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The Black Sea Region: New Challenges and Opportunities for Regional Cooperation

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Opening / Welcome

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It is undeniable that the Black Sea region has in the last years attracted more attention than in the past. This is visible by the emergence of organisations and initiatives aiming at improving cooperation, as well as by an intensified diplomatic activity, especially multilateral. It is a region which has indeed undoubtedly gained importance in the eyes of the EU and of other global and regional actors. This has not only to do with its role as an energy transit corridor. The potential of the development of this region goes far beyond this one economic sector and has a potentially significant role to play.

The lands of the broader Black Sea area represent indeed a bridge in the stability and prosperity between Europe, Russia, Central Asia and the Middle East. Therefore, it is of the utmost importance to promote peace as well as social, human and economic development in the Black Sea region. Security for all countries and confidence between them, resulting in deeper cooperation and exchange, are the basis to achieve such a goal. If we manage to advance successfully on this path, the resolution of the still pending disputes and conflicts, which bear a big responsibility in slowing the development of the region, will be much easier.

This region is confronted, today more than ever, to serious challenges and problems. The consequences of the big historic changes of the nineties, the struggle for resources and in particular energetic resources, represent a potential for change as well as factors of risk and instability, which need to be tackled. Today, as we all know, a crucial element in the stability of the region is represented by the Southern Caucasus, which faces in our opinion a four-fold challenge:

- 1- The *Protracted conflicts*, since the war last August in Georgia demonstrated how quickly an allegedly “frozen conflict” can degenerate into open military confrontation. Due to the irreconcilable positions of the parties, the conflict will remain a major obstacle for security and stability in the region for a long time to come. On the other side, positive developments in the Nagorno-Karabakh conflict thanks to the Turkish-Armenian “road map” must be welcomed and encouraged. However, there still persists the risk that public repetition of maximalist positions by Heads of State and lacking readiness for compromise give rise for skepticism.
- 2- *Democracy/rule of law*: developments in past two years in all three Southern Caucasus States have shown that the potential for improvement of democratic and human rights standards, rule of law, independence of justice and fight against corruption remains far from being exhausted.
- 3- *The global economic and financial crisis*, which affects more or less deeply all three Southern Caucasus States.
- 4- *Regional cooperation*: Despite all efforts of the international community, cooperation among the three Southern Caucasus States is poorly developed. There are almost no joint projects between Armenia and Azerbaidjan. Armenia remains excluded from energy and transport links between the Caspian See and Western Europe. Even relations between Armenia and Georgia remain strained.

The EU became, through its brokering of the ceasefire and the swift deployment of a civil monitoring mission, a key actor in the conflict mediation in Georgia. This is a challenge, but also a great opportunity for the EU. Given the size of the problems, the EU will probably

remain engaged for an extended period of time. Also thank to this, the international community's efforts to contribute to a sustainable stabilization in Georgia have been partially successful. The situation is more or less calm, but far from being stable. In this context, the EU Monitoring Mission (EUMM) is a key pillar for stabilization. It provides transparency and a permanent presence along the administrative border lines, thus contributing to confidence building and security. However, the EUMM for the time being could do much more. Due to non-access to South Ossetia and Abkhazia, the EUMM cannot fully implement its mandate. The status of Perevi as well as lacking contacts with Russia remain of particular concern. Work on confidence building does not really progress. Doubts remain as to whether Russia and South Ossetia are really ready to engage in Incident Prevention and Response Mechanism.

Hence we are still far from achieving a genuine conflict settlement. The main stumbling block is the recognition of independence of Georgia's breakaway regions Abkhazia and South Ossetia by Russia in August 2008, systematically corroborated by Russia through the conclusion of cooperation agreements with Abkhazia and South Ossetia on 17 September, and, subsequently, the deployment of Russian border guards in both entities as of 30 April. These steps deepen the divide in Georgia and are incompatible with the ceasefire regime laid down in the Six Point Agreement.

Current top priorities are to secure and stabilize the current acquis of international missions on the ground, and preserve our commitment to Georgia's territorial integrity. On 15 June, the current UNOMIG mandate will end. Therefore there is a need to draft a new UNSC Resolution with a sustainable and status neutral security regime. A symmetric UN presence on both sides of the Administrative border

lines is of particular importance. As regards the OSCE: should negotiations on an OSCE mandate fail, we should reflect on alternative OSCE activities provided by its institutions (e.g. HCNM, ODIHR), which can be a complementary tool in support of regional stability and security.

I already mentioned the significance of EUMM in Georgia's stability. Let us therefore keep in mind that its mandate ends on 14 September and that a decision on a possible extension is due soon, in June/July 2009. Germany, together with her partners, spares no effort to urge Russia and Georgia to seriously and constructively engage in a genuine settlement of the conflict. A sustainable political peace process seems not realistic without Russia. Thus, Russia's readiness to genuinely engage in such a process is a litmus test for the credibility of President Medvedev's proposals on a new European security architecture.

Recent diplomatic activities give us hope that also for the Nagorno-Karabakh conflict a peaceful solution will finally be found. We learnt that the most recent meeting of the presidents of Armenia and Azerbaijan on May 7 in Prague brought the two sides again closer to a breakthrough. This meeting of the two Presidents was the fourth in less than a year – which shows the determination of both president Aliyev and president Sargssyan to finally come to a solution, possibly even this year. A success of the on-going negotiations by the mediation of the Co-Chairs of the OSCE Minsk Group would be a decisive contribution to the stabilization and development of the whole region – both in terms of security and economic development.

Against this background, the key objectives mentioned at the beginning of this speech, that is the promotion of security and stability, democracy, prosperity and regional cooperation, seem all the more

indispensable in the definition of a successful Southern Caucasus policy.

Let me also mention the welcome constructive Turkish involvement in the efforts to bring peace and stability to the troubled Caucasus region. We think that a distinctly regional approach is the only one that offers any chance of an ultimate solution for the conflicts in the region. This approach must be based on dialogue. When Turkey launched its concept of a "Caucasus Stability and Cooperation Platform" (CSCP), the main challenge was obvious: to bring about the participation of all parties concerned. In spite of persistent problems in this field, due to several reasons, we hope that the Platform will be able to serve its intended purposes: to achieve a common understanding between the parties and, in the longer term, to make them join forces in common projects.

As I also mentioned previously, apart from peace-keeping and conflict-resolution efforts, numerous other ongoing initiatives all aim at fostering peace, stability and prosperity in the countries of the region. Such initiatives are today of the essence and hopefully are a sign that this region is at a turning point in trying to follow a positive path after years of paralysis and crisis.

Amongst others let me cite the Danube Commission for the revision of the Belgrade Convention, the Regional Cooperation Council and the Danube Cooperation Process. We are strongly committed to these initiatives and are going to participate at the conference of the Danube Cooperation Process to establish a Council of the Danube Cities and Regions on June 11th in Budapest. We also welcome other initiatives as

the Southeast European Cooperation Process and the Black Sea Economic Cooperation. This is why we support the development of an EU-Strategy for the Danube Region and a respective European Council mandate for the European Commission, as Foreign Minister Steinmeier recently made clear to his Austrian and Romanian counterparts. We intend to participate in a positive and constructive manner in the elaboration of the strategy and share the goal of a focussed policy for the Danube region incorporating ecological, cultural, socioeconomic and transportation questions. Against the background of the above-mentioned existing structures we will be careful to avoid duplications and to look for complementarity between these different approaches. I am glad that other Danube partners share this view, as reflected in the Final Declaration of last week's Danube Summit in Ulm. Our good experiences with the comparable EU-Baltic Sea Strategy make us confident that in 2011, for the Hungarian EU-Presidency, we will have an EU-Strategy for the Danube Region that will help the people in the region and make the Danube region stronger.

Germany strongly believes in regional cooperation. You will remember that, in the summer of 1999, the then German Presidency of the European Union proposed a Stability Pact for South Eastern Europe. It was designed to avert new vicious cycles of violence and counter-violence to safeguard Europe's long-term security and to create stability in the Western Balkans. This region has since made significant progress. Violence has been discredited as a means of realizing political goals in the Balkans. The establishment of democratic institutions and the development of civil society are on the right track. Economic development is progressing, albeit still slowly in some places. Regional

cooperation is becoming stronger and integration into Euro-Atlantic structures has come a long way in South East Europe.

With the hand-over from the Stability Pact for South Eastern Europe to the Regional Cooperation Council (RCC) on 27 February 2008 the expansion of regional cooperation in South Eastern Europe proceeded even further: it brought the entire region closer to the European Union. Germany has always been committed to the Stability Pact; we will remain as committed to its successor.

Regional structures are not only vital prerequisites to solve regional problems. They can also be an important contribution to master European and global challenges. Allow me to explore just one area that might demonstrate how essential it is to make progress in regional cooperation. It covers a subject most of us were concerned about earlier this year: the supply of energy. The Energy Community provides a framework in which the South East European region can cooperate on rebuilding its energy networks after the disintegration of a unified energy system and create the conditions in which its economies can be rebuilt effectively. A regional approach to energy security offers significant advantages both in terms of improved utilisation of existing supply and production capacities as well as optimising future investments. The *raison d'être* of the Energy Community is to facilitate this process. Ultimately it will also support the integration of the region into the internal energy market of the European Community. The ongoing negotiations for extending the membership to countries such as Ukraine or Moldova proves that the Energy Community already is a success story.

Regional cooperation in the field of energy brings me to another equally important field of regional cooperation: economic cooperation. Here, the Black Sea Economic Co-operation (BSEC) has a vital role to play. Including all neighbouring countries of the Black Sea and a number of other states in its vicinity it provides an excellent foundation to make the Black Sea region an economic unity as well as a bridge between Asia and Europe. Whether countries participate in BSEC, whether they cooperate and show full commitment will bear relevance for a wider context, too: It indicates the willingness and capability of countries to cooperate in larger organisational structures successfully and will be a sign of political maturity. It is in your interest and the interest of the entire region to make BSEC a forum where all countries of the region come together and work on technical issues - even in difficult times.

The European Neighbourhood Policy (ENP) needs of course also be mentioned. It is an important element of the EU foreign policy as defined in the European Security Strategy of 2003, that is the creation of a ring of politically stable and economically prosperous neighbour countries to the east and the south of the EU. Since its creation the ENP has proved to be an efficient instrument for supporting reform policies in neighbouring countries. It contains a very flexible offer in order to bring them closer to EU standards without having to answer to the question of an integration into the EU.

One of the priorities under the German presidency of the EU has consisted in reinforcing the ENP through manifold measures, among others through the creation of a Neighbourhood Investment Facility (NIF), which couples bilateral contributions with common infrastructure projects. The NIF represents some 700 Mio. € between 2007 and 2013,

of which 170 Mio. € have been already spent. On top of it, bilateral contributions of the EU member states (Germany in 2008 and in 2009 contributes with 10 Mio. € per year) and their cooperation institutions (the KfW for Germany) also play a role in order to increase the leverage effect of the NIF. Until now the NIF Board has approved 15 projects in the eastern and southern partner countries, which are going to be co-financed through 71 Mio € coming from NIF, some of them under the guidance of the KfW, as for example a European support fund for small and medium enterprises in Armenia, Azerbeidjan and Georgia. The Commission, in its yearly report on the implementation of the ENP for 2008, expressed the opinion that 2008 had been a difficult year for the implementation of the ENP because of the conflict between Russia and Georgia and of the gas crisis between Ukraine and Russia, as well as because of the consequences of the economic and financial crisis which struck particularly the eastern neighbours of the EU. Nonetheless, in spite of the changing internal political developments in many ENP countries, there was progress made in the negotiations of free trade agreements, tax and custom reforms, policies on competition and fight against corruption. Democratic reforms and improvement of human rights show a much more complex picture, which shows the strategic necessity to meet the rising challenges and to reinforce the ENP

The Commission also praised the regional initiatives complementing the bilateral character of the ENP. These are the Union for the Mediterranean launched in July 2008 and the new Eastern Partnership, complementary to the Black Sea Synergy, which was just launched at the Summit in Prague on the 7th of May this year.

The recent Summit of the Eastern Partnership (EP) in Prague was undoubtedly a success. The high-level participation of all Partner Countries showed that there is an interest and a big potential in strengthening the cooperation in the whole eastern neighbourhood of the EU. The declaration adopted consensually by all heads of state and government underlined the importance attached by the EU in fostering the development of the EP-partners, bringing them closer to the EU and thus contributing to greater prosperity and stability in the whole region.

The Summit declaration stressed the importance of seeking complementarities with other initiatives like the Black Sea Synergy (BSS). It is necessary that the relations between these two initiatives be more clearly defined, in order to make the most of the opportunities that they offer for regional development. In our view and that of other EU partners, the BSS must actively be further supported and reinforced. In particular, it has to become fully operational and has to exist through concrete projects. It will take some time before the BSS acquires its full dimension, but it is important to engage actively in projects of regional cooperation. This is the task in the first place of the Black Sea region countries, but we also stand ready to lend our full support to such initiatives.

Germany launched this initiative – in cooperation with the Commission and EU partners – under its presidency of the EU, with the triple aim to give our various policies towards individual Black Sea states an overarching regional dimension, to promote regional cooperation around the Black Sea and to develop and strengthen the Black Sea region as a bridge to other countries and regions further to the east and to the south – especially the Middle East and Central Asia.

As Foreign Minister Steinmeier stressed during the Foreign Ministers' Conference held in Kiev in February 2008, we believe that building mutual trust between all the countries of the broader region, through discussing and cooperating together, is of the essence in order to be able to resolve long-standing regional disputes and conflicts that are still holding the region back, socially and economically.

We mentioned at the time three sectors where cooperation was urgently needed and promising: infrastructure projects, energy and research. Cooperation efforts should focus, among other things, on expanding the Trans-European Networks to the east and south-east, thus allowing the region to fully play its role as a bridge to Asia and the Middle East; on coordinating new energy projects, with the aim of achieving supply security for consumers and securing transport routes for producers and transit countries. As for research cooperation, which is of crucial importance to generate "synergies" and bring our countries' students and academics together, we continue to support the idea of an institute of European studies in the Black Sea region, open to young potentials all over the region active in politics, government or business.

This initiative did not aim at building new institutional frameworks, but to help develop and foster already existing cooperation programs in the region, be it of the EU or of Black Sea states.

Two years after the official launching of the BSS we see unfortunately a lack of concrete results. There are still few projects implemented under the umbrella of BSS. Therefore, Germany supports strongly initiatives of littoral Black Sea EU members to speed up implementation of the

Synergy, to strengthen the initiative alongside with the Eastern partnership and to draw up together with the Commission a roadmap for the Synergy. I welcome the idea to form Sectoral Partnerships for the Black Sea Synergy. The Sectoral Partnerships could be conceived as permanent frameworks in which partners engage into regional cooperation schemes in a specific sector. They could start with establishing Sector Partnerships covering the fields of environment, transport and energy, each with one of the EU member states in the region taking a leading role in servicing the Partnership, together with the European Commission. The Sectoral Partnerships should be launched as soon as possible. Germany stands ready to take part actively in these formats.

Dear Guests,

let me wish you a fruitful conference that could give a meaningful contribution in meeting the challenges of the Black Sea region and finding opportunities to regional cooperation there with a strong and visible input of the European Union.