeholders

The security environment in the region is the product of diverse interests of littoral states and their neighbours. Some of these interests coincide with those of the Euro-Atlantic structures, while others reflect the security agenda of old and new regional powers. As a result of its growing importance, the Black Sea has also become a geopolitical hub marked by an increased number of actors vying for influence.

The level of military build-up in the region is an appropriate response to the current situation in the Black Sea area.

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[17] Governments of Bulgaria, Georgia, Romania, Russia, Turkey and Ukraine.

Stability in the region depends on the interactions, convergences and divergences between a wide range of international and regional actors that can be divided into two groups. The first group is represented by the national actors: Russia, the other bordering countries and the United States. The second group comprises international cooperation and security organizations: NATO, EU, OSCE, CIS, GUAM and BSEC. Their actions directly influence the power distribution and regional processes. Some of the interests of these organizations are, to some extent, complementary in some areas, while others are part of the global competition between the main actors.

Also, the competition for access to the resources of the Black Sea region dominates the geopolitics games. Both Russia and the EU represent natural centres of gravity for the states in the Black Sea region, given the size of their economies and geographical location.

The exploitation of interdependencies across different areas, such as energy or security, often leads to situations of extreme vulnerabilities.

III. Regional Cooperation in the Black Sea Region

Goals and interests of global actors

Beside the economic and military interests in the region, the concerns expressed by the global actors regarding the Black Sea Region are the development of democracy, respect for human rights and good governance. The United States and the EU promote such norms based on values like representative democracy, the rule of law and human rights, in order to contribute to peace building of the region.

From the European perspective, until recently, the Black Sea has never been an invasion route and was generally used as a defence line. Still, while the war in Syria is going on and other forms of violence continue against peaceful population in the Middle East, the problem of refugees seeking asylum in other places has turned into an international issue. The number of refugees in Turkey and through Turkey to European countries is also growing.

The economic aspect of the refugee problem implies employment, lack of housing, financial assistance, high inflation. The solution to the refugee problem depends on the number of factors of internal and external political situation that have also been taken into consideration.

Common initiatives to foster cooperation

The geopolitical assets of the region, as well as the challenges and opportunities that emanate from the area, have motivated different organizations to develop strategies meant to enhance cooperation between various actors and to address common challenges in a coherent and consistent manner.

The involvement of the civil society in policy-making can be an option and it should be encouraged. Business organizations, such as chambers of commerce or trade unions, may

be assimilated as actors that can propose regional solutions for common interests such as tourism, oil exploitation and transport, infrastructure development and fisheries.

Cooperation on environment, transport, migration and organized crime is a start, which can be developed later on, addressing collectively on more sensitive matters, such as weak states, separatists movements, poor governance, frozen conflicts and energy supply.

For example, sharing the experience of other states dealing with large flows of refugees for many years will enable countries to improve the procedural and normative framework.

Other issues to be considered are countering organized crime and terrorism, as currently, international radical Islamic terrorism is one of the top security threats, along with the security of energy supplies.

Albeit to different degrees, all countries in the region are interested in international cooperation. This opens windows of opportunity to promote economic and political reform, regional cooperation and conflict resolution.

PART II – SBSR EXERCISE OBJECTIVES AND OUTCOME

Introduction

Shaping the future of the Black Sea Region – game changers and predictors

Developing scenarios related to the evolution of the Black Sea Region

Overall Goal:

The SBSR exercise was designed as a framework in which public consultation, participatory management and leadership skills were exercised by program attendants in order to reach a vision for the future of the Black Sea Region (BSR). As such, participants were encouraged to use knowledge acquired during the program and their own skills as policy makers and strategists, to create new approaches to regional security challenges and prioritize initiatives for regional competitiveness in the next 3-5 years.

The exercise carried out during the 2018 edition of the SBSR program was focused on scenario generation as a tool used in understanding challenges and crafting better regional policies. Each scenario was developed as a short narrative of a possible future. As hypothetical constructs of the future, these narratives are not expected to become 100% reality. Nevertheless, they attract attention to challenges and opportunities that might emerge and provide stakeholders with the chance to exercise process-oriented structured thinking skills as well as learning, communication and observational skills.

Setting & vision:

The setting was the region of the Black Sea, which participants already knew and understood from the multiple perspectives of their professions and national backgrounds. In this real life context, what they were encouraged to do was exercise their vision beyond the time span of current policy planning to find ingenious "new ways" and create a vision which can inspire strategic decisions towards how new forms of power could and should be used in the years to come to enforce regional stability and sustainability.

Timeframe:

This exercise invited participants to explore the future of the Black Sea Region in the next 3-5 years.

Objectives:

Given this overall vision, the tasks in the exercise were oriented so as to guide participants through a participatory process of interrogation and understanding of the sources of security vs. insecurity, growth vs. decline, and competitiveness vs. ineffectiveness that can shape the future of the region. A robust scenario exercise can be a powerful instrument for overcoming cognitive biases such as group thinking, confirmation etc. Therefore, special

focus was given during the exercise to those factors which can constitute "game-changers" and which can, through their prior identification, help participants get out of their comfort zone, overcome cognitive biases and promote competitive policy drafting.

The outcome of the exercise is presented below in the form of three alternative scenarios (best, worst and business as usual). As such they should not be understood and embraced as predictions but rather as an exercise of critical thinking and creativity that can help practitioners guide their structured thinking on the evolution of interdependent driving forces in the Black Sea Region. The exercise outcome is also an invitation to the practitioners and policymakers to design better policies and practices for the shared good in the years to come.

Best Case Scenario

In order to identify and reduce the impact of the uncertainties and for a better exploitation of the opportunities, the following analytical product aims to highlight the **best case scenario** regarding the development of the security environment in the Black Sea region over the next 3-5 years.

Define the focal issue

The evolution of the Black Sea region on short and medium term will be strongly connected to the internal and external development of different forces and drivers. In this framework we have analyzed and scrutinized the factors or forces that can influence the evolution of the region on the following dimensions: political, economic, socio-cultural, national and regional security.

Brief description of the key drivers

Political and Economic Dimensions

- *Russia's interests in the region:* based on social, political and economic transformation of the region, in the next 3-5 years Russia's approach to the Black Sea Region will change from zero-sum game-type thinking to dialogue and cooperation;
- *External actors (EU, US, China):* the economic potential of the Black Sea region will attract the attention of the global actors which will boost the level of foreign direct investments;
- *Energy projects:* based on energy resources and investments in the sector of critical energy infrastructure, on the short and medium term, the Black Sea region will exploit it's geopolitical position and play a crucial role in European energy security by ensuring the transit of oil and gas from Eurasia and the Caspian region into Europe;
- *Consequences of the annexation of Crimea:* actions and statements of the international legal community created state practice and *opinio juris*, therefore the international backlash against Russia's actions will provide a lesson for potential actors that will try to act on the same parameters;
- *Governance and rule of law:* on the short and medium term, the Black Sea region governments will implement a set of reforms that will consolidate good governance with a focus on governmental accountability, transparency and fight against corruption which will go hand in hand with higher confidence in governance and the transparency of decision-making;

Social and Cultural Dimensions

- *Regional cooperation:* will increase significantly in the short and medium term by developing cultural exchanges and joint partnerships in the fields of education and technology;

- *Demography – aging of the population:* governments and insurance companies will focus on health and on actively promoting longevity by adapting the regulatory and policy environment in order to create healthy and vibrant older societies;
- *Migration – loss of people and loss of workforce:* the trend of external migration will decrease in the next 3-5 years, and due to political and economical reforms the status of littoral states will slightly change from emigration and transit countries to destination countries;
- *Demographic trends:* the Black Sea region will experience disparate dynamics in regard to population growth, as a consequence of the implementation of a set of policies designed to boost birth rate;
- *Access to governmental services:* political reforms implemented in most of the countries of the region and the consequences of NGO's involvement in representing the society needs will lead to a consistent decrease of nepotism and corruption and will increase population support for democracy;

National and Regional Security

- *Cyber and hybrid threats:* as a result of strengthening cooperation, governments in the Black Sea region will develop and implement a set of policies in order to enhance common capabilities to counter hybrid threats;
- *Regional & International defense cooperation:* global actors (both state and non-state actors) will increase their presence in the Black Sea region and will build a strategic framework for deterrence. On the other hand, regional defense cooperation will focus on implementing a set of measures to increase the combat capabilities of their national navies and to develop offensive sea, air, and land structures;
- *Russia's illegal military presence & unresolved conflicts:* some of the conflicts in the Black Sea region will be solved through peaceful means and the hostile military forces will be withdrawn from conflict areas;
- *Terrorism/ organized crime/ weapons of mass destruction:* old security challenges like proliferation, organized crime and terrorism are still in place in the Black Sea region, but the extended cooperation in the region will diminish their impact;
- *Political stability and separatism:* on short and medium term, the region will make significant progresses in terms of political stability and decrease in the intensity of secessionist movements inside littoral states.

Scenario description

Positive political and economic regional developments will occur as a consequence of the fact that governments of the Black Sea region countries will focus on enhancing policies for redressing the strategic balance and restoring the philosophy of the unanimously agreed principles and norms of international law in the region. The Russian influence in the region, considered at the moment one of the main challenges, will be discouraged as a result of solving the divergent perspectives and economic interests of the littoral countries.

The issue of energy security will continue to play an extremely important role for the littoral countries and the rest of the political players in the Black Sea Region. Due to a set of consecutive measures and implementation of common strategies, the region will be able to guarantee diversity of energy supplies and furthermore to contribute to EU energy security by sustaining the transit of energy resources from Eurasia and the Caspian region to Europe. In the following years, the littoral states will contribute to making projects like TANAP-TAP pipelines operational. As far as concerns the exploitation of both conventional oil and natural gas and renewable energy sources in the region, the government of littoral states will focus on implementing common policies to boost energy security of the region by transforming it into a central pivot and a transit hub.

The settlement of the *unresolved conflicts* in the region, as another strategic goal of the littoral states, is not an impossible mission for an optimistic perspective. In the short and medium term, the conflict situations may be partially solved by pushing ahead a series of consecutive measures and milestones. Their final settlement is not realistic because those conflict zones are hostages to Russia's strategic gambling with the West. However, a real improvement of the Russia-West relations will lead to positive developments of the unresolved conflicts.

From a social and cultural perspective, the countries of the Black Sea region already have strong ties to European and Euro-Atlantic structures, all are members of the Council of Europe and OSCE, two of them are members of EU, and three of NATO, realities that will boost the regional cooperation. In short term, cultural exchanges will be enhanced through instruments like social media or conventional approaches such as developing cultural institutes in each of the littoral states, in order to promote cultural values and regional identity. Erasmus program will be developed with preferential conditions for the states in the region. As a consequence, the region will record an increase in terms of common educational programs which will lead to greater technological cooperation and joint research grants. The existence of a set of common skills and abilities officially recognized in all the states in the region will facilitate increased intra-regional mobility of the labor force. Even though the developments over the last years have undermined the security environment, the Black Sea Region is not yet at a point of no return. On the contrary, these very challenges will lead to enhanced military and security cooperation between littoral states. The governments of the littoral states will encourage and develop a set of common policies and strategies to tackle global risks and threats such as cyber attacks, terrorism and organized crime and will implement them through joint task forces.

List of indicators to be considered when assessing the future evolution of the BSR

- An increase in the amount of Foreign Direct Investments in the region;
- The orientation of Russian policy regarding Black Sea region: a positive portrayal of the region in official speeches and a reduction in troops posted in Crimea;
- US policy regarding Black Sea region: a decrease in troop deployment and a friendlier attitude in official speeches;

- EU policy regarding Black Sea region: a bolstering of investment under the Eastern Partnership;
- Legislation on corruption in Black Sea region: the creation of a stronger anti-corruption framework in Ukraine;

Conclusions

Geopolitical and strategic stakes in the Black Sea region have always been high since the end of cold war era. This specific best case scenario emphasizes the positive possible regional developments that will continue to affect the vital interests of the countries and population situated along the sea shore. The challenges in the Black Sea region should be tackled in the broader context of a multipolar world, a perspective that can enable other actors to project their positive impact on the region. It is important to correctly identify the challenges and transform them into opportunities that will inevitably arise at a time of unprecedented change in the region.

Recommendations

Policy makers, governmental bodies, the civil society, local, national and key international stakeholders (the EU, NATO) could look at a number of measures to:

- Rethink the cooperation process, by focusing on a regionally tailored coordinated sectorial approach. The focus on specific sectors could generate political support, facilitate the participation of the littoral states in international efforts, and contribute to more appropriately tailored agreements between them;
- Respect and enhance the decisions of the Warsaw NATO Summit in 2016 through a set of follow-up steps. The region and the Western actors should focus on developing a contingency plan for the southern tier in relative symmetry with the northern tier. Littoral states will have to enhance the capabilities of their military forces through developing advanced air and coastal defense systems;
- Renew the efforts for constructive and pragmatic economic regional cooperation by consolidating the existing formats and identifying particular sectors that can be realistically developed. NATO and EU member states in the Black Sea region could play a significant role by actively using the potential of these entities for further development of relations and possible joint actions in regional affairs.

Worst Case Scenario

Introduction

In order to develop a shared and comprehensive vision on the Black Sea region for the short to medium term, we have developed a scenario projecting pessimistic developments, aiming to:

- ensure a proper response on part of the main stakeholders and decision makers in case of a negative turnout;
- encourage responsible bodies belonging to governments and civil societies to enhance cooperation and improve chances for a sustainable common future.

Define the focal issue

Factors ranging from internal developments in some of the states to external politics can influence changes in the area. We have therefore analysed a series of strategic drivers that can impact our countries from political, economical, socio-cultural and security perspectives.

Brief description of the key drivers

Political and Economic Dimensions

- From the political point of view, the interests and actions of the Russian Federation are crucial in determining the future political situation of the region: a negative development would involve a stronger military posturing by the Russian Federation.
- At the same time, the political situation will be determined by the decisions that will be taken in the NATO summit in Bruxelles in 2018: the lack of a common NATO position on the defence of the Southern part of the Eastern Flank or a very aggressive NATO stance could lead to increasing conflict.
- Regional cooperation frameworks such as the Bucharest 9 and the Three Seas Initiative will have a determining role on whether regional cooperation will increase or decrease: the lack of cooperation between the nine states of the Eastern flank, or a very aggressive position towards Russia or a position that strongly contradicts the major NATO countries could represent a negative development.
- A decision will have to be made regarding which one of the competing energy projects of the different actors will be chosen (A Russia-Turkey pipeline, a Trans-Anatolian pipeline towards Europe): the selection of competing projects over wider cooperation would represent a negative development.
- The development of governance standards and rule of law: a decline in the standards of governance and rule of law and an increase in corruption.

Social and Cultural Dimensions

- The level of cultural cooperation between the Black Sea states could represent towards further cooperation: the elimination of current institutions such as the Black Sea NGO Forum.
- An increase of migration, especially in the case of highly skilled workers,
- An acceleration of the region's demographic decline would represent a negative development for all the countries in the area.

National and Regional Security

- The re-warming of "frozen conflicts" after an incident involving several deaths in one of the border regions;
- NATO's presence in the region: a sharp increase in troop deployment could demonstrate a higher level of political tension
- The increase in cyber activity, punctuated by a major cyber attack on one of the states in the region could amount to strongly negative development
- Islamic terrorism and radicalization could re-emerge: a major terrorist attack would represent a strongly negative evolution.

Scenario description

From a **political and economic** perspective, the main challenges in the next 3 to 5 years are related to the Russian Federation's growing influence in the Black Sea region. The Kremlin will continue to create divergent economic interests of Black Sea states, try to divide the region by covertly encouraging bi-lateral as opposed to multi-lateral political cooperation formats which will split the region into increasingly smaller and more irrelevant blocks, leading to the erosion of established international formats like the EU and NATO.

Furthermore, Moscow will manage to achieve its political goals in the region by using its monopoly on energy resources and infrastructure as leverage. Its actions will concentrate on undermining alternative projects and promoting its own, but also polarising societies when it comes to implementing renewable sources of energy.

The annexation of Crimea proves that the Russian Federation is determined to change the *status-quo* by abusive measures that will *de facto* change maritime rules with regards to navigation and exploitation of natural resources.

Turkey's emergence as a major gas hub in the region will increase its influence in the Black Sea, which could offer Ankara a stronger negotiation position in relation to Russia on energy matters, as well as other relevant dossiers.

In terms of democracy, state reforms, and rule of law, the chances are that a pro-Russian, autocratic government will come to power in Ukraine, Moldova and Georgia, obstructing

these countries' European perspectives, which have already been steadily decreasing compared to previous years.

Due to vulnerabilities inherent to autocratic regimes, a sudden disappearance or weakness of the current rulers in Russia and Turkey could bring internal turmoil and unpredicted negative reverberations over the entire region.

In terms of **socio-cultural** dynamics, there will be an obvious lack of cooperation among states, especially at governmental and civil society levels. Against the backdrop of ongoing issues in the region, there will be a failure in achieving common understanding of problems and threats, due to insufficient cooperation formats and communication among societies, as well as tendencies of self-isolation.

Moreover, the descending demographic trend will continue to accentuate. This will lead to severe negative balance for the socio-economic systems of the countries. In addition, migration of the workforce will rise, due to a lack of professional perspective and a serious gap between curricula and market demands, especially in critical areas such as medicine, education, IT, services and craftsmanship.

The population will continue to be disheartened by corruption, poor governance, and lack of access to quality public services, reduced opportunities for business and an overall poor quality of life.

An emerging trend that will continue to grow is the instrumentalization of religion for political purposes and with the aim to influence decision making. Russia will continue to use the Orthodox Church and different cultural organisations (e.g. Russian World) to achieve its political objectives.

The **security** situation will continue to deteriorate, as the defence cooperation in the region is stalled due to a long line of conflicts in the region, starting with the separatist movements in Nagorno Karabakh and continuing with Russian fabricated pockets of instability in Ossetia, Abkhazia, Transdneister, Crimea and Donbas.

Russia will continue to block any attempts to create new cooperation formats, which will consequently lead to more regional instability and will allow Moscow to achieve its own geopolitical goals and exploit regional vulnerabilities to their best interests.

To reach its objectives, the Kremlin will employ a hybrid toolbox making use mainly of cyber aggressions, disinformation campaigns, attacks on critical infrastructure, as well as conventional force: excessive military presence at sea and maintaining frozen conflicts.

Cyber crime, organised crime and terrorist groups will continue to benefit from the volatile situations as well as separatist and extremist movements in the area.

List of indicators to be considered when assessing the future evolution of the BSR

- A sharp increase in the numbers of troops posted in Crimea and NATO ships deployed in the region;
- The elimination of cultural cooperation institutions such as the Black Sea NGO Fund and a lack of funding for new ones;
- An increase in migration towards Western Europe, especially in the case of highly educated laborers;
- A frozen conflict becomes "hot": a severe armed incident takes place on the border of one of the secessionist regions.

Conclusions

Taking into account all the above mentioned developments, we could conclude that the overall situation in the region will deteriorate. Militarisation, breach of international law, tensions between global players and conflicting regional interests accompanied by social and economic vulnerabilities will be the driving forces that will contribute to diminishing stability and prosperity and proliferating conflicts in the Black Sea region.

Recommendations

In order to prevent this course of events, policy makers, governmental bodies, the civil society, local, national and key international stakeholders (the EU, NATO) could look at a number of measures to:

- Improve communication and cooperation at all levels between riparian countries;
- Encourage the sharing of good practices and lessons learned in good governance and rule of law;
- Support states in those domains that they feel are most vulnerable, by enhancing resilience of areas that are critical for state functioning (with possible help coming from the EU, NATO, or bilateral cooperation).

Business as Usual Scenario

The Black Sea region, characterized mainly by new democracies, is gaining strategic importance due to its rich resources and its position - at the crossroads between East and West, between NATO and Russian interests.

Define the focal issue

Enhancing regional cooperation should be the main focus of the local stakeholders, while promoting dialogue in key areas, such as democracy and the rule of law, energy, trade, and military sector, together with engaging international partners, such as European Union and NATO.

Brief description of the key drivers

Political and Economic Dimensions
- Relations between the main international actors in the region determine the level of regional cooperation: the military posturing of NATO, the deepening or lack thereof of the Eastern Partnership.
- Economic cooperation is crucial for the current region: at this point, the Black Sea states are engaged in two separate trading blocs and cross-regional trade is low.
- Energy projects bring competition among regional powers: competing pipelines, as well as the possible exploitation of non-conventional resources generate both competition but also cooperation opportunities

Social and Cultural Dimensions
- Competing ethno-national projects generate points of conflict: minorities are used by kin-states as bargaining chips.
- States in the region are both the recipients and the sources of international migration;
- Migration flows from the middle east have begun to slowly affect the region, after the closing of the Balkan route and increasing blockages on the Mediterranean route
- Regional cooperation mechanisms such as the Black Sea Synergy are slowly closing down after 2014

National and Regional Security
- The persistence or disappearance of frozen conflicts represents a key driver of the security situation;
- The state of military forces in the region and the extent to which they are being augmented or decreased;
- The level of terrorism and the extent to which non-state actors have local powerbases;

- The proliferation of weapons of mass destruction by state or non-state actors: the extent to which CBRN material is confiscated by local law enforcement.

List of indicators to be considered when assessing the future evolution of the BSR

- The number of Russian troops in the region: a very small but incremental increase
- NATO exercises: some exercises take place but they do not amount to a threatening move
- Some CBRN material is confiscated from illegal smuggling: however the amount remains constant throughout.
- Migration of skilled labor remains at the current level.
- Few immigrants from the MENA area arrive: an easy integration is available. They replace skilled labor that has departed
- No major incident in the area of the frozen conflicts takes place: minor skirmishes occur but no major attack.

Scenario description

In the next 3-5 years, the conflicts in the region will probably be still unresolved, due to the lack of a strong dialogue between the main actors involved. On the political dimension, some improvements regarding government and rule of law are to be expected, given the existence of competitive political systems and reforms. The developments in the energy field are still unpredictable, yet there will be certain economic improvements, based on a growing interdependence (bilateral/ multilateral agreements).

Education programs or regional cooperation networks in this field can help alleviate domestic pressure, however the absence of a stable labour market and of economic reforms will prevent significant social changes.

There will be a clear focus on strengthening cooperation with NATO member states, both at a bilateral and regional level, and, at the same time, the militarization of the region will proceed at a steady and predictable pace.

Conclusions

The geopolitical importance of the Black Sea region continues to increase. Global actors, as well as international entities have started to shift their attention towards this region, and their interests (political or economic) can influence the regional dynamics and have positive effects on the development of this area.

Recommendations

- More involvement from key stakeholders (regional and international);
- Tackling Russian threats in a coherent and cohesive manner;
- Support for the local governments;
- Strengthening civil society.