



Assembly of Western European Union

DOCUMENT 1544

4 November 1996

FORTY-SECOND SESSION

Parliamentary cooperation in the Black Sea area

REPORT

submitted on behalf of the Committee for Parliamentary and Public Relations
by Sir John Hunt, Rapporteur, with a contribution from Ms Aytaman, associate Rapporteur

Parliamentary cooperation in the Black Sea area

REPORT¹

*submitted on behalf of the Committee for Parliamentary and Public Relations²
by Sir John Hunt, Rapporteur, with a contribution from Ms Aytaman, associate Rapporteur*

TABLE OF CONTENTS

DRAFT ORDER

on parliamentary cooperation in the Black Sea area

EXPLANATORY MEMORANDUM

submitted by Sir John Hunt, Rapporteur, with a contribution from Ms Aytaman,
associate Rapporteur

- I Introduction
- II. Issues in the Black Sea area
 - (a) Economic development and the environment
 - 1. A diversified economic system
 - (i) Bulgaria
 - (ii) Georgia
 - (iii) Romania
 - (iv) Russian Federation
 - (v) Turkey
 - (vi) Ukraine
 - 2. Major ecological problems
 - (b) Political stability and security
 - 1. Situations of latent conflict
 - 2. Absence of a regional security system

1. Adopted unanimously by the Committee.

2. *Members of the Committee:* Mr Masseret (Chairman); Sir *Russell Johnston*, Mr *Eversdijk* (Vice-Chairmen), Mr *de Assis*, Mrs *Beer*, MM *Benvenuti*, *Birraux*, *Decagny*, *Dionisi*, Sir *Anthony Durant*, Mr *Erlor*, Mrs *Err*, Mrs *Fernández de la Vega*, Mr *Ghesquière*, Baroness *Gould of Potternewton*, Mrs *Gurado*, Mr *Harmegnies*, Sir *John Hunt*, MM *Korahais*, *Lummer*, *Mattina*, *Micheloyiannis*, *Mignon*, Mrs *van Nieuwenhoven*, Mr *Niza*, Mrs *Pulgar*, Mr *Selva*, Mrs *Terborg*.

Associate members: Mr *Tanik*, Ms *Aytaman*.

N.B. *The names of those taking part in the vote are printed in italics*

III. Regional parliamentary and economic cooperation

(a) The Black Sea Economic Cooperation (BSEC)

1. Aims and achievements
2. The Parliamentary Assembly of the Black Sea Economic Cooperation

(b) The role of the European organisations

1. The European Union
2. Prospects for regional economic integration

IV. Turkey's Black Sea policy: structures and means
(contribution from Ms Aytaman, associate Rapporteur)

APPENDIX

Chronology of regional political development from 1992

*Draft Order**on parliamentary cooperation in the Black Sea area*

The Assembly,

- (i) Stressing the importance of regional cooperation initiatives in Europe as a factor contributing to the political stability of the continent,
- (ii) Noting with satisfaction the development of economic cooperation in the Black Sea area;
- (iii) Emphasising the important part interparliamentary regional cooperation, of which the Parliamentary Assembly of the Black Sea Economic Cooperation is the embodiment, plays in economic convergence and the development of political dialogue between the member countries involved therein;
- (iv) Noting the progress achieved through regional cooperation and welcoming in particular the efforts being made to solve economic problems and improve environmental conditions in the Black Sea area;
- (v) Pointing to the need to find lasting and equitable solutions to conflicts between some states in the region, while respecting their territorial integrity and sovereignty;
- (vi) Noting, however, the inadequacy of regional cooperation on security matters, and the impact that possible NATO enlargement to include some coastal states will have on western Europe's future relations with the Russian Federation and Ukraine,

INSTRUCTS ITS PRESIDENTIAL COMMITTEE

1. To consider whether a greater degree of cooperation with the Parliamentary Assembly of the Black Sea Economic Cooperation would be appropriate on matters that fall within the latter's purview and have security implications, and examine the arrangements for such cooperation;
2. To include in the register of the Assembly a report on the impact of NATO and European Union enlargement on the Black Sea area, taking as its particular focus any implications this may have for the rules of navigation in the Black Sea Straits, as laid down in the 1936 Montreux Convention.

Explanatory Memorandum

*(submitted by Sir John Hunt, Rapporteur,
with a contribution from Ms Aytaman, associate Rapporteur)*

I. Introduction

1 The Black Sea area appears to attract less interest from European organisations – whether from an economic, political or defence point of view – than does its larger Mediterranean counterpart and yet this geographic expanse, which includes and is bounded by Bulgaria, Georgia, Romania, the Russian Federation, Turkey and Ukraine, is one of major importance for the security of the continent of Europe. The development of the Black Sea coastal states, which are, for differing reasons, experiencing instability or periods of political or economic crisis, directly affects their relations with one another and with European organisations. Their varying interests, differing political assessments and diverse stages of development have not prevented them from seeking common solutions to their problems through dialogue and political and economic cooperation and attempting to create a climate favourable to regional stability, a necessary condition for their internal reforms to succeed and for harmonious relations between them and other groupings within Europe.

2 The Black Sea states have succeeded in drawing into the process neighbouring countries whose objective over time is to create an economic development area and contribute to strengthening regional political dialogue. Thus in 1992, the Black Sea Economic Cooperation grouping was founded in Istanbul, bringing together Albania, Armenia, Azerbaijan, Greece and Moldova as well as the Black Sea states proper. This initiative may seem a modest one, given the challenges all the countries involved have to face, nationally and in terms of their external relations, yet it represents a clear political act that shows the determination of the states concerned to surmount, through permanent contact at many levels, including private industry level, the difficulties they are experiencing, internally and externally, in the political and economic spheres. Despite continuing major differences between some member states, such action contributes to promoting regional security and stability through political dialogue and shared economic development. Involving parliaments in the process therefore seemed to be a logical step.

3. Thus the Parliamentary Assembly of the Black Sea Economic Cooperation, composed of parliamentarians of the member states (excepting Bulgaria and Greece which have observer status) was established in 1993. This initiative is contributing to the emergence throughout the region of parliamentary diplomacy which, despite its limitations, has the advantage of promoting mutual awareness and understanding through dialogue and regular contact, and hence of allowing greater consideration to be given to the interests of each of the states participating in the process, thus ultimately enhancing security in the Black Sea area. This parliamentary approach, which the present Committee has already examined in relation to central Europe and the Mediterranean, forms part of a continent-wide trend leading first national parliaments, then European and transatlantic inter-parliamentary organisations to take an active and constructive position on developments in the political and economic situation and security and defence matters, in and outside Europe.

4 National and interparliamentary assemblies are facing major challenges on all fronts, and particularly in international relations. These they must resolve if they are to resist a drift towards technocracy that is tending to erode the legitimacy of their status as representatives of the peoples and nations of Europe. In this context, and within its own regional structures, the Parliamentary Assembly of the Black Sea Economic Cooperation plays a major role by helping to defuse situations of conflict and promoting the establishment of an economic area that will benefit its participants and help countries, not yet members of the European Union but which aspire to join, in ways that strengthen their hand in negotiations with that organisation. Security concerns enter into the process to an extent, although such issues are formally excluded from the remit of Black Sea Economic Cooperation and its Assembly. By forging links between parliamentarians and fostering dialogue and practical cooperation between governments, this regional initiative is gradually leading to the creation of the conditions that are necessary for establishing a climate of confidence favourable to negotiated settlement of differences and to economic and

political development in the Black Sea area, thereby strengthening security in Europe as a whole.

II. Issues in the Black Sea area

5 The ending of the cold war radically changed the region's political and economic situation. The area that was formerly the Soviet Union is now occupied by four new countries: Armenia, Georgia, the Russian Federation and Ukraine. Bulgaria and Romania have begun a complex process of economic and political reforms intended to lead in time to integration with European and transatlantic cooperation structures and Turkey, while continuing to draw closer to the European Union, has strengthened trade and diplomatic ties with the new states along the Black Sea coast as far as former central Soviet Asia. After a hesitant start and innumerable initiatives in every area of inter-state relations, not all of which have borne fruit, the regional situation has now stabilised and problems have been defined more clearly. This may assist their resolution over time, provided that the interests of those concerned are satisfactorily taken into account.

6 Hence the supreme challenge consists in the removal of barriers of all kinds – economic, political or historical – to regional cooperation. Their continued existence is the reason for proceeding step by step, a policy which culminated in the creation of Black Sea Economic Cooperation. Economic development and environmental protection in a region rich in natural resources are interests shared by the area's coastal and boundary states alike and it is therefore entirely to be expected that efforts should mainly have been channelled in this direction. This is, in short, the preliminary stage of a wider political dialogue, that will not be complete unless security and defence questions are addressed, given the major concentrations of all types, particularly naval, of military infrastructure still present around the Black Sea. For the possibility of internal or external political or armed conflict has not vanished entirely, notwithstanding the fact that tensions continue to ease, in much the same way as stability has returned to central Europe since the mid-1990s.

(a) Economic development and the environment

7 The hidden economic potential of the Black Sea area lies in its very substantial resources which are under-exploited even today. In some cases there

is a wastage of natural resources with serious implications for the ecosystem. This is a major problem to which the coastal states are trying to find what must inevitably be a joint solution given that their interests coincide even though their approaches differ. A massive expansion in trade relations, allied with the concern to preserve and improve the environment, has to some extent provided a catalyst for regional cooperation, generating an awareness of the need for joint action in order ultimately to achieve a rational and, to a degree, integrated economic system. The success of this process is essential in promoting stability and security, of benefit to coastal and boundary states alike.

1. A diversified economic system

8 Broadly speaking, the countries in question can be divided, in terms of their resources, economy and relations with the European Union, into three categories:

- Bulgaria, Romania and Turkey are at different stages of development but have close ties with the Union, the first two through Europe Agreements and the last by way of the customs union. All three are applicants for membership which means that their economic policies are set for convergence with the criteria that currently apply to European Union member states, despite the difficulties the process involves, particularly in social terms;
- the Russian Federation and Ukraine are undergoing a period of major reform, with somewhat qualified success, but movement towards the development of a free market economy has been confirmed in principle and acknowledged as essential to the recovery of these two great countries and to their being fully integrated into European and world economic systems. Rich in natural resources, these two states offer considerable potential for development and have ties with the European Union through partnership agreements. Ukraine would appear to be a likely candidate for accession in the longer term – providing reforms succeed – but the Russian Federation, for geopolitical reasons, will no doubt remain a close partner of the Union in future.

- Georgia, Armenia and Azerbaijan belong to a third category of states of as yet indeterminate economic direction, although they show signs of the will to reform. Political instability is holding back development and creating dependence on international aid. The European Union is providing advice and assistance through the TACIS programme but the situation is still sensitive. Their landlocked position, poor relations with some neighbouring states and minority unrest are hindering reform and making it difficult for them to move closer to the Union.

9. Within each of these groups, the coastal countries are pursuing what are in some cases divergent economic policies, with varying results:

(i) Bulgaria

10. Economic reform in Bulgaria has to date produced conflicting results, especially in banking and finance. There has been a significant fall in the country's foreign currency reserves, which has led to difficulties. The 1996 budget review destabilised the national currency (the leva) causing private enterprise to opt for US dollar payments in preference. The banking system is in crisis, weighed down by an over-accumulation of irrecoverable debt which led to the closure of two major banks in March 1996 and triggered a minor political crisis. In agriculture, the illegal export of foodstuffs intended for domestic consumption has given rise to cereals and bread shortages. Last May, Bulgaria had no sooner concluded tough negotiations with the International Monetary Fund than it was struck by the full force of a new financial crisis, forcing the government to adopt emergency measures to stamp out inflation and impose a radical economic reform programme.

(ii) Georgia

11. The administrative and organisational disruption caused by the civil war that rent the country between 1992 and 1994 and the seizure of a part of the coastal area of the country by Abkhaz separatists, with the occupation of the port of Sukhumi, are continuing even today to have a detrimental effect on the progress of economic reform. If the pipeline bringing oil from the

Caspian Sea to Europe, the construction and route of which are at present under discussion, passes through Georgia, it could give the country's economic development a major boost. Georgia, whose main trading partners are Russia and Turkey, has endeavoured to change its economic policy to promote economic activity at home and trade abroad. Georgia also receives aid under the European Union's TACIS programme.

(iii) Romania

12. After a difficult period both politically and economically speaking, Romania is trying to rebuild its economy through international market access and the free trade system. As a newcomer, it is highly sensitive to international market fluctuations and has had to take certain emergency measures both by way of adjustment and to halt the fall in the rate of its currency (the lei), which dropped by 10% in November 1995; it has also initiated a campaign to privatise state-owned industry on a huge scale. Its agricultural and mineral wealth are major assets for the successful modernisation of the economy. Implementation of the Europe Agreement between Romania and the European Union, and the prospect of NATO and EU accession in the longer term are incentives to the pursuit of economic reforms in spite of the difficulties, both political and social, these might entail.

(iv) Russian Federation

13. The Russian Federation is pursuing a programme of economic reforms with varying success, largely on account of structural difficulties. Such difficulties are obvious in certain key areas of the Russian economy, particularly the scientific and technological sectors, which are having difficulty in regaining their former ascendancy. However, Russia is a massive energy producer and supplier, a factor of enormous advantage to its economic development and structural modernisation. It also has huge oil and coal reserves and the world's largest gas deposits. Russia's oil fields stretch from Siberia to the Barents Sea and energy exports account for over 50% of its hard currency income. Moreover, it has committed itself to privatising a large number of state-owned firms, which has attracted foreign investors and injected new capital. IMF assistance has made a substantial contribution to stabilising the economy and this form of aid has been maintained despite criticism regarding the continued fighting in Chechnya and internal political

instability, all of which seems to justify the direction economic reform has taken.

(v) *Turkey*

14. Turkey, a NATO member state and an associate member of WEU, is one of the larger countries of the region, in terms of both surface area and population. Like Bulgaria and Romania, it enjoys special relations with the European Union, with which it has signed a customs agreement designed to promote economic development and political rapprochement with the Union. Turkey regards two large projects as of major importance: the construction of the Caucasus pipeline bringing oil from the Caspian Sea, the final route for which has yet to be decided, but which could bring the country many economic advantages, and the huge Ataturk dam. An improvement in economic relations with Iran and the prospect of the pipeline bringing Turkey oil from Iraq being opened could eventually bring the substantial economic benefit it needs for its plans to modernise the country and to align its economy with that of the European Union

(vi) *Ukraine*

15. Ukraine, once regarded as the granary of the former Soviet Union, can draw on major economic assets. It has a huge potential in terms of mineral resources, coal and oil, and a large and well-developed heavy industry. However, these advantages did not prevent certain structural weaknesses from appearing when limited reforms to the economy were introduced. Between 1990 and 1993, GNP plummeted 43% and the monthly inflation rate rose to over 200% in 1993. It quickly became obvious that Ukraine was structurally weak: apart from its sizeable energy deficit, making Ukraine heavily dependent on Russia for its oil and gas, there were various inherent factors such as industrial decline, a transport crisis and currency upheaval. Reform made but slow headway in Ukraine but the situation now seems more stable and the economic indicators have improved somewhat, allowing a new currency, the hrivna, to be introduced, taking over from the vouchers that had replaced the rouble. Ukraine has signed partnership and cooperation agreements with the European Union and is endeavouring to improve relations with its Russian neighbour and creditor: nearly 50% of Ukraine's imports come from the Russian Federation and 35% of its exports go to that country, the result being an ongoing deficit in Ukraine's trade balance.

2. *Major ecological problems*

16. Pollution is a major problem in the Black Sea region, originating both within the coastal states and in other areas of Europe, whence it is borne by the rivers Danube and Dniepr. Industrialisation, urban sprawl and population growth, oil transport by sea, intensive fishing and its impact on marine biological systems all constitute major environmental hazards, the consequences of which will adversely affect the quality of life and economic development of all the states of the region. In order to cope with such issues, the Economic Cooperation is cooperating extensively with other institutions such as the Council of Europe, the European Union and the United Nations. On 10-12 July 1996, the first inter-parliamentary conference on environmental protection in the Black Sea area was organised in Istanbul by the Parliamentary Assembly of the Black Sea Economic Cooperation and the Parliamentary Assembly of the Council of Europe.

17. The conference considered four main topics¹

- the present position as regards the environment;
- sources of pollution of the Black Sea; rivers, industrial and urban discharge, navigation and shipping disasters, air pollution.
- measures - technical, political, legal and financial - to be taken to deal with the situation;
- public awareness and participation.

The conference concluded with the adoption of a five-point declaration which set out various provisions of a practical nature addressed both to the Black Sea coastal states and to Mediterranean states and asking for 1998 to be declared a conservation year for Black Sea and Mediterranean ecosystems². The conclusions stress the importance of the effective implementation of the 1992 Bucharest Convention on protecting the Black Sea against pollution - which will imply adopting appropriate legislative measures

1 First interparliamentary conference on environmental pollution in the Black Sea area, Istanbul, 10-12 July 1996; Final Declaration.

2. Idem, point 23.

18. On 16 September 1996, NATO also organised a seminar in Istanbul on computerised modelling of the Black Sea ecosystem, for management purposes and for studying wave movements along the Turkish coast³. A database was presented at the meeting containing information about the Black Sea ecosystem cycle, collected by research institutes in each of the coastal countries. This initiative, undertaken within the framework of the Alliance's Science for Stability programme, also demonstrates the bearing environmental issues have on security, as a deterioration in people's living conditions and economic problems associated with pollution (breaking-down of the ecosystem and the effects on tourism, for example) can impact on internal political stability and give rise to disputes between states over shared fishing resources or the origins of various types of pollution. A ministerial conference bringing together the six coastal states was held in Istanbul on 30-31 October 1996 and adopted a strategic action plan for fighting pollution. Environment ministers also asked for 31 October to be designated "International Black Sea Day."⁴

(b) Political stability and security

19. In spite of the apparent calm that seems to have settled over the region, the Black Sea area harbours a fair number of disputes that could lead to political or armed conflict. Internal instability in the new Soviet Union successor states, combined with the lack of a security plan, which might usefully have replaced the inveterate reciprocal monitoring that existed between NATO and the Warsaw Pact, makes political settlement of disputes between the coastal and boundary states difficult to achieve in the very near future. Economic issues, particularly those relating to transport of oil from the Caspian Sea, have a great deal to do with this, as there are major interests at stake, for states outside the region as well as within it. Such a situation, while it persists, acts as a brake on investment in the area and limits the scope of the aid programmes set up by the various European and world economic institutions, which are necessary for sustained regional development.

1. Situations of latent conflict

20. In the southern republics – the Caucasus, central Asia and Moldova – violence in varying

degrees accompanied the emergence of the new Soviet Union successor states. In 1988, the dispute over the status of Nagorno-Karabakh escalated to armed conflict between Armenia and Azerbaijan (even before either became independent) with disastrous consequences for the two countries, which still have repercussions today, although the war ended in 1994. Georgia has had to deal with problems with its ethnic minorities (Ossets and Abkhaz) which rapidly degenerated into an inter-ethnic, then a civil war between Georgian factions following a weakening of the central government. Mr Shevardnadze's rise to power in 1994 led to greater calm all round but no conclusive settlement was reached with the minorities. Moldova almost lost part of its territory following the conflict between the ethnic Russian population and the Moldov population of Transdnester. Once the situation had stabilised around a somewhat precarious *status quo*, territorial integrity was maintained in return for a degree of autonomy for the region. It was at this juncture that General Lebed began building his political and military career.

21. Although a state of relative peace now holds sway, the causes of the conflict are still present and no agreement has emerged that is entirely satisfactory to the parties concerned. The war has led to disruption and internal instability and has exposed all the countries involved to external pressures, at times entailing some loss in their ability to assert themselves independently in relation to certain powerful neighbours. The economic and humanitarian difficulties thus created have reached worrying proportions, with governments having insufficient resources to cope. Forced population movements and the exactions of war have left their mark and their consequences will continue to be felt for some years hence. OSCE intervention has helped appease some of these conflicts and the European Union has provided economic aid but only a global settlement of internal and external problems can bring lasting peace to the region. For this peace to be real would require guarantees from the larger Black Sea countries since the impact of some of the conflicts referred to has extended beyond national boundaries and has at times been used as a means of applying pressure on governments.

22. In spite of these difficulties, a degree of cooperation has been established at regional level that may encourage the search for negotiated solutions. However, for it to be successful, the three largest countries of the Black Sea area, the Russian

3 *Atlantic News*, No. 2846, 13 September 1996

4. *Yeniyuzul* (Turkey), 1 November 1996, page 2

Federation, Turkey and Ukraine, must see their way to overcoming the obstacles, internal and external, that are preventing real economic and political cooperation being established. Russian-Ukrainian relations are especially important here. For the time being, they are still marked by distrust and the areas of difference are many, ranging from division of the Black Sea fleet or the status of the Crimea to the direction of Ukraine's foreign policy. Ukraine is in fact in a precarious state of equilibrium between the Russian Federation and its central European neighbours, some of which are avowed candidates for accession to NATO. The uncertain economic outlook and long-standing unresolved disputes with the Russian Federation limit the scope for investment from abroad and economic aid from international financial institutions, and this has in turn inevitably slowed down the reforms that are under way. Ukraine is going through a sensitive phase in the process of achieving stability. Its outcome also depends on external factors such as political and economic developments in the Russian Federation and central European countries. Nevertheless, the country has the human and material resources necessary to overcome these difficulties provided its neighbours, for their part, refrain from exerting pressure and the institutions for economic and political cooperation, both European and transatlantic, provide it with the support it needs.

23. Turkey, the other major regional power, today stands at a crucial crossroads in relation to its own future and that of the Black Sea area as a whole. The end of the cold war has changed the geostrategic framework in which the country operates and this has in part contributed to its mounting political ascendancy in the wider region, if this is defined as including former Soviet Central Asia. At the same time, the Gulf crisis and the war in the Gulf allowed Turkey to reaffirm its role as a Middle Eastern power, a role which the present coalition government seems to be taking very seriously. For Turkey is aware of the unstable nature of its immediate environment, surrounded as it is by countries in varying states of political and economic upheaval, with which it finds itself in disagreement. Although to the north, conflict in the Caucasus has to some extent abated, there are uncertainties to the south connected with PKK terrorism, the situation in Iraqi Kurdistan and relations with Syria, Iraq and Iran. This gives rise to difficulties when it comes to carrying out the economic reforms that will allow Turkey to benefit fully from the agreement with the European Union

on a customs union and to prepare for possible accession at a future date. In order to meet this challenge successfully, Turkey has committed itself actively, through dialogue and political and economic cooperation, to defusing the crisis situations on its borders, despite continuing distrust on the part of certain states within the region and beyond. This is the mark of a politically responsible attitude that European institutions should support and encourage, with a view to enhancing stability and security in the Black Sea area and throughout the continent.

2. Absence of a regional security system

24. Economic development and environmental protection are today the main objectives of the cooperation established between the Black Sea coastal and boundary states but, in the longer term, structures for a political and security dialogue will need to be set up so as to ensure regular headway is made and to provide the stability that is essential for consolidating economic progress. This is a delicate matter, given that the positions underlying declarations of principle differ widely in practice. No satisfactory solutions have yet been found that are likely to lead to the lasting settlement of disputes referred to earlier. The situation is a dangerous one, for the instability it engenders in both political and economic terms is weakening some governments, leaving them vulnerable to internal or external pressure, and could again lead to armed conflict. The lack of a viable security arrangement to replace the spurious set piece balance of the cold war is a handicap that still has to be overcome if the economic potential of the region is to be developed fully for the benefit of all concerned. This is first and foremost the task of the coastal states but European and transatlantic organisations also have a part to play in the process.

25. The newly-independent states of the former Soviet Union have a somewhat loosely-defined mechanism for cooperation, known as the Commonwealth of Independent States (CIS). This institution is empowered to deal with security matters under the Treaty of Tashkent but has made very little impact on the real difficulties. The Caucasus states are likely to suffer from political instability, the Russian Federation and Ukraine have still not resolved their differences in a manner satisfactory to both, relations between Azerbaijan and the Russian Federation are complicated, in particular by the question of how oil is to be brought from the Caspian Sea and there is no sign