
THE ECONOMY AND ENERGY OF THE BLACK SEA REGION

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The Black Sea region has proved to be an emerging hub for Europe's security and has experienced several changes and a great development at the beginning of the twenty-first century. This process is currently carried out, and has important implications for European security in a broader definition of the term - to achieve traditional military security, but also tackling other challenges at the address soft security issues, such as organized crime. Located at the crossroads of three regions of paramount importance - Europe, Middle East and Central Asia – the Black Sea region is a major transit area for energy and at the same time, an important source of asymmetric risks and outbreaks of conflicts. Therefore, analysing this region from an economical point of view, but not forgetting the energy security implications for this area, represents the main focus of this article, along with underlining the importance of various actors in the region and their actions' impact on the future development of the Black Sea territory and surroundings.

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Introduction

The time and history were generous with the Black Sea basin. This space, located between Europe and Asia, the time appear to have run faster and more intense. Over the years, in the Black Sea region was the residence for many people, the realm of prosperity for many traders, and various state and political parties have played their interests, so that this space was never the same, knowing permanent political, economic and ethno-cultural mutations (King, 2004: 4). Consequently, as often happens in such cases of millennial evolution, the past history gave birth to a hectic present.

In recent years, especially after the collapse of the Soviet Union and the fall of authoritarian political regimes from Central and South-Eastern Europe, at international level, geopolitical reality of the wider Black Sea region has become a very sensitive subject. This fact occurred mostly because of the emergence of new issues (related to politics, security and economy) that have changed the geopolitical significance of the Black Sea basin and involved intensified efforts from strategic international and regional actors in an attempt to resolve the problems according to their own interests. Often, the interests of actors (state or non-state) were (and still are) divergent and therefore the wider Black Sea region was transformed in a space of geopolitical dispute, maintained mainly by the Russian Federation, the United States and the European Union (EU).

The Black Sea region (it includes Greece, Bulgaria, Romania and Moldova in the west, Ukraine and Russia in the north, Georgia, Armenia and Azerbaijan to the east, Turkey to the south; though Armenia, Azerbaijan, Moldova and Greece are not littoral states, through history, proximity and close ties, they are considered natural regional actors) is a production and transmission area with strategic importance for EU energy security, packed with natural resources, and having a strategic position at the junction of Europe, Central Asia and the Middle East; moreover, it also has a significant potential for energy supply

diversification (Aydin, 2004). This diversification requires a good and developed cooperation with energy-producing countries, transit countries and consumers in a dialogue on energy security issue.

The objective wanted to be achieved is to provide a clear, transparent and non-discriminatory framework, in accordance with the *acquis communautaire*, for the production, transportation and transit of energy (European Commission, 2007). Achieving this objective is more difficult as in the region there are unresolved frozen conflicts, with many environmental problems and insufficient border controls, controls that should be strengthened, since it is a booming market with raised growth potential and an important point for transportation and energy flows (European Commission, 2007).

Another issue that is receiving increased attention from the EU is the management of the movement of people and improving security. According to official statements, improving border management and customs cooperation at regional level increases security and helps fighting organized cross-border crime such as human, arms and drugs trafficking, and contributes to preventing and managing illegal migration (European Commission, 2007).

In terms of economic and energy security, the region is both a source and transit area for current and future energy resources, which could increase the diversity of Europe and security of supply. Apart from these, the European Union is outlining as a security and safety threats such as weak and failing states, people and drugs trafficking, other forms of organized crime and terrorism. In this sense, the EU enlargement to the shores of the Black Sea makes these waters - and the region around it - a primary concern for Europe. In fact, there are only a few places around the globe where wealth and prosperity are situated in such proximity of poverty and instability as in Europe's Southern and South-Eastern border areas. The region around the Black Sea is housing this precise mix of problems; but also a transit zone between these

security threats and Europe - which involves both challenges and opportunities for the European Union (Cornell et al, 2006).

Regarding the security at the Black Sea, things seem to be quite complicated, given that key players in the energy issue and individual states of the European Union have not agreed on the terms in which the energy security issues is going to be tackled in the region (EURISC, 2008). This cooperation cannot be performed because there are at least three challenges in this regard: first, Russia's interest to maintain the energy monopoly in Europe is in total contradiction with the European ambition to diversify its energy needs; secondly, even if the diversification of energy needs is clearly one of the objectives of the European Union, this does not necessarily compete with the interests of individual states in the union; and thirdly, major regional organizations are composed of actors in conflicts of interest, or they do not promote the same political interests, thus reducing its ability to facilitate regional cooperation in this matter (EURISC, 2008). Regarding this cooperation, a document was prepared on 11 April 2007, called The Black Sea Synergy, a document that analyses and highlights key areas that require coordinated action at the regional level in areas such as energy, transport, environment and security.

The Black Sea region – an area of economic interest

From a financial point of view, there are already a number of European firms that are developing trade relations in the Black Sea region, therefore the interests of various member states of the EU are affected by the instability in the region and structural problems (Gavras, 2009). Integrating the Black Sea market with the European one would be a distinct advantage from a purely economic point of view. But beyond that, the risk to the stability of the region of the Black Sea, a bridge between Central Asia that has important energy resources, the Caucasus and Europe, can eventually affect European economies and Europe's economy as a whole. Therefore, the EU is interested in solving

the (frozen) conflicts in the region and changing the behaviour between several countries from the region (Aydin, 2005).

The end of the Cold War transformed the Black Sea region in an amount of states, threats and interests. This transformation, logically, has provided new dimensions to this new geopolitical reality from this space.

The collapse of the Soviet Union and the fall of authoritarian political regimes in Central and South-Eastern Europe have increased the number of States bordering the Black Sea and essentially changed the political environment in the area. Bulgaria, Romania and Turkey were joined by three other countries, Russian Federation, Georgia and Ukraine, all born after the death of the USSR. In addition to riparian states, any reference to the Black Sea should not exclude Armenia, Azerbaijan, Greece and Moldova, states that complements the wider Black Sea area. In all the above-mentioned countries, 1990 has produced major transformations. Some of them have went from authoritarianism to an incipient democracy, while others from subjugation to independence, but this sudden change have found them completely unprepared and with a lot of problems re/discovered.

For all members of the wider Black Sea region, with an exception – Greece, the 90s of last century were troubled, dominated by armed conflicts (Armenia-Azerbaijan, Russian Federation, Georgia, Moldova), identity movements (Turkey) , diplomatic misunderstandings and consolidations of democracy (Bulgaria and Romania). A true mosaic of weak, corrupt, close to failure states, with different identities, rough and uneven rates of development located in the middle of a triangle that crystallized increasingly evident between Russian, European and Islamic civilizations (Rodeanu, 2013).

The Black Sea is also important for Russia. It was able to detect the potential that the Pontic area offers to develop a direct relationship with its European customers without having to transit countries such as Ukraine. After the two Russian-Ukrainian gas crisis from 2006 and

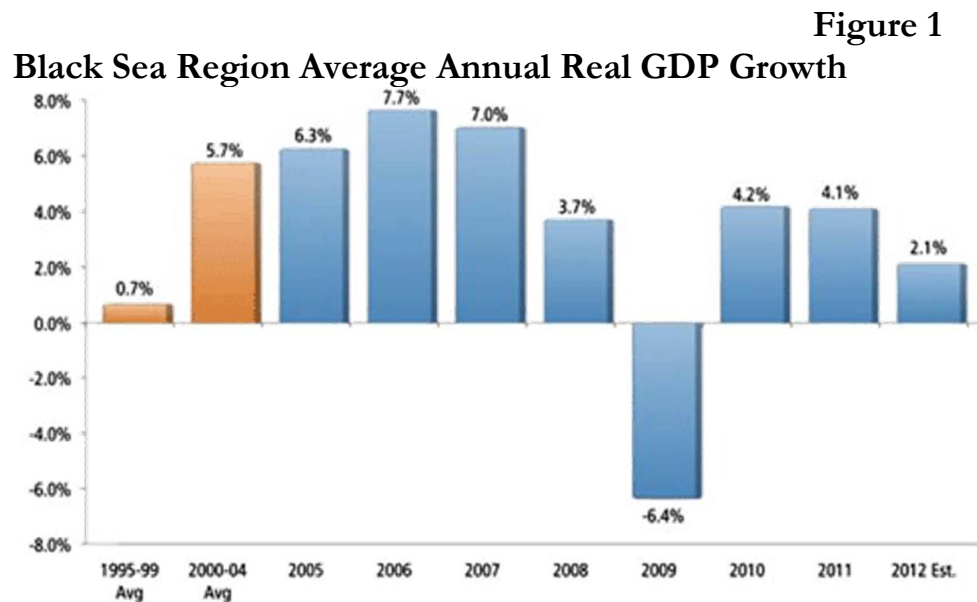
2009, which had a negative impact on its image of reliable partner, Moscow has decided to consolidate its Western partners guarantees through the development of pipeline projects that bypass Ukraine and its problems. This is the meaning of the South Stream project, which connects the Russian port of Beregovaya, passing under the Black Sea over a length of 900 km, the Bulgarian coast and then the major European markets, including the Italian one. South Stream, according to Russia, is the most appropriate means of improving EU energy security by developing networks and ensuring a direct relationship between producer and consumer (Krushcheva, 2010).

Last but not least, the Black Sea is important for Turkey, which is planning to use its strategic position to become an important energy hub in terms of quantities and infrastructure. The Turkish state is directly or indirectly involved in three major pipeline projects, namely Nabucco, South Stream and ITGI. In addition, Turkey is destined to become another major transit country, together or instead of Ukraine. This is about an important artery of transit that will allow, on one hand, producers from the Caspian Sea to open market and gain economic independence from Moscow and, on the other hand, European consumers to diversify transit routes sources of supply. Turkey is of great importance for Russia, which could use the marine belt for the offshore section of South Stream project. However, the monopoly on transit through Turkey could be eliminated if Nabucco does not materialize – the pipeline was a failure and the plan collapsed in June 2013 – (Demsey, 2013) and if other solutions will be identified to improve access to Caspian gas (AGRI project).

The economic growth in the Black Sea region has witnessed a slight decrease starting with 2011, relative to the outturns of the previous year. Moreover, as Figure 1 shows, the region's average real GDP growth in 2012 was an estimated 2.1%, roughly half the levels of growth achieved in 2010 and 2011. To some extent, this slowdown is disappointing, since the rates achieved in the previous years had seemed

to imply that the region had put behind it the short but severe recession that resulted in the aftermath of the global financial crisis in September 2008 and led to a 6.4% contraction of GDP in 2009, among the highest in the world (BSTDB, 2012; Papava, 2010).

As the same study of the Black Sea Trade and Development Bank shows, the Black Sea region's 2.1% real GDP growth from 2012 was achieved despite declines in agricultural production in most countries.



Source: BSTDB Annual Report, 2012

Actors and Energy interests

In a multipolar international system there were re/discovered and highlighted many frozen or non-existent problems at the time when the Soviet Union was a major influence in this space. The Wider Black Sea region plays a crucial role in this context, because it is the only area in Europe's vicinity that has the potential to serve as a key producer and transit area for new sources of European gas supplies (Cornell et al, 2006).

The ethnic problems were rediscovered. The Wider Black Sea turned into a framework of inter-ethnic and geopolitical conflicts, which implied insecure borders and weak states, and numerous threats to European and even international security, causing the proliferation of illicit trafficking of arms and transnational organized crime. Other threats have also emerged towards western and global security, being identified new disruptive factors, transforming the Black Sea in a key strategic hub for operations in those areas, aimed towards fighting against terrorism and their democratization.

The Black Sea geopolitical conflict would have no charm if there was no economic dimension capable of supporting an intense commercial and diplomatic competition.

The Black Sea region has distinguished in the last twenty years as an important commercial hub, because it is near the Caspian, a basin extremely rich in hydrocarbons. Therefore, in order to maintain energy security, the Russian Federation, USA, EU and other regional states have started a trade and diplomatic competition to establish special routes for hydrocarbons.

The Russian Federation is a strategic player in the wider Black Sea Region. In essence, the Russian Federation is a predictable actor with a distinct positioning in relation to the states and problems of the region. Traditionally, it reserves the right to diplomatic influence in the Caucasus, the Balkans and the Black Sea. For Russia, these areas are important for maintaining security and fighting to sustain the actual status quo. Therefore, any initiative aimed towards Russia is perceived as negative and reacts with: gas outages, suggesting alternative projects, maintaining complicated geopolitical situations (in the case of Georgia and Moldova).

The United States are interested in the Black Sea region, especially geostrategic. Its positioning in this region was tinted especially after September 11, 2001, when it declared war against terrorism. The wider Black Sea was a pivot towards the Eastern states that encourage

this phenomenon. At the same time, the US was interested in solving regional problems with a destructive potential. In this respect, the US has managed to infiltrate NATO gradually in the region, to ensure energy security of Israel, to install military bases in Romania and Bulgaria, to give an incentive to the democratic processes in the area and, in the future, it relies on Europe's energy independence.

Initially, the **European Union** had no reason to focus on the problems of the Black Sea region: smuggling, illicit traffic, unconsolidated democracies or insecure borders. But the last significant enlargement, with Bulgaria and Romania, placed it in the midst of these problems, which, by their nature, were a real factor of threat to European security. In addition, the energy resources of the Caspian basin and the unpleasant experiences with the Russian Federation (gas crisis) prompted Brussels to apply the idea of diversification of gas supply networks.

Conclusions

Bulgaria, Greece, Moldova, Romania, Turkey, Ukraine (taken in alphabetical order) and Caucasian countries, to a greater or lesser extent, are regional actors in the wider Black Sea area. The interests of these countries are diverse: maintaining security (Georgia and Ukraine), strengthening the economic position (Azerbaijan and Turkey) or affirmation their position at Euro-Atlantic level (Bulgaria and Romania).

Organization of the Black Sea Economic Cooperation (BSEC) was the first framework for cooperation in the Black Sea basin. The organization has quickly proved its inefficiency because of the Russian factor. In BSEC, the Russian Federation has a significant share and it often uses consensus to obstruct the decision making process (Delcour and Manoli, 2010).

Given the turbulent historical past and the current geopolitical importance, integrated discussions and common projects are welcomed. They can really put the foundations of a stable space in the wider Black

Sea region, and Moscow, when it will give up to saying “no” will have a decisive role in this respect.

Energy security has become a defining issue for the XXI century as part of a complex challenge in terms of energy that has an important strategic, economic and environmental dimension. Therefore, we need a clear regulatory framework to enable businesses to invest with confidence to build the propitious future for everyone.

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